

Tambun Indah (HOLD ↓, EPS ↔)

INDUSTRY: NEUTRAL

NEWSBREAK

November 12, 2014

Price Target: RM2.14 (↓)

Share price: RM2.18

Termination of Land Acquisition

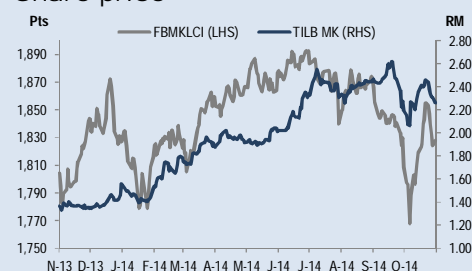
News	<ul style="list-style-type: none"> TILB have announced that the conditional S&P agreement between Palmington Sdn Bhd (wholly-subsiary of TILB) and TPPT Sdn Bhd had been terminated due to non-fulfilment of a condition precedent. The mentioned termination of agreement is with regards to the group's land acquisition which was announced on 4 June 2014, acquiring 209.5 acres of land in Seberang Prai for RM150m cash, or RM16.43 psf. The land is adjacent to its flagship Pearl City development on Penang mainland. No prospective GDV was mentioned in the announcement
Financial impact	<ul style="list-style-type: none"> We do not expect any financial impact to TILB on the termination of agreement as the proposed land acquisition is planned to be developed over the longer term (4-5 years later).
Comments	<ul style="list-style-type: none"> We are negatively surprised by the announcement by TILB given that the land acquisition would further boost the group's landbank in Pearl City by more than 40%. No specific reasons were being disclosed behind the termination of the agreement. That said, TILB will be refunded the deposit paid within 21 working date from the notice of termination, which amounts to RM15m, without interest. Despite that, TILB will continue to seek for more opportunities to build up its landbank further for future intended developments.
Risks	<ul style="list-style-type: none"> Slowdown in mainland Penang property market (unlikely), as it is 100% concentrated in Penang.
Forecasts	<ul style="list-style-type: none"> Unchanged as any intended development on the 209.5 acres of land would only commence 4-5 years later.
Rating	<p>HOLD ↓</p> <p>Positives</p> <ul style="list-style-type: none"> Strong beneficiary of rising land prices in Penang mainland; Pearl City Flagship will provide the main earnings driver; Undemanding valuations – still trading at 6.7x FY15E P/E. Attractive 5.9% DY (FY15E). <p>Negatives</p> <ul style="list-style-type: none"> High project concentration in Penang.
Valuation	<ul style="list-style-type: none"> We have re-adjusted our RNAV estimates by elimination the impact of the land acquisition of which we have earlier factored in (209.5 acres with estimated GDV of RM1.36bn). Post-adjustment, we reduced our TP from RM2.60 to RM2.14 (based on unchanged 10% discount to RNAV). Recommendation is downgraded to HOLD.

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KLCI	1,825.1
Expected share price return	-1.9%
Expected dividend return	5.7%
Expected total return	3.8%

Share price

Information

Bloomberg Ticker	TILB MK
Bursa Code	5191
Issued Shares (m)	412.2
Market cap (RMm)	898.6
3-mth avg volume ('000)	1,036.0

Price Performance	1M	3M	12M
Absolute %	-0.5	-8.4	54.6
Relative %	-1.4	-7.1	53.5

Major shareholders

Siram Permai	32.6%
Amal Pintas	8.8%
Kiak Seng Teh	6.1%

Summary Earnings Table

FYE 31 Dec (RM m)	2013A	2014E	2015E	2016E
Revenue	376.4	464.0	533.5	554.7
Reported net profit	65.0	101.2	126.9	140.6
Norm. net profit	65.0	101.2	126.9	140.6
Norm. EPS (sen)	19.8	24.7	30.9	34.3
EPS growth (%)	50.6	24.9	25.3	10.8
Norm. PER (x)	11.0	8.8	7.0	6.4
FD PER (x)	11.0	8.8	7.0	6.4
Net DPS (sen)	10.7	9.9	12.4	13.7
Dividend yield (%)	4.9	4.5	5.7	6.3
BVPS (RM)	0.9	0.9	1.1	1.3
P/B (x)	2.3	2.4	2.0	1.7

HLIB

Figure #1 RNAV table

Project profits - DCF	RMm
Ongoing projects	
Dahlia Park	2.92
Tanjung Heights	4.11
Pearl Villas	9.42
Juru Industrial Park	2.02
Capri Park	4.24
Pearl Square	5.86
Pearl Indah 1	4.24
Pearl Indah 2	1.30
Pearl Indah 3	9.64
Carissa Villas	6.37
BM Residence	11.30
Pearl Residence 1	43.37
Pearl Impian	20.80
Straits Garden	39.46
Pearl Avenue 1	11.34
Future projects	
Taman Bukit Residence	13.20
Camellia Park	10.18
Permai Residence	4.92
Pearl Avenue 2	7.11
Pearl Harmoni	24.97
Rain Tree Park 1	24.68
Rain Tree Park 2	24.30
Pearl Tropika	13.39
Other phases - Pearl City	287.79
New land	
Unbilled Sales	73.69
Total Surplus	660.61
Total Equity	313.59
Total RNAV	974.19
Shares outstanding (m)	410.00
RNAV per share (RM)	2.38
Discount to RNAV	10.0%
Target Price (RM)	2.14
HLIB	

Financial Projections

Income statement

FYE 31 Dec (RM m)	2012A	2013A	2014E	2015E	2016E
Revenue	296.9	376.4	464.0	533.5	554.7
COGS	-193.4	-239.7	-302.0	-341.8	-349.9
Gross profit	103.5	136.7	162.1	191.6	204.8
Other income	1.7	3.7	3.7	3.7	3.8
Sales and mktg exp	-13.5	-12.1	-11.5	-11.0	-10.5
Admin. exp	-11.0	-10.0	-9.6	-9.3	-8.9
Finance costs	-2.2	-2.8	-5.9	-1.3	3.4
Associates	0.5	2.3	0.0	0.0	0.0
Pretax profit	79.0	117.7	138.6	173.8	192.6
Taxation	-21.9	-30.0	-37.4	-46.9	-52.0
Minorities	-16.2	-22.8	0.0	0.0	0.0
Net profit	40.8	65.0	101.2	126.9	140.6
Basic shares (m)	310.8	328.7	410.0	410.0	410.0
Basic EPS (sen)	13.1	19.8	24.7	30.9	34.3

Balance sheet

FYE 31 Dec (RM m)	2012A	2013A	2014E	2015E	2016E
Inventories	0.3	0.3	0.4	0.4	0.5
Trade & other rec	70.6	86.6	110.3	126.8	131.8
Cash	96.0	125.9	219.3	295.0	376.8
Current Assets	297.4	339.8	456.9	549.1	636.0
PPE	3.6	3.4	3.9	4.4	4.9
Investment properties	58.6	64.2	64.2	64.2	64.2
Dev. Land	78.0	78.5	78.5	78.5	78.5
Total assets	443.9	496.9	614.5	707.3	794.7
Shr Holder funds	155.4	197.1	197.1	197.1	197.1
Total Equity	261.9	313.6	374.3	450.4	534.8
Long-term borrowings	77.1	73.3	77.1	77.1	77.1
Short-term borrowings	6.7	24.8	6.7	6.7	6.7

Assumption metrics

FYE 31 Dec (RM m)	2014E	2015E	2016E
Gross margin	34.9	35.9	36.9
PBT margin	29.9	32.6	34.7
Net margin	21.8	23.8	25.3

Valuation ratios

FYE 31 Dec (RM m)	2012A	2013A	2014E	2015E	2016E
Reported basic EPS (sen)	13.1	19.8	24.7	30.9	34.3
Norm. basic EPS (sen)	13.1	19.8	24.7	30.9	34.3
Norm. FD EPS (sen)	13.1	19.8	24.7	30.9	34.3
Price	2.2	2.2	2.2	2.2	2.2
PER (x)	16.6	11.0	8.8	7.0	6.4
Net DPS (sen)	9.1	10.7	9.9	12.4	13.7
Net DY (%)	4.2	4.9	4.5	5.7	6.3
NTA/ share (sen)	83.9	94.2	90.3	108.9	129.5
P/NTA (x)	2.6	2.3	2.4	2.0	1.7
Enterprise value	665.5	688.8	758.3	682.7	600.8
EV/ EBITDA (x)	8.2	5.8	5.2	3.9	3.2
ROE (%)	15.6	20.7	27.0	28.2	26.3
Net gearing (x)	0.0	-0.1	-0.4	-0.5	-0.5
BVPS (RM)	0.8	0.9	0.9	1.1	1.3

Cashflow

FYE 31 Dec (RM m)	2012A	2013A	2014E	2015E	2016E
PAT	57.0	87.8	101.2	126.9	140.6
Depreciation	0.5	0.5	0.5	0.5	0.5
Amortisation	0.0	0.0	0.0	0.0	0.0
Working cap & others	24.0	24.0	33.2	0.1	-2.0
Operating cashflow	83.7	83.7	134.8	127.4	139.1
Capex	-50.1	-50.1	-1.0	-1.0	-1.0
Investing Cashflow	-52.7	-52.7	-1.0	-1.0	-1.0
Issue of shares	45.0	45.0	0.0	0.0	0.0
Dividends	-11.8	-11.8	40.5	50.7	56.2
Others	-12.4	-12.4	0.0	0.0	0.0
Financing cashflow	20.8	20.8	-40.5	-50.7	-56.2
Net cash flow	51.9	51.9	93.4	75.7	81.8

Quarterly financial summary

FYE 31 Dec (RM m)	2Q13	3Q13	4Q13	1Q14	2Q14
Revenue	82.6	97.1	118.4	112.0	128.0
Cost of sales	-52.1	-60.5	-78.0	-72.1	-89.9
Gross profit	30.5	36.6	40.4	39.9	38.1
Sales and mktg exp	-1.8	-2.7	-4.2	-2.1	-2.2
Admin. exp	-2.8	-2.6	-1.9	-2.7	-2.9
Operating Profit	26.6	32.0	35.3	35.7	34.5
Pretax profit	26.3	31.2	36.3	35.3	33.1
Net profit	14.0	17.2	22.1	25.3	25.4
Basic shares (m)	313.7	329.5	359.2	394.8	401.2
Basic EPS (sen)	4.5	5.2	6.1	6.4	6.3
DPS (sen)	0.0	2.0	4.6	0.0	0.0
FCF/ share (sen)	5.2	9.1	2.4	-14.0	-0.4
Net cash/ share (sen)	3.2	14.7	7.7	-2.2	-1.3

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BUY	Positive recommendation of stock under coverage. Expected absolute return of more than +10% over 12-months, with low risk of sustained downside.
TRADING BUY	Positive recommendation of stock not under coverage. Expected absolute return of more than +10% over 6-months. Situational or arbitrage trading opportunity.
HOLD	Neutral recommendation of stock under coverage. Expected absolute return between -10% and +10% over 12-months, with low risk of sustained downside.
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