

# Tambun Indah Land (TILB MK)

Property- Real Estate  
Market Cap: USD144m

**Buy** (Maintained)

Target Price: MYR1.81  
Price: MYR1.43

## Affected By Timing Of Construction Stages

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



Source: Bloomberg

Avg Turnover (MYR/USD)	0.36m/0.08m
Cons. Upside (%)	59.4
Upside (%)	26.6
52-wk Price low/high (MYR)	1.39 - 2.62
Free float (%)	50
Share outstanding (m)	424
<b>Shareholders (%)</b>	
Ir Teh Kiak Seng	39.0

### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(11.7)	(16.4)	(17.8)	(25.1)	(41.9)
Relative	(1.4)	(8.2)	(7.4)	(11.9)	(26.8)

### Shariah compliant

Loong Kok Wen, CFA +603 9207 7614  
[loong.kok.wen@rhbgrou.com](mailto:loong.kok.wen@rhbgrou.com)

**Tambun's 2Q15 earnings missed expectations. We maintain our BUY rating but with a lower TP of MYR1.81 (from MYR2.28, 27% upside) as we raise our discount to RNAV in view of the macro headwinds and political risk. New sales down to MYR25m in 2Q, as Tambun is similarly affected by the slow approval process to launch new projects. Hence, we lower our FY15-17 earnings forecast to reflect the delay in launches.**

- ◆ **Below expectations.** Tambun Indah (Tambun)'s 2Q15 results missed expectations. 1H net profit only made up 41%/40% of our and market estimates. The weak earnings were largely due to the early stage of construction for Raintree Park 1 and Pearl Avenue 2, while a few other projects are nearing completion and handed over.
- ◆ **Only MYR25m of new sales in 2Q15.** New sales reached only MYR25m, down from MYR146.3m in 1Q15. The amount was largely contributed by Raintree Park 1 (MYR16m), which has achieved a take-up rate of 65-70% since its launch in 1Q15. The weak new property sales during the quarter were attributed to the slow approval process by the Ministry of Housing to launch new projects. This has similarly affected other developers in Penang. Given the shortage in supply since 2H14, average take-up rates for all Tambun's projects have hit 89.2% vs 81.2% in 2Q14 due to the lack of new property products. In the pipeline, Tambun is waiting for the green light to launch Raintree Park 2 and Avenue Garden, which have a combined GDV of MYR300m. If approvals can be obtained on time, there are still opportunities to push property sales and earnings higher in 2H15, as construction for these two projects have already started.
- ◆ **Forecast.** We lower our FY15-17 earnings forecasts by 10-15% to reflect the delay in launches and, hence, the slower sales. Unbilled sales declined to MYR408m from MYR443.6m in 1Q15.
- ◆ **Maintain BUY.** In view of the macro headwinds and political risk, we lower our TP to MYR1.81 (from MYR2.28), based on a larger 30% discount to RNAV (from 15%). Despite the bottleneck in granting approval, we believe the housing market in the Penang mainland is still relatively healthy due to the lack of supply over the past one year. Thus, we maintain BUY on Tambun.

Forecasts and Valuations	Dec-13	Dec-14	Dec-15F	Dec-16F	Dec-17F
Total turnover (MYRm)	376	467	453	476	507
Reported net profit (MYRm)	65	102	98	105	110
Recurring net profit (MYRm)	65	102	98	105	110
Recurring net profit growth (%)	59.2	57.2	(3.9)	7.4	4.1
Recurring EPS (MYR)	0.16	0.24	0.23	0.25	0.26
DPS (MYR)	0.06	0.08	0.08	0.08	0.09
Recurring P/E (x)	8.67	5.89	6.17	5.75	5.52
P/B (x)	1.82	1.52	1.33	1.17	1.05
Dividend Yield (%)	4.2	5.6	5.3	5.7	6.0
Return on average equity (%)	24.4	28.9	23.0	21.6	20.0
Return on average assets (%)	13.8	17.6	14.0	13.6	12.8
Net debt to equity (%)	(8.9)	3.7	0.5	(1.5)	(3.0)
Our vs consensus EPS (adjusted) (%)			(17.3)	(17.9)	(21.5)

Source: Company data, RHB

Figure 1: TILB's quarterly results table

FYE Dec (MYRm)	2Q14	1Q15	2Q15	QoQ (%)	YoY (%)	1H14	1H15	YoY (%)	Comments
Turnover	128.0	130.4	60.0	(54.0)	(53.1)	240.0	190.4	(20.7)	Revenue was lower, as a few projects are nearing completion and two new projects are at the early stage of construction.
EBIT	34.5	42.4	23.2	(45.4)	(32.8)	70.2	65.6	(6.6)	Margin expanded.
EBIT margin (%)	26.9	32.5	38.6			29.3	34.5		
Net interest	(1.6)	(1.4)	(1.4)	0.1	(13.5)	(2.9)	(2.7)	0.6	
Pretax profit	33.1	41.3	22.2	(46.2)	(32.8)	68.4	63.5	(7.1)	
Pretax margin (%)	25.8	31.7	37.0			28.5	33.4		
Taxation	(7.4)	(10.9)	(4.9)	(55.1)	(33.5)	(17.2)	(15.8)	(8.3)	
Tax rate (%)	22.3	26.4	22.0			25.2	24.9		
Minority interest	(0.3)	(0.5)	(0.2)	(48.0)	(8.3)	(0.4)	(0.7)	85.2	
Net profit	25.4	29.9	17.1	(42.9)	(32.8)	50.7	47.0	(7.4)	Below expectations.
Net margin (%)	19.9	22.9	28.5			21.1	24.7		
EPS (sen)	6.3	7.1	4.1	(43.0)	(36.1)	12.8	11.2	(12.5)	
Gross DPS (sen)	0.0	0.0	0.0			0.0	0.0		
NTA/share (MYR)	0.9	1.0	1.0			0.9	1.0		

Source: Company data, RHB

Figure 2: Tambun's RNAV

New projects	Total GDV (MYR m)	Land size (acres)	Equity stake	NPV @ 9%
<u>Ongoing projects</u>				
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
<u>Remaining projects</u>				
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%	31.8
Rain Tree Park 2	199.4	30.1	100%	34.0
Avenue Garden @ Pearl City	90.0	n.a.	100%	13.9
Central Avenue @ Pearl City	77.5	n.a.	100%	15.6
Pearl Tropika	125.0	20.3	100%	24.3
Alma	90.0	n.a.	100%	16.0
Pearl City - other phases	2,326.3	385.1	100%	309.3
New land in Bukit Mertajam	200.0	18.8	100%	27.3
<b>Total</b>				<b>670.22</b>
Shareholders' fund				397.01
Warrants proceed				26.52
Total RNAV				1,093.75
Shares base incl. warrants & placement (m)				423.60
FD RNAV per share (MYR)				2.58
Discount				30%
Target price (MYR)				1.81

Source: RHB

## Financial Exhibits

<b>Profit &amp; Loss (MYRm)</b>	<b>Dec-13</b>	<b>Dec-14</b>	<b>Dec-15F</b>	<b>Dec-16F</b>	<b>Dec-17F</b>
Total turnover	376	467	453	476	507
Cost of sales	(240)	(306)	(298)	(312)	(336)
<b>Gross profit</b>	<b>137</b>	<b>161</b>	<b>155</b>	<b>164</b>	<b>171</b>
Gen & admin expenses	(21)	(23)	(22)	(22)	(23)
Other operating costs	3	5	5	5	5
<b>Operating profit</b>	<b>118</b>	<b>143</b>	<b>139</b>	<b>148</b>	<b>154</b>
Operating EBITDA	119	144	140	149	155
Depreciation of fixed assets	(1)	(1)	(1)	(1)	(1)
<b>Operating EBIT</b>	<b>118</b>	<b>143</b>	<b>139</b>	<b>148</b>	<b>154</b>
Net income from investments	2	1	-	-	-
Interest expense	(3)	(6)	(6)	(7)	(7)
<b>Pre-tax profit</b>	<b>118</b>	<b>138</b>	<b>132</b>	<b>141</b>	<b>146</b>
Taxation	(30)	(35)	(33)	(35)	(37)
Minority interests	(23)	(1)	(1)	(0)	-
<b>Profit after tax &amp; minorities</b>	<b>65</b>	<b>102</b>	<b>98</b>	<b>105</b>	<b>110</b>
<b>Reported net profit</b>	<b>65</b>	<b>102</b>	<b>98</b>	<b>105</b>	<b>110</b>
<b>Recurring net profit</b>	<b>65</b>	<b>102</b>	<b>98</b>	<b>105</b>	<b>110</b>

Source: Company data, RHB

<b>Cash flow (MYRm)</b>	<b>Dec-13</b>	<b>Dec-14</b>	<b>Dec-15F</b>	<b>Dec-16F</b>	<b>Dec-17F</b>
<b>Operating profit</b>	<b>118</b>	<b>143</b>	<b>139</b>	<b>148</b>	<b>154</b>
Depreciation & amortisation	1	1	1	1	1
<b>Change in working capital</b>	<b>(24)</b>	<b>36</b>	<b>1</b>	<b>(2)</b>	<b>(3)</b>
Other operating cash flow	(4)	(18)	(10)	(9)	(8)
<b>Operating cash flow</b>	<b>91</b>	<b>162</b>	<b>131</b>	<b>138</b>	<b>144</b>
Interest paid	(3)	(6)	(6)	(7)	(7)
Tax paid	(30)	(35)	(33)	(35)	(37)
<b>Cash flow from operations</b>	<b>58</b>	<b>121</b>	<b>91</b>	<b>96</b>	<b>100</b>
Capex	(7)	(153)	(50)	(50)	(50)
Other investing cash flow	(15)	3	-	-	1
<b>Cash flow from investing activities</b>	<b>(21)</b>	<b>(150)</b>	<b>(50)</b>	<b>(50)</b>	<b>(49)</b>
Dividends paid	(14)	(24)	(34)	(32)	(35)
Proceeds from issue of shares	46	18	-	-	-
Increase in debt	14	55	-	-	-
Other financing cash flow	(58)	12	10	11	12
<b>Cash flow from financing activities</b>	<b>(12)</b>	<b>62</b>	<b>(24)</b>	<b>(22)</b>	<b>(23)</b>
Cash at beginning of period	96	126	138	171	191
<b>Total cash generated</b>	<b>24</b>	<b>33</b>	<b>17</b>	<b>24</b>	<b>28</b>
Forex effects	6				
<b>Implied cash at end of period</b>	<b>126</b>	<b>159</b>	<b>155</b>	<b>195</b>	<b>219</b>

Source: Company data, RHB

## Financial Exhibits

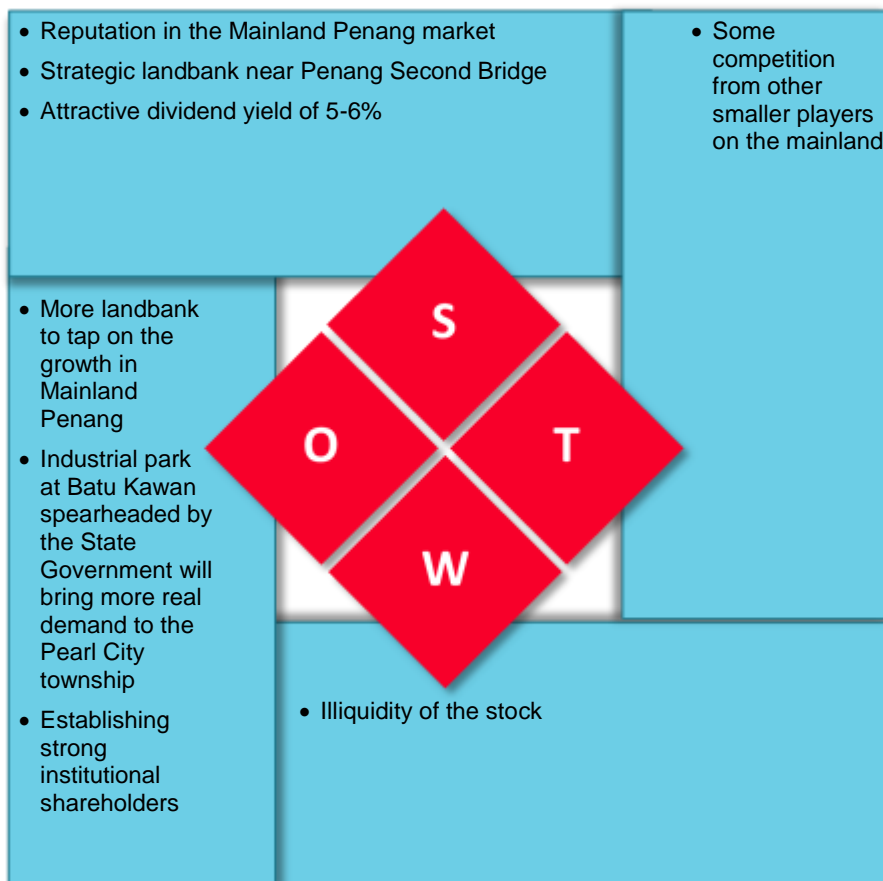
<b>Balance Sheet (MYRm)</b>	<b>Dec-13</b>	<b>Dec-14</b>	<b>Dec-15F</b>	<b>Dec-16F</b>	<b>Dec-17F</b>
Total cash and equivalents	126	138	171	191	211
Inventories	125	75	73	76	81
Accounts receivable	87	118	115	120	128
Other current assets	2	5	5	5	5
<b>Total current assets</b>	<b>340</b>	<b>336</b>	<b>363</b>	<b>393</b>	<b>425</b>
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
<b>Total assets</b>	<b>497</b>	<b>662</b>	<b>738</b>	<b>816</b>	<b>897</b>
Short-term debt	25	35	35	35	35
Accounts payable	81	104	99	107	117
Other current liabilities	4	1	1	1	1
<b>Total current liabilities</b>	<b>110</b>	<b>140</b>	<b>136</b>	<b>143</b>	<b>154</b>
Total long-term debt	73	118	138	148	158
Other liabilities	0	4	4	4	4
<b>Total non-current liabilities</b>	<b>74</b>	<b>122</b>	<b>142</b>	<b>152</b>	<b>162</b>
<b>Total liabilities</b>	<b>183</b>	<b>262</b>	<b>278</b>	<b>295</b>	<b>316</b>
Share capital	197	210	212	212	212
Retained earnings reserve	48	118	176	237	298
Other reserves	65	68	68	68	68
<b>Shareholders' equity</b>	<b>310</b>	<b>397</b>	<b>456</b>	<b>517</b>	<b>578</b>
Minority interests	4	2	3	4	4
Other equity	(0)	(0)	(0)	0	0
<b>Total equity</b>	<b>314</b>	<b>399</b>	<b>460</b>	<b>521</b>	<b>582</b>
<b>Total liabilities &amp; equity</b>	<b>497</b>	<b>662</b>	<b>738</b>	<b>816</b>	<b>897</b>

Source: Company data, RHB

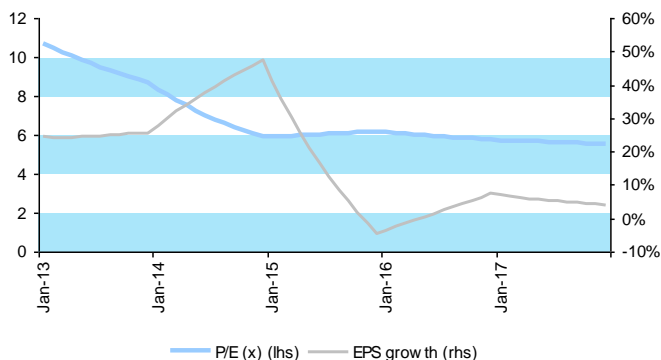
<b>Key Ratios (MYR)</b>	<b>Dec-13</b>	<b>Dec-14</b>	<b>Dec-15F</b>	<b>Dec-16F</b>	<b>Dec-17F</b>
Revenue growth (%)	26.8	24.0	(2.9)	5.0	6.6
Operating profit growth (%)	46.6	20.7	(2.9)	6.5	4.1
Net profit growth (%)	59.2	57.2	(3.9)	7.4	4.1
EPS growth (%)	25.6	47.2	(4.6)	7.4	4.1
BVPS growth (%)	9.5	20.0	14.2	13.3	11.8
Operating margin (%)	31.4	30.6	30.6	31.0	30.3
Net profit margin (%)	17.3	21.9	21.7	22.1	21.6
Return on average assets (%)	13.8	17.6	14.0	13.6	12.8
Return on average equity (%)	24.4	28.9	23.0	21.6	20.0
Net debt to equity (%)	(8.9)	3.7	0.5	(1.5)	(3.0)
DPS	0.06	0.08	0.08	0.08	0.09
Recurrent cash flow per share	0.15	0.29	0.22	0.23	0.24

Source: Company data, RHB

## SWOT Analysis

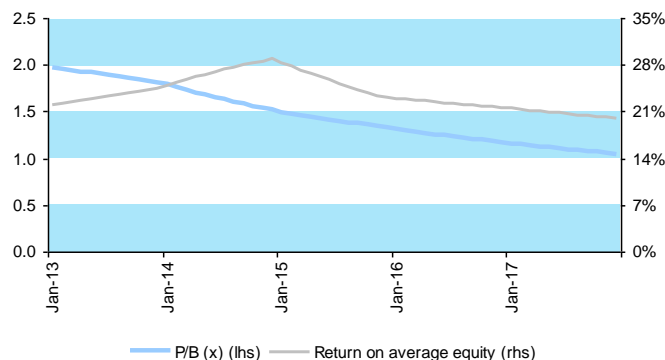


P/E (x) vs EPS growth



Source: Company data, RHB

P/BV (x) vs ROAE



Source: Company data, RHB

## Company Profile

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

## Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2015-04-30	Buy	2.28	1.88
2015-02-12	Buy	2.25	1.84
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

Source : RHB, Bloomberg

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**Neutral:** Share price may fall within the range of +/- 10% over the next 12 months

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**Kuala Lumpur**

**RHB Research Institute Sdn Bhd**  
Level 11, Tower One, RHB Centre  
Jalan Tun Razak  
Kuala Lumpur  
Malaysia  
Tel : +(60) 3 9280 2185  
Fax : +(60) 3 9284 8693

**Hong Kong**

**RHB OSK Securities Hong Kong Ltd.**  
12<sup>th</sup> Floor  
World-Wide House  
19 Des Voeux Road  
Central, Hong Kong  
Tel : +(852) 2525 1118  
Fax : +(852) 2810 0908

**Singapore**

**RHB Research Institute Singapore  
Pte Ltd (formerly known as DMG & Partners Research  
Pte Ltd)**  
10 Collyer Quay  
#09-08 Ocean Financial Centre  
Singapore 049315  
Tel : +(65) 6533 1818  
Fax : +(65) 6532 6211

**Jakarta**

**PT RHB OSK Securities Indonesia**  
Wisma Mulia, 20th Floor  
Jl. Jend. Gatot Subroto No. 42  
Jakarta 12710, Indonesia  
Tel : +(6221) 2783 0888  
Fax : +(6221) 2783 0777

**Shanghai**

**RHB OSK (China) Investment Advisory Co. Ltd.**  
Suite 4005, CITIC Square  
1168 Nanjing West Road  
Shanghai 20041  
China  
Tel : +(8621) 6288 9611  
Fax : +(8621) 6288 9633

**Phnom Penh**

**RHB OSK Indochina Securities Limited**  
No. 1-3, Street 271  
Sangkat Toeuk Thla, Khan Sen Sok  
Phnom Penh  
Cambodia  
Tel: +(855) 23 969 161  
Fax: +(855) 23 969 171

**Bangkok**

**RHB OSK Securities (Thailand) PCL**  
10th Floor, Sathorn Square Office Tower  
98, North Sathorn Road, Silom  
Bangrak, Bangkok 10500  
Thailand  
Tel: +(66) 2 862 9999  
Fax : +(66) 2 862 9799