

**Tambun Indah (BUY ↔, EPS ↓)**

 INDUSTRY: NEUTRAL  
 EARNINGS EVALUATION

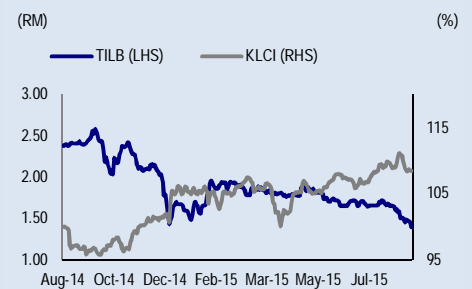
 August 27, 2015  
 Price Target: RM1.65 (↓)  
 Share price: RM1.43

**2Q Result: Below Expectations**

Results	<ul style="list-style-type: none"> <li>▪ <b>Below expectations:</b> TILB's 2QFY15 fell by 33% YoY, bringing 1HFY15 profit to RM47m, accounting for 37% of HLIB's and consensus' full year forecasts.</li> </ul>
Deviations	<ul style="list-style-type: none"> <li>▪ This is mainly due to some projects are nearing completion and two new launched projects are at early stage of construction.</li> </ul>
Dividends	<ul style="list-style-type: none"> <li>▪ None.</li> </ul>
Highlights	<ul style="list-style-type: none"> <li>▪ 2QFY15 PAT fell by 33% YoY and 43% QoQ mainly due to some projects are nearing completion and two new launched projects are at early stage of construction.</li> <li>▪ TILB have achieved high take-up rate of 89.2% for its on-going projects, with total GDV of RM1.2bn. These projects are Camellia Park in Butterworth, B&lt; Residence, Permai Residence and Residensi Bukit Kecil in Bukit Mertajam, Pearl Residence, pearl Impian, Pearl Avenue, Pearl Harmoni, Raintree Park 1 and Pearl Avenue 2 in Pearl City, as well as Straits Garden in Penang Island.</li> <li>▪ TILB achieved new property sales of only RM25m in 2QFY15 (1QFY15: RM146m) due to lack of new launches. Total 1H sales is about RM171m, on track to achieve full year sales target of RM400m. The company targets to launch Raintree Park2 and Avenue Garden worth about RM300m GDV in 2H15.</li> <li>▪ Unbilled sales to date stands at RM408m, representing 0.9x of the group's FY14 total revenue.</li> </ul>
Risks	<ul style="list-style-type: none"> <li>▪ Slowdown in mainland Penang property market (albeit unlikely), as it is 100% concentrated in Penang and the affordable segment.</li> </ul>
Forecasts	<ul style="list-style-type: none"> <li>▪ FY15 and FY16 earnings reduced by 15% after factored in slower billing recognition.</li> </ul>
Rating	<b>BUY ↔</b> <ul style="list-style-type: none"> <li>▪ <b>Positives:</b> <ul style="list-style-type: none"> <li>(1) Strong beneficiary of rising land prices in Penang mainland; (2) Pearl City Flagship will provide the main earnings driver; (3) Undemanding valuations – still trading at 5.6 FY15E P/E; (4) Decent 7.2% DY (FY15E); and (5) Potential for more RNAV-accretive landbanking exercises.</li> </ul> </li> <li>▪ <b>Negatives:</b> <ul style="list-style-type: none"> <li>(1) High project concentration in Penang.</li> </ul> </li> </ul>
Valuation	<ul style="list-style-type: none"> <li>▪ TP is adjusted from <b>RM2.14 to RM1.65</b> after raising discount to RNAV from 10% to 30% in view of the challenging market look. Maintain <b>BUY</b> on the stock.</li> </ul>

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KLCI	1,580.4
Expected share price return	15.4%
Expected dividend return	7.2%
Expected total return	22.6%

**Share price**

**Information**

Bloomberg Ticker	TILB MK
Bursa Code	5191
Issued Shares (m)	421.7
Market cap (RMm)	606
3-mth avg volume ('000)	203
SC-Syariah Compliant	Yes

Price Performance	1M	3M	12M
Absolute %	-16.4	-17.8	-41.9
Relative %	-8.9	-8.3	-31.5

**Major shareholders**

Siram Permai	33.8%
Amal Pintas	8.6%
Teh Kiak Seng	6.0%

**Summary Earnings Table**

FYE 31 Dec	2014A	2015E	2016E	2017E
Revenue (RM m)	376	467	467	515
EBITDA	116	140	166	163
Norm. net profit	65	102	108	120
Norm. EPS (sen)	16	25	26	28
Norm. PER (x)	8.9	5.7	5.6	5.0
BV/share	0.94	0.98	1.10	1.27
P/BV (x)	1.52	1.46	1.30	1.13
ROA (%)	18.0	18.0	24.5	24.2
ROE (%)	20.7	25.6	23.2	22.3

HLIB

Figure #1 Quarterly results comparison

FYE 31 Dec	2Q14	1Q15	2Q15	Qoq (%)	Yoy (%)	Comments
<b>Revenue</b>	<b>128.0</b>	<b>130.4</b>	<b>60.0</b>	(54.0)	(53.1)	<b>YoY/QoQ:</b> Lower as some projects are nearing completion and two new launched projects are at early stage of construction.
Cost of Sales	(89.9)	(82.8)	(32.0)	(61.3)	(64.4)	
<b>Gross profit</b>	<b>38.1</b>	<b>47.6</b>	<b>28.0</b>	(41.2)	(26.4)	<b>YoY/QoQ:</b> Decline lesser as compare to revenue due to better margin.
Selling and marketing expenses	(2.2)	(2.4)	(1.5)	(34.7)	(29.6)	
Administrative expenses	(2.9)	(3.9)	(4.2)	6.9	46.4	
Other Income	0.8	0.4	0.1	(73.7)	(85.7)	
Operating Profit	<b>33.8</b>	<b>41.7</b>	<b>22.4</b>	(46.4)	(33.8)	
Interest Income	0.7	0.7	0.8	13.9	13.3	
Finance costs	(1.6)	(1.4)	(1.4)	0.1	(13.5)	
Net Interest	(0.9)	(0.7)	(0.6)	(14.1)	(34.7)	
Associates	0.2	0.2	0.4	108.5	158.8	
<b>Profit before taxation</b>	<b>33.1</b>	<b>41.3</b>	<b>22.2</b>	(46.2)	(32.8)	Filtered down from gross profit.
Income tax expense	(7.4)	(10.9)	(4.9)	(55.1)	(33.5)	
MI	0.3	0.5	0.2	(48.0)	(8.3)	
<b>PATAMI</b>	<b>25.4</b>	<b>29.9</b>	<b>17.1</b>	(42.9)	(32.8)	Filtered down from PBT.
EPS (sen)	6.1	7.1	4.1			

Company

Figure #2 Cumulative results comparison

FYE 31 Dec	1H14	1H15	Yoy (%)	Comments
<b>Revenue</b>	240.0	190.4	(20.7)	Lower as some projects are nearing completion and two new launched projects are at early stage of construction.
Cost of Sales	(162.0)	(114.8)	(29.2)	
<b>Gross profit</b>	78.0	75.6	(3.0)	Decline lesser as compare to revenue due to better margin.
Selling and marketing expenses	(4.3)	(3.9)	(8.7)	
Administrative expenses	(5.6)	(8.1)	46.3	
Other Income	0.9	0.5	(41.1)	
Operating Profit	69.0	64.1	(7.1)	
Interest Income	1.2	1.5	24.3	
Finance costs	(2.9)	(2.7)	(4.4)	
Net Interest	(1.7)	(1.2)	(25.0)	
Associates	1.0	0.7	(35.3)	
<b>Profit before taxation</b>	68.4	63.5	(7.1)	Filtered down from gross profit.
Income tax expense	(17.2)	(15.8)	(8.3)	
MI	0.4	0.7	85.2	
<b>PATAMI</b>	50.7	47.0	(7.4)	Filtered down from PBT.

Company

Figure #3 HLIB vs. consensus

RMm	FY15			FY16		
	HLIB	Consensus	%	HLIB	Consensus	%
Revenue	467.2	550.0	-15.0	514.9	566.3	-9.1
PATAMI	107.9	119.3	-9.6	119.9	129.0	-7.1

HLIB; Bloomberg

Figure #4 RNAV Table

Projects	Stake (%)	NPV (RM m)
Launched but havent sold	100%	29.6
Raintree Park 2@ Pearl City	100%	40.1
Avenue Garden @ Pearl City	100%	17.0
Central Avenue @ Pearl City	100%	14.3
Pearl Tropika @ Pearl City	100%	22.4
Alma (TBC)	100%	14.0
Kota Permai, Bukit Mertajam (TBC)	100%	25.9
Camellia Park - Commercial	100%	0.7
Peark City - Other Phases	100%	342.7
Unbilled Sales	100%	93.5
NPV		600.2
Shareholder Funds as of 1Q15		427.5
Net cash/(debt) as of 1Q15		(11.0)
RNAV		1,016.6
WA Proceed		6.5
Total RNAV		1,023.2
Total Diluted Shares		432.2
RNAV/share		2.4
Discount		30%
Discounted RNAV		711.7
Discounted RNAV/share		1.65

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Company, HLIB

## Financial Projections

### Income statement

FYE 31 Dec (RM m)	2012A	2013A	2014A	2015E	2016E
<b>Revenue</b>	<b>297</b>	<b>376</b>	<b>467</b>	<b>467</b>	<b>515</b>
Operating cost	-217	-260	-327	-301	-352
<b>EBITDA</b>	<b>80</b>	<b>116</b>	<b>140</b>	<b>166</b>	<b>163</b>
D&A	0	0	-1	-17	2
Net Interest	-1	0	-2	-5	-5
Associates	1	2	1	1	1
Jointly controlled entities	-	-	-	-	-
Exceptionals	-	-	-	-	-
<b>Pretax profit</b>	<b>79</b>	<b>118</b>	<b>138</b>	<b>145</b>	<b>161</b>
Taxation	(22)	(30)	(35)	(36)	(40)
Minority Interest	16	23	1	1	1
PATAMI	41	65	102	108	120
<b>Core Earning</b>	<b>41</b>	<b>65</b>	<b>102</b>	<b>108</b>	<b>120</b>
Basic shares (m)	405	405	405	421	421
<b>Basic EPS (sen)</b>	<b>10.1</b>	<b>16.0</b>	<b>25.2</b>	<b>25.6</b>	<b>28.5</b>

### Balance sheet

FYE 31 Dec (RM m)	2012A	2013A	2014A	2015E	2016E
Fixed assets	130	146	298	67	69
Other long-term assets	6	11	27	29	30
Other short-term assets	5	5	5	5	5
<b>Working capital</b>	<b>164</b>	<b>168</b>	<b>224</b>	<b>224</b>	<b>247</b>
Receivables	71	87	118	118	130
Payables	93	81	104	104	115
Inventory	0	0	2	2	3
<b>Net cash / (debt)</b>	<b>-2</b>	<b>13</b>	<b>-38</b>	<b>66</b>	<b>104</b>
Cash	82	111	115	219	257
ST debt	7	25	35	35	35
LT debt	77	73	118	118	118
<b>Shareholders' funds</b>	<b>262</b>	<b>314</b>	<b>399</b>	<b>465</b>	<b>538</b>
Share capital	155	197	210	210	210
Reserves	68	113	187	251	323
Minorities	39	4	2	4	5
Other liabilities	42	30	118	-74	-82

### Summary Earnings Table

<b>Revenue</b>	297	376	467	467	515
EBITDA	80	116	140	166	163
Net profit	41	65	102	108	120
P/E (x)	14.2	8.9	5.7	5.6	5.0
BV / share	0.8	0.9	1.0	1.1	1.3
P/BV (x)	1.8	1.5	1.5	1.3	1.1
ROA (%)	13.8	18.0	18.0	24.5	24.2
ROE (%)	15.6	20.7	25.6	23.2	22.3

### Cashflow

FYE 31 Dec (RM m)	2012A	2013A	2014A	2015E	2016E
EBIT	79	116	139	150	165
D&A	0	0	1	17	(2)
Working capital changes	24	(27)	(99)	(0)	(31)
Taxation	(22)	(30)	(35)	(36)	(40)
Others	4	1	3	(7)	(7)
<b>Operating cashflow</b>	<b>82</b>	<b>54</b>	<b>-5</b>	<b>122</b>	<b>85</b>
Capex & acquisitions	-1	0	0	-1	-1
<b>Free cashflow</b>	<b>80</b>	<b>54</b>	<b>-6</b>	<b>122</b>	<b>84</b>
Others	-57	-26	-12	2	2
<b>Investing cashflow</b>	<b>-58</b>	<b>-26</b>	<b>-13</b>	<b>1</b>	<b>2</b>
Equity Raised	45	27	0	0	0
Others	0	0	0	0	0
Net Borrowing	6	14	55	0	0
<b>Financing cashflow</b>	<b>29</b>	<b>-4</b>	<b>36</b>	<b>-43</b>	<b>-48</b>
<b>Net cashflow</b>	<b>52</b>	<b>24</b>	<b>18</b>	<b>80</b>	<b>38</b>

### Valuation ratios

Net DPS (sen)	0.00	0.00	0.00	0.00	1.00
FCF/ share (sen)	19.78	13.24	-1.48	28.94	19.95
FCF yield (%)	13.8%	9.3%	-1.0%	20.2%	14.0%
Market capitalization (m)	580	580	580	580	580
Net cash (m)	-2	13	-38	66	104
Enterprise value	582	566	617	514	476
EV/ EBITDA (x)	7.3	4.9	4.4	3.1	2.9

### Growth margins ratios

<b>Growth (%)</b>					
Sales Growth		26.9	24.0	0.1	10.2
Operating expenses		19.8	25.6	-7.9	16.9
EBITDA Growth		46.0	20.5	18.6	-1.9
PBT Growth		49.0	17.4	5.2	11.0
PATMI		59.2	57.2	5.7	11.1
Basic EPS Growth		59.2	57.2	1.6	11.1

### Margins (%)

EBITDA Margin	26.8	30.9	30.0	35.6	31.7
PBT Margin	26.6	31.3	29.6	31.1	31.4
PATMI	13.8	17.3	21.9	23.1	23.3

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