

Tambun Indah Land (TILB MK)

Property- Real Estate
Market Cap: USD270m

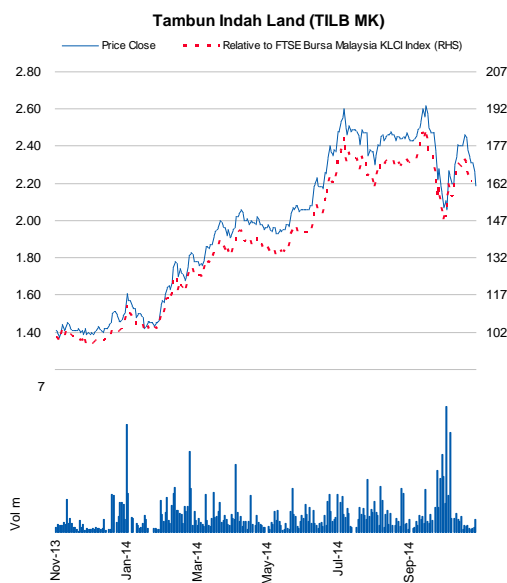
Buy (Maintained)

Target Price: MYR2.50

Price: MYR2.18

Land Deal Terminated

Macro ◆◆◆
Risks ◆◆
Growth ◆◆◆
Value ◆◆◆



Source: Bloomberg

Avg Turnover (MYR/USD)	2.24m/0.70m
Cons. Upside (%)	30.7
Upside (%)	14.7
52-wk Price low/high (MYR)	1.37 - 2.62
Free float (%)	50
Share outstanding (m)	412
Shareholders (%)	
Ir. Teh Kiak Seng	39.0

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	44.4	(0.5)	(8.4)	11.8	54.6
Relative	46.7	(1.3)	(7.0)	14.1	53.5

Shariah compliant

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Tambun has terminated the deal to acquire 209.5 acres of land, as certain terms were not met. Although this could disappoint the market, we still like Tambun for its solid management team and >500-acre land at Seberang Perai. Moving forward, management can still embark on other landbanking opportunities. For now, without the new land, we lower our TP to MYR2.50 (14.7% upside). Maintain BUY.

- ◆ **The deal is off.** Tambun Indah Land (Tambun) has terminated the deal to acquire 209.5 acres of land from TPPT Sdn Bhd. The land, which is adjacent to the southern side of Tambun's Pearl City, costs MYR150m (MYR16.50 psf). As certain conditions cannot be met, and given that expensive charges could be incurred if the period is extended, management has decided to call off the deal. The MYR15m deposit paid earlier will be refunded.
- ◆ **Other opportunities still aplenty.** While the market could be disappointed with the news, we think Tambun's solid management team and its over 500 acres of landbank in Seberang Perai are still the company's key selling points. Management's execution track record is proven and the strategically-located Pearl City is still the key township in Seberang Perai Selatan to capture the rising housing demand there. Meanwhile, we also do not rule out the possibility that the deal could happen again, given that only Tambun has access to the land. Moving ahead, the company can still embark on other landbanking opportunities which should be RNAV-accretive.
- ◆ **3Q14 earnings likely on track.** Tambun is scheduled to release its 3Q14 results in two weeks' time. Underpinned by the MYR493m unbilled sales, earnings should be largely on track to reach our full-year forecast. In view of better earnings this year, we also expect the interim dividend to be higher than 2 sen declared last year. New sales, however, will likely be slightly weaker due to the lack of new launches during the quarter.
- ◆ **Maintain BUY.** Our forecasts are unchanged as the land is not planned to be developed over the next 2-3 years. Nevertheless, we expect the latest news to bring some weakness to share price, but we continue to like Tambun as an affordable housing player. For now, without the new land, our TP is lowered to MYR2.50 (from MYR3.00). We maintain our BUY rating.

Forecasts and Valuations	Dec-12	Dec-13	Dec-14F	Dec-15F	Dec-16F
Total turnover (MYRm)	297	376	466	580	673
Reported net profit (MYRm)	41	65	98	117	134
Recurring net profit (MYRm)	41	65	98	117	134
Recurring net profit growth (%)	74.6	59.2	51.1	18.9	14.7
Recurring EPS (MYR)	0.13	0.16	0.24	0.28	0.31
DPS (MYR)	0.05	0.06	0.09	0.10	0.11
Recurring P/E (x)	16.6	13.2	9.0	7.8	7.0
P/B (x)	3.04	2.77	2.32	1.96	1.67
Dividend Yield (%)	2.1	2.8	4.0	4.7	5.2
Return on average equity (%)	21.6	24.4	28.4	27.6	26.2
Return on average assets (%)	10.7	13.8	16.4	15.3	15.2
Net debt to equity (%)	(4.6)	(8.9)	17.6	6.5	(4.0)
Our vs consensus EPS (adjusted) (%)			3.4	(0.1)	4.4

Figure 1: RNAV breakdown

New projects	Total GDV (MYR m)	Land size (acres)	Equity stake	NPV @ 9.5%
<u>Ongoing projects</u>				
BM Residence	57.4		100%	11.0
Straits Garden	237.8		100%	52.0
Pearl Residence	223.5		100%	41.2
Pearl Impian	90.0		100%	17.3
Pearl Avenue (Ph. 1)	82.6		100%	26.7
<u>Remaining projects</u>				
Taman Bukit Residence	63.7	8.0	100%	12.3
Camellia Park	50.0	3.3	100%	9.2
Permai Residence	24.2	3.9	50%	2.3
Pearl Avenue (Ph. 2)	34.9	4.1	100%	11.1
Pearl Harmoni	122.4	21.6	100%	23.6
Rain Tree Park 1	135.8	25.1	100%	27.3
Rain Tree Park 2	173.4	30.1	100%	41.6
Pearl Tropika	86.5	20.3	100%	17.4
Pearl City - other phases	2,310.6	385.1	100%	386.0
Total				679.34
Shareholders' fund				351.04
Warrants proceed				26.52
Total RNAV				1,056.90
Shares base incl. warrants & placement (m)				423.60
FD RNAV per share (MYR)				2.50
Discount				0%
Fair value per share				2.50

Source: RHB

Financial Exhibits

Profit & Loss (MYRm)	Dec-12	Dec-13	Dec-14F	Dec-15F	Dec-16F
Total turnover	297	376	466	580	673
Cost of sales	(193)	(240)	(296)	(376)	(446)
Gross profit	104	137	170	203	227
Gen & admin expenses	(24)	(21)	(31)	(36)	(39)
Other operating costs	2	3	3	3	3
Operating profit	81	118	142	171	190
Operating EBITDA	81	119	143	172	191
Depreciation of fixed assets	(1)	(1)	(1)	(1)	(1)
Operating EBIT	81	118	142	171	190
Net income from investments	1	2	-	-	-
Interest expense	(2)	(3)	(4)	(8)	(8)
Pre-tax profit	79	118	138	163	182
Taxation	(22)	(30)	(38)	(45)	(48)
Minority interests	(16)	(23)	(2)	(1)	(0)
Profit after tax & minorities	41	65	98	117	134
Reported net profit	41	65	98	117	134
Recurring net profit	41	65	98	117	134

Source: Company data, RHB

Cash flow (MYRm)	Dec-12	Dec-13	Dec-14F	Dec-15F	Dec-16F
Operating profit	81	118	142	171	190
Depreciation & amortisation	1	1	1	1	1
Change in working capital	24	(24)	(21)	(27)	(22)
Other operating cash flow	3	(4)	(18)	(10)	(9)
Operating cash flow	108	91	104	135	160
Interest paid	(2)	(3)	(4)	(8)	(8)
Tax paid	(22)	(30)	(38)	(45)	(48)
Cash flow from operations	84	58	62	83	104
Capex	(45)	(7)	(150)	(20)	(20)
Other investing cash flow	(8)	(15)	-	-	-
Cash flow from investing activities	(53)	(21)	(150)	(20)	(20)
Dividends paid	(12)	(14)	(24)	(36)	(43)
Proceeds from issue of shares	42	46	-	-	-
Increase in debt	6	14	-	-	-
Other financing cash flow	(10)	(58)	12	10	11
Cash flow from financing activities	26	(12)	(11)	(26)	(32)
Cash at beginning of period	39	96	126	130	168
Total cash generated	57	24	(99)	36	52
Forex effects		6			
Implied cash at end of period	96	126	27	166	220

Source: Company data, RHB

Financial Exhibits

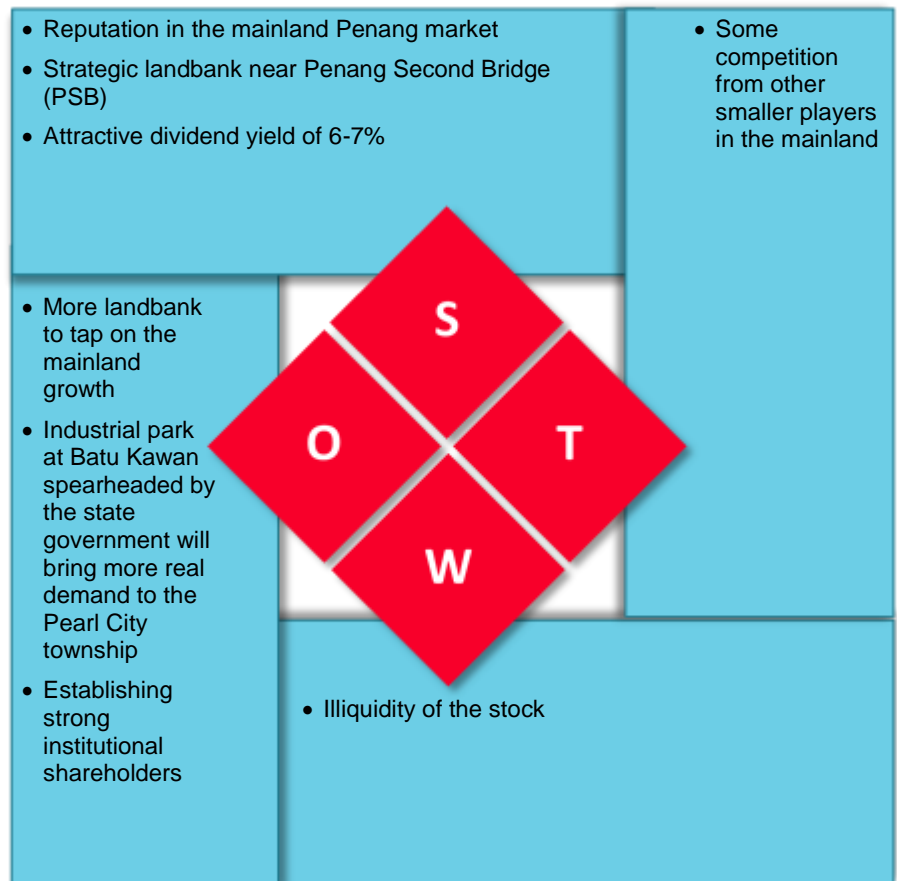
Balance Sheet (MYRm)	Dec-12	Dec-13	Dec-14F	Dec-15F	Dec-16F
Total cash and equivalents	96	126	130	168	221
Inventories	129	125	155	193	224
Accounts receivable	71	87	107	133	155
Other current assets	1	2	2	2	2
Total current assets	297	340	394	496	602
Total investments	5	7	7	7	7
Tangible fixed assets	140	146	295	314	333
Total other assets	1	4	4	4	4
Total non-current assets	146	157	306	325	344
Total assets	444	497	700	821	946
Short-term debt	7	25	25	25	25
Accounts payable	93	81	111	148	178
Other current liabilities	3	4	4	4	4
Total current liabilities	103	110	139	176	207
Total long-term debt	77	73	173	173	173
Other liabilities	2	0	0	0	0
Total non-current liabilities	79	74	174	174	174
Total liabilities	182	183	313	350	381
Share capital	155	197	204	209	214
Retained earnings reserve	60	48	113	190	279
Other reserves	8	65	65	65	65
Shareholders' equity	223	310	382	464	558
Minority interests	39	4	5	7	7
Other equity	-	(0)	-	0	(0)
Total equity	262	314	388	471	565
Total liabilities & equity	444	497	700	821	946

Source: Company data, RHB

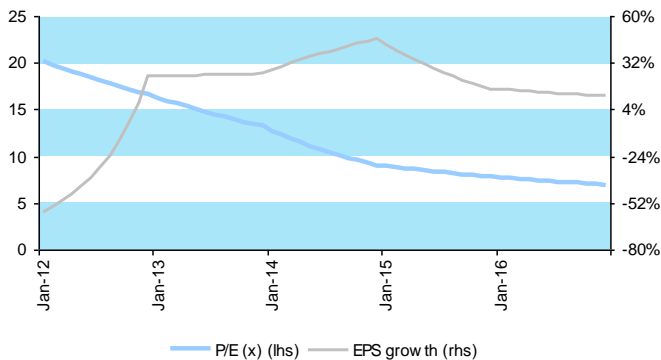
Key Ratios (MYR)	Dec-12	Dec-13	Dec-14F	Dec-15F	Dec-16F
Revenue growth (%)	54.8	26.8	23.9	24.3	16.0
Operating profit growth (%)	72.6	46.6	20.1	20.1	11.5
Net profit growth (%)	74.6	59.2	51.1	18.9	14.7
EPS growth (%)	24.1	25.6	46.2	16.1	12.0
Bv per share growth (%)	2.2	9.5	19.3	18.6	17.4
Operating margin (%)	27.2	31.4	30.4	29.4	28.3
Net profit margin (%)	13.7	17.3	21.1	20.1	19.9
Return on average assets (%)	10.7	13.8	16.4	15.3	15.2
Return on average equity (%)	21.6	24.4	28.4	27.6	26.2
Net debt to equity (%)	(4.6)	(8.9)	17.6	6.5	(4.0)
DPS	0.05	0.06	0.09	0.10	0.11
Recurrent cash flow per share	0.27	0.15	0.15	0.20	0.24

Source: Company data, RHB

SWOT Analysis

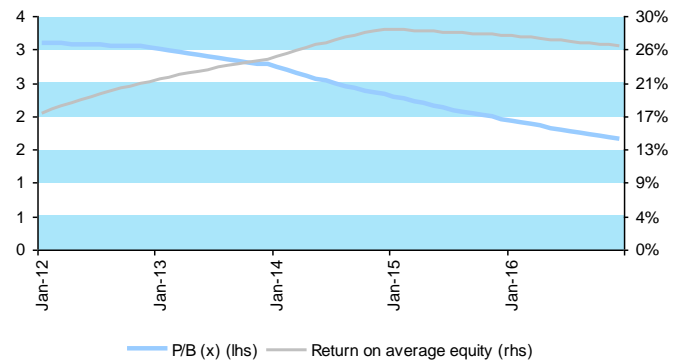


P/E (x) vs EPS growth



Source: Company data, RHB

P/BV (x) vs ROAE



Source: Company data, RHB

Company Profile

Tambun Indah Land Bhd is a developer based in Penang mainland. Its flagship township Pearl City is located at Simpang Ampat, 15 minutes away from the PSB.

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2014-08-20	Buy	3.00	2.45
2014-07-13	Buy	3.00	2.37
2014-06-05	Buy	3.00	2.06
2014-04-15	Buy	2.50	1.96
2014-02-27	Buy	2.20	1.72
2013-12-13	Buy	2.08	1.40
2013-11-20	Buy	2.05	1.45
2013-11-14	Buy	2.05	1.41
2013-09-25	Buy	2.00	1.38
2013-08-20	Buy	1.82	1.52

Source: RHB, Bloomberg

RHB Guide to Investment Ratings

- Buy:** Share price may exceed 10% over the next 12 months
Trading Buy: Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
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