

Tambun Indah Land (TILB MK)
Buy (Maintained)

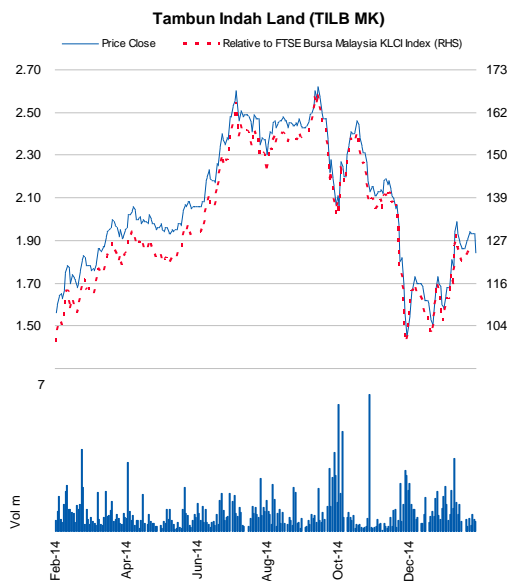
Property- Real Estate

 Target Price: **MYR2.25**

Market Cap: USD215m

 Price: **MYR1.84**

Demand For Pearl City Houses Remains Strong

 Macro
 Risks
 Growth
 Value


Source: Bloomberg

Avg Turnover (MYR/USD)	1.71m/0.49m
Cons. Upside (%)	13.6
Upside (%)	22.3
52-wk Price low/high (MYR)	1.45 - 2.62
Free float (%)	50
Share outstanding (m)	421
Shareholders (%)	
Ir Teh Kiak Seng	39.0

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	13.6	8.2	(13.6)	(22.4)	17.9
Relative	10.8	3.8	(13.3)	(20.3)	18.7

Shariah compliant

 Loong Kok Wen, CFA +603 9207 7614
loong.kok.wen@rhbgroup.com

Tambun's 4Q14 results were within expectations. Maintain BUY with a higher TP of MYR2.25 (from MYR2.00) (22% upside). Due to the delay in approvals, the new sales reached only MYR429m in FY14 (vs MYR500m in FY13). However, we expect sales to pick up in FY15, as approvals come in. Newly launched projects in Pearl City remain strong, signaling products at the right pricing and location will still sell.

- ◆ **Within expectations.** Tambun Indah's (Tambun) 4Q14 results came in within our and market expectations. Despite the QoQ drop in topline, the increase in PBT was due to the fair value adjustment on investment properties (some shop lots that have been rented out) amounting to MYR2.6m, as well as the lower marketing and administrative expenses incurred. Meanwhile, contribution from Pearl City to total property development turnover has fallen to 59.8% from 67.8% in 3Q, as the Penang Island project (Straits Garden) contributed a higher percentage at 20.7%.
- ◆ **FY14 new sales achieved of MYR429m.** New sales in 4Q reached only MYR81m from MYR74.1m in 3Q, mainly due to a lack of new launches as a result of delays in approvals. Full year new property sales achieved MYR429m, down from MYR500m in FY13. We, however, expect sales in FY15 to pick up as approvals for some projects have already been received in Dec 2014. The recently launched Raintree Park 1, with a GDV of MYR164m, has seen an encouraging take-up rate of >60%, indicating demand for Pearl City properties is still strong. This new precinct comprises 2-storey terraces, semi-ds and townhouses, with pricing of about MYR440,000, MYR530,000 and MYR320,000 respectively. In the pipeline, management plans to roll out MYR500m worth of new products, including Raintree Park 2, Pearl Tropika, Avenue Garden, Central Avenue and Pearl 28. All of these are located in the Pearl City township.
- ◆ **Forecasts.** We make minimal adjustments to our FY15-16 earnings forecast (less than -5%), as we update the latest financial numbers. Unbilled sales declined slightly to MYR427.4m in 4Q from MYR457.3m in 3Q.
- ◆ **Maintain BUY.** We maintain our BUY rating on the stock. Our TP is raised to MYR2.25 (from MYR2.00), based on an unchanged 15% discount to RNAV, as we incorporate some small landbank additions and update our RNAV estimate.

Forecasts and Valuations	Dec-13	Dec-14	Dec-15F	Dec-16F	Dec-17F
Total turnover (MYRm)	376	467	552	614	727
Reported net profit (MYRm)	65	102	115	128	148
Recurring net profit (MYRm)	65	102	115	128	148
Recurring net profit growth (%)	59.2	57.2	12.3	11.2	16.0
Recurring EPS (MYR)	0.16	0.24	0.27	0.30	0.35
DPS (MYR)	0.06	0.08	0.09	0.10	0.12
Recurring P/E (x)	11.2	7.6	6.8	6.1	5.3
P/B (x)	2.34	1.95	1.65	1.40	1.19
Dividend Yield (%)	3.3	4.4	4.9	5.4	6.3
Return on average equity (%)	24.4	28.9	26.4	24.8	24.4
Return on average assets (%)	13.8	17.6	15.8	15.1	15.2
Net debt to equity (%)	(8.9)	3.7	(1.3)	(6.3)	(11.6)
Our vs consensus EPS (adjusted) (%)			(5.9)	0.4	5.9

Figure 1: Tambun's quarterly results table

FYE Dec (MYRm)	4Q13	3Q14	4Q14	QoQ (%)	YoY (%)	FY13	FY14	YoY (%)	Comments
Turnover	118.4	116.8	110.1	(5.7)	(7.0)	376.4	466.8	24.0	
EBIT	35.3	36.7	35.8	(2.3)	1.4	118.2	142.7	20.7	4Q14 EBIT was lifted by a fair value gain and lower sales and admin expenses
EBIT margin (%)	29.8	31.4	32.5			31.4	30.6		
Net interest	(0.2)	(2.0)	(0.9)	(55.5)	311.1	(2.8)	(5.8)	102.5	
Pretax profit	36.3	34.8	35.1	1.1	(3.1)	117.7	138.2	17.4	
Pretax margin (%)	30.6	29.8	31.9			31.3	29.6		
Taxation	(8.0)	(9.0)	(8.7)	(3.7)	8.0	(30.0)	(34.9)	16.5	
Tax rate (%)	22.1	25.9	24.7			25.4	25.3		
Minority interest	(6.2)	(0.2)	(0.6)	166.1	(90.5)	(22.8)	(1.2)	(94.8)	
Net profit	22.1	25.5	25.9	1.3	17.3	65.0	102.1	57.2	Within expectations
Net margin (%)	18.6	21.9	23.5			17.3	21.9		
EPS (sen)	6.1	6.2	6.2	0.3	1.6	19.6	25.2	28.7	
Gross DPS (sen)	4.6	3.0	0.0			6.6	3.0		Final dividend pending the audited financial statements
NTA/share (MYR)	0.8	0.9	0.9			0.8	0.9		

Source: Company, RHB

Figure 2: RNAV breakdown

New projects	Total GDV (MYR m)	Land size (acres)	Equity stake	NPV @ 9%
Ongoing projects				
BM Residence	57.4		100%	10.1
Straits Garden	237.8		100%	46.0
Pearl Residence	223.5		100%	39.6
Pearl Impian	90.0		100%	16.6
Pearl Avenue (Ph. 1)	82.6		100%	27.6
Remaining projects				
Taman Bukit Residence	63.7	8.0	100%	11.8
Camellia Park	50.0	3.3	100%	8.9
Permai Residence	24.2	3.9	50%	2.1
Pearl Avenue (Ph. 2)	39.2	4.1	100%	12.6
Pearl Harmoni	122.4	21.6	100%	22.7
Rain Tree Park 1	164.0	25.1	100%	30.4
Rain Tree Park 2	199.4	30.1	100%	33.9
Avenue Garden @ Pearl City	90.0	n.a.	100%	12.5
Central Avenue @ Pearl City	77.5	n.a.	100%	15.6
Pearl Tropika	125.0	20.3	100%	23.2
Alma	90.0	n.a.	100%	17.4
Pearl City - other phases	2,326.3	385.1	100%	365.4
Total				696.44
Shareholders' fund				397.01
Warrants proceed				26.52
Total RNAV				1,119.97
Shares base incl. warrants & placement (m)				423.60
FD RNAV per share (MYR)				2.64
Discount				15%
Target price per share				2.25

Source: RHB

Financial Exhibits

Profit & Loss (MYRm)	Dec-13	Dec-14	Dec-15F	Dec-16F	Dec-17F
Total turnover	376	467	552	614	727
Cost of sales	(240)	(306)	(365)	(413)	(497)
Gross profit	137	161	187	201	231
Gen & admin expenses	(21)	(23)	(26)	(25)	(29)
Other operating costs	3	5	5	5	5
Operating profit	118	143	166	181	207
Operating EBITDA	119	144	167	182	209
Depreciation of fixed assets	(1)	(1)	(1)	(1)	(1)
Operating EBIT	118	143	166	181	207
Net income from investments	2	1	-	-	-
Interest expense	(3)	(6)	(6)	(7)	(7)
Pre-tax profit	118	138	160	174	200
Taxation	(30)	(35)	(44)	(46)	(52)
Minority interests	(23)	(1)	(1)	(0)	-
Profit after tax & minorities	65	102	115	128	148
Reported net profit	65	102	115	128	148
Recurring net profit	65	102	115	128	148

Source: Company data, RHB

Cash flow (MYRm)	Dec-13	Dec-14	Dec-15F	Dec-16F	Dec-17F
Operating profit	118	143	166	181	207
Depreciation & amortisation	1	1	1	1	1
Change in working capital	(24)	36	(7)	(5)	(10)
Other operating cash flow	(4)	(18)	(10)	(9)	(8)
Operating cash flow	91	162	150	168	191
Interest paid	(3)	(6)	(6)	(7)	(7)
Tax paid	(30)	(35)	(44)	(46)	(52)
Cash flow from operations	58	121	100	115	132
Capex	(7)	(153)	(50)	(50)	(50)
Other investing cash flow	(15)	3	-	-	1
Cash flow from investing activities	(21)	(150)	(50)	(50)	(49)
Dividends paid	(14)	(24)	(34)	(38)	(42)
Proceeds from issue of shares	46	18	-	-	-
Increase in debt	14	55	-	-	-
Other financing cash flow	(58)	12	10	11	12
Cash flow from financing activities	(12)	62	(24)	(27)	(31)
Cash at beginning of period	96	126	138	179	218
Total cash generated	24	33	26	37	52
Forex effects	6				
Implied cash at end of period	126	159	164	217	271

Source: Company data, RHB

Financial Exhibits

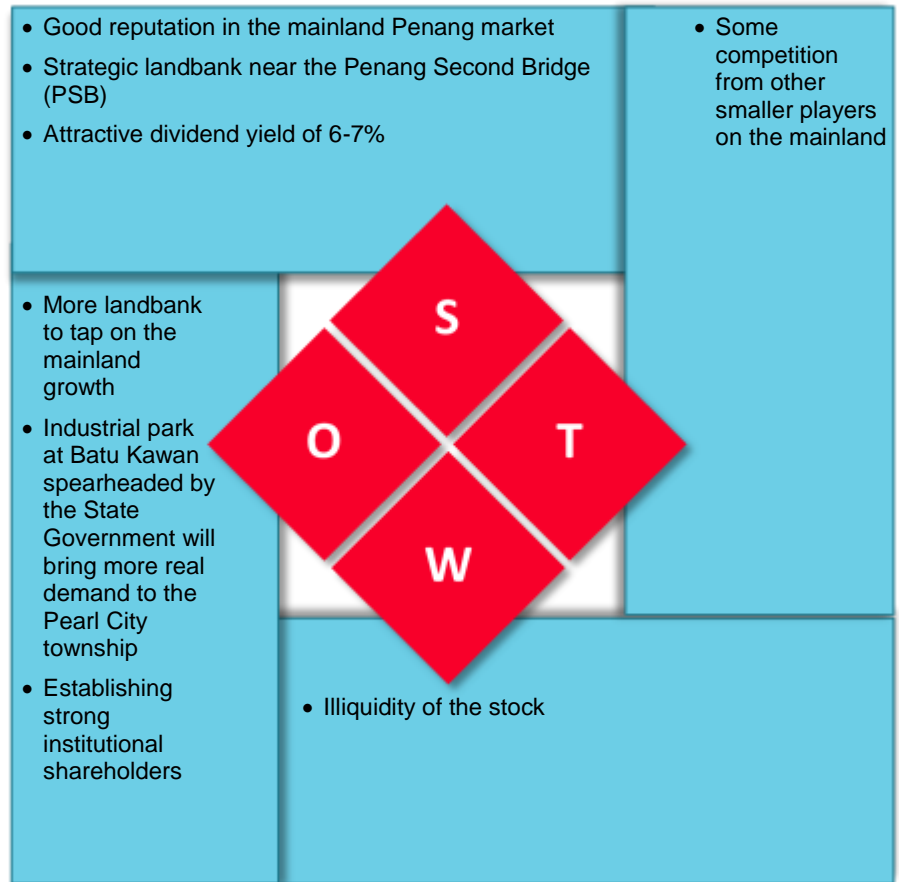
Balance Sheet (MYRm)	Dec-13	Dec-14	Dec-15F	Dec-16F	Dec-17F
Total cash and equivalents	126	138	179	218	269
Inventories	125	75	89	98	117
Accounts receivable	87	118	140	155	184
Other current assets	2	5	5	5	5
Total current assets	340	336	413	477	575
Total investments	7	4	4	4	4
Tangible fixed assets	146	298	347	396	445
Total other assets	4	23	23	23	23
Total non-current assets	157	325	374	423	472
Total assets	497	662	787	901	1,047
Short-term debt	25	35	35	35	35
Accounts payable	81	104	132	152	189
Other current liabilities	4	1	1	1	1
Total current liabilities	110	140	168	189	226
Total long-term debt	73	118	138	148	158
Other liabilities	0	4	4	4	4
Total non-current liabilities	74	122	142	152	162
Total liabilities	183	262	310	341	388
Share capital	197	210	212	212	212
Retained earnings reserve	48	118	193	276	375
Other reserves	65	68	68	68	68
Shareholders' equity	310	397	473	556	655
Minority interests	4	2	4	4	4
Other equity	(0)	(0)	(0)	0	0
Total equity	314	399	477	560	659
Total liabilities & equity	497	662	787	901	1,047

Source: Company data, RHB

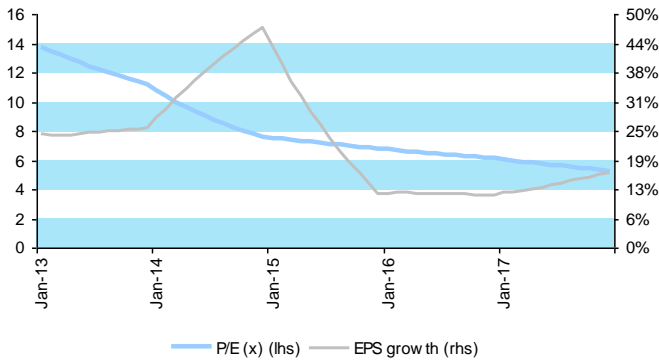
Key Ratios (MYR)	Dec-13	Dec-14	Dec-15F	Dec-16F	Dec-17F
Revenue growth (%)	26.8	24.0	18.2	11.3	18.4
Operating profit growth (%)	46.6	20.7	16.6	8.7	14.7
Net profit growth (%)	59.2	57.2	12.3	11.2	16.0
EPS growth (%)	25.6	47.2	11.6	11.2	16.0
Bv per share growth (%)	9.5	20.0	18.3	17.6	17.9
Operating margin (%)	31.4	30.6	30.1	29.4	28.5
Net profit margin (%)	17.3	21.9	20.8	20.8	20.4
Return on average assets (%)	13.8	17.6	15.8	15.1	15.2
Return on average equity (%)	24.4	28.9	26.4	24.8	24.4
Net debt to equity (%)	(8.9)	3.7	(1.3)	(6.3)	(11.6)
DPS	0.06	0.08	0.09	0.10	0.12
Recurrent cash flow per share	0.15	0.29	0.24	0.27	0.31

Source: Company data, RHB

SWOT Analysis

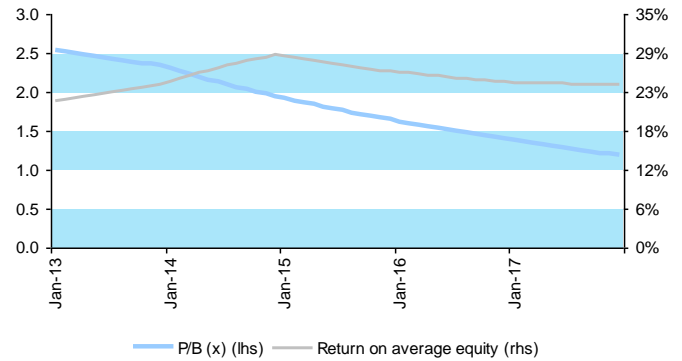


P/E (x) vs EPS growth



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
2014-12-16	Buy	2.00	1.51
2014-11-19	Buy	2.50	2.13
2014-11-12	Buy	2.50	2.13
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

Source : RHB, Bloomberg

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- 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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