

Company Result

27 August 2015

Tambun Indah Land Berhad

HOLD

Slump in new sales

Maintained

| | |
|---------------------|---------------|
| Share Price | RM1.43 |
| Target Price | RM1.51 |

Company Description
Tambun Indah Land Bhd develops real estate. The Company builds residential projects including attached terrace homes, villas, condominium tower, and bungalows.

| | |
|--------------------------------------|-----------------|
| Stock Data | |
| Bursa / Bloomberg code | 5191 / TILB MK |
| Board / Sector | Main / Property |
| Syariah Compliant status | Yes |
| Issued shares (m) | 423.98 |
| Par Value (RM) | 0.50 |
| Market cap. (RM) | 606.29 |
| 52-week price Range | RM1.35– 2.62 |
| Beta (against KLCI) | 1.16 |
| 3-m Average Daily Volume | 0.23m |
| 3-m Average Daily Value [^] | RM0.36m |

| | | | |
|--------------------------|--------|--------|--------|
| Share Performance | | | |
| | 1m | 3m | 12m |
| Absolute (%) | -14.88 | -13.86 | -41.87 |
| Relative (%-pts) | -7.91 | -9.25 | -31.13 |

| | | |
|---------------------------|--|----------|
| Major Shareholders | | % |
| SIRAM PERMAI | | 33.60 |
| AMAL PINTAS | | 8.52 |
| KIAK SENG TEH | | 5.97 |

Historical Chart



Source: Bloomberg

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Result

- **Earnings below expectations.** Tambun Indah Land (TIL) recorded net earnings of RM17.1m for its 2Q15 results, down 42.8% qoq and 32.7% yoy. Cumulatively, 1H15 net profit of RM47.0 (-7.3% yoy) was below ours and consensus estimates by accounting for 40-41% of our full year net profit estimates and consensus figure. We reckon that the lower-than-expected net profit attributable to slower recognition of progress billings and lower sales achieved in this quarter.

Comment

- **Lackluster yoy and qoq results.** The lower yoy and qoq net profit recorded in 2Q15 was mainly due to lower revenue (-53.1% yoy and -54.0% qoq) as few on-going projects are nearing completion and handover whilst two new projects, namely Raintree Park 1 and Pearl Avenue 2 in Pearl City, which were launched in end 2014, are still at early stage of works.
- **New sales declined in 2Q15.** The Group only managed to chalk up new sales of merely RM24.1m in this quarter, significantly lower than RM146m new sales in 1Q15. Overall, TIL recorded RM170m sales for 1H15, accounting for 38% of our target sales of RM450m for 2015 and 43% of management target of RM400m. We believe the lackluster sales for this quarter was mainly attributed to fewer launches coupled with weak consumer sentiment in conjunction with the implementation of GST effective April this year. Similarly, the Group also achieved lower unbilled sales of RM408.1m as of 2Q15, which is in tandem with the drop of new sales.
- **More launches expected in 2H15 to capitalise on positive developments in Batu Kawan.** Moving forward, the Group continues to launch new projects in Pearl City, Simpang Ampat (which is nearby Batu Kawan) such as Raintree Park 2 (Gated homes), Avenue Garden (Apartments), Central Avenue (2 & 3-storey shop offices) and Pearl Tropika (2-storey homes) with estimated GDV of RM527m. With the slew of catalytic projects in Batu Kawan, i.e. premium outlet, IKEA outlet, Penang International Park, Penang Development Corp.'s mixed development project cum theme park and resorts, we opine that the Group's Pearl City would continue to enjoy decent sales and command better margins with GDV to be potentially revised upwards for launching of remaining phases in the township.

- **Future earnings still underpinned by sizeable GDVs.**
We believe that TIL is able to sustain its future earnings growth with its sizeable GDVs of RM4.4b, which consists of RM1.2b values of on-going projects and RM3.2b values of future projects.

Earnings Outlook/Revision

- **We trim our earnings forecast for 2015F and 2016F by 9% and 3% respectively** after lowering our new sales assumption to RM380m for 2015 and RM450m for 2016. Also, we fine tune our work-in-progress for the on-going and future projects.

Valuation & Recommendation

- **Maintain HOLD with lower target price of RM1.51** (from previous target price of RM1.82) after applying a bigger discount to our revised FD RNAV of 35% from 15% previously. Meanwhile, we also revised upwards our FD RNAV from RM2.14 to RM2.33 after updating our projects' GDVs and including the recently acquired 18.8- acre land in Bukit Mertajam (with our estimated GDV of RM170m). Our revised target price implies 6x 2016F fully-diluted PE.
- **Fundamentally sound but sentiment towards property stocks remains weak.** Whilst we are positive on the stock for its long-term outlook with its key focus on affordable housing in mainland Penang, we see no immediate catalyst to drive its share price at this moment. Risks to our call would be: a) high project concentration risk, i.e. all of its residential and commercial projects are solely located in Seberang Perai; and b) tepid investor sentiment on property sector which dents buying interests.

Figure 1: Quarterly Figures

| Year to 31 Dec (RMm) | 2Q15 | 1Q15 | 2Q14 | qoq (%) | yoy (%) | 1H15 | 1H14 | yoy (%) |
|-------------------------------|------|-------|-------|---------|---------|-------|-------|---------|
| Turnover | 60.0 | 130.4 | 128.0 | -54.0 | -53.1 | 190.4 | 240.0 | -20.7 |
| Operating profit | 23.2 | 42.4 | 34.5 | -45.3 | -32.8 | 65.6 | 70.2 | -6.6 |
| Pre-tax profit | 22.2 | 41.3 | 33.1 | -46.2 | -32.9 | 63.5 | 68.4 | -7.2 |
| Net profit | 17.1 | 29.9 | 25.4 | -42.8 | -32.7 | 47.0 | 50.7 | -7.3 |
| Core net profit | 17.1 | 29.9 | 25.4 | -42.8 | -32.7 | 47.0 | 50.7 | -7.3 |
| Operating margin (%) / ppt | 38.7 | 32.5 | 27.0 | 6.2 | 11.7 | 34.5 | 29.3 | 5.2 |
| PBT margin (%) / ppt | 37.0 | 31.7 | 25.9 | 5.3 | 11.1 | 33.4 | 28.5 | 4.9 |

Source: Company, JF Apex

Figure 2: Financial Summary

| Year to 31 Dec (RMm) | 2012 | 2013 | 2014 | 2015F | 2016F |
|-------------------------|-------|-------|-------|-------|-------|
| Revenue | 296.7 | 376.4 | 466.8 | 489.4 | 515.5 |
| Operating profit | 80.4 | 118.2 | 142.7 | 146.8 | 159.8 |
| Profit before tax | 79.0 | 117.7 | 138.2 | 141.9 | 154.7 |
| Net Profit | 40.8 | 65.0 | 102.1 | 105.4 | 115.0 |
| Core net profit | 40.8 | 65.0 | 99.5 | 105.4 | 115.0 |
| EPS (sen) | 9.6 | 15.3 | 24.1 | 24.9 | 27.1 |
| DPS (sen) | 5.3 | 6.6 | 9.7 | 10.0 | 10.9 |
| P/E (x) | 14.9 | 9.3 | 5.9 | 5.7 | 5.3 |
| P/BV (x) | 2.3 | 1.9 | 1.5 | 1.2 | 1.0 |
| Revenue growth (%) | 54.7 | 26.9 | 24.0 | 4.8 | 5.3 |
| Net profit growth (%) | 74.4 | 59.3 | 57.1 | 3.3 | 9.0 |
| Operating margin (%) | 27.1 | 31.4 | 30.6 | 30.0 | 31.0 |
| PBT margin (%) | 26.6 | 31.3 | 29.6 | 29.0 | 30.0 |
| Dividend yield (%) | 3.7 | 4.6 | 6.8 | 7.0 | 7.6 |
| Net gearing (%) | -5.4 | -7.4 | 5.5 | -17.9 | -21.2 |
| ROE (%) | 18.3 | 21.0 | 25.7 | 21.7 | 19.7 |
| ROA (%) | 9.2 | 13.1 | 15.4 | 15.4 | 14.6 |

Source: Company, JF Apex

Figure 3: RNAV

| On-going projects | Remaining GDV RM(m) | Stake (%) | DCF of development profits |
|----------------------------------|---------------------------|--------------|-------------------------------|
| BM Residence | 57.7 | 100 | 9.7 |
| Straits Garden | 248.4 | 100 | 41.7 |
| Pearl Residence | 224.6 | 100 | 37.7 |
| Pearl Impian | 91.6 | 100 | 15.4 |
| Pearl Avenue Ph.1 | 82.8 | 100 | 16.5 |
| Bkt Residence | 72 | 100 | 12.1 |
| Camellia Park | 49.1 | 100 | 8.2 |
| Permai Residence | 25 | 100 | 4.2 |
| Pearl Avenue Ph.2 | 39.4 | 100 | 7.8 |
| Pearl Harmoni | 150.5 | 100 | 25.3 |
| Pearl Tropika | 138.4 | 100 | 23.2 |
| Rain Tree Park 1 | 170.5 | 100 | 28.6 |
| Rain Tree Park 2 | 217.7 | 100 | 36.5 |
| Avenue Garden | 92.8 | 100 | 17.3 |
| Central Avenue | 77.5 | 100 | 14.5 |
| Alma | 98.6 | 100 | 18.4 |
| Kota Permai | 200 | 100 | 37.3 |
| Pearl City - other phases | 2326.3 | 100 | 379.9 |
| New Land in Bukit Mertajam | 170 | 100 | 30.3 |
| | 4532.9 | | |
| Total | | | 764.7 |
| Remaining Landbank values | | | 173.3 |
| Investment Properties | | | 62.6 |
| Net Cash/(Debt) @ 1Q15 | | | -0.11 |
| Warrant proceed | | | 4.74 |
| RNAV | | | 1005.2 |
| Enlarged no. of shares | | | 431.8 |
| FD RNAV/share | | | 2.33 |

Source: Company, JF Apex

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JF APEX SECURITIES - RESEARCH RECOMMENDATION FRAMEWORK
STOCK RECOMMENDATIONS

- BUY** : The stock's total returns* are expected to exceed 10% within the next 12 months.
- HOLD** : The stock's total returns* are expected to be within +10% to – 10% within the next 12 months.
- SELL** : The stock's total returns* are expected to be below -10% within the next 12 months.
- TRADING BUY** : The stock's total returns* are expected to exceed 10% within the next 3 months.
- TRADING SELL** : The stock's total returns* are expected to be below -10% within the next 3 months.

SECTOR RECOMMENDATIONS

- OVERWEIGHT** : The industry as defined by the analyst is expected to exceed 10% within the next 12 months.
- MARKETWEIGHT** : The industry as defined by the analyst is expected to be within +10% to – 10% within the next 12 months.
- UNDERWEIGHT** : The industry as defined by the analyst, is expected to be below -10% within the next 12 months.

*capital gain + dividend yield

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