

Trading idea: Attractive dividend yield proxy in property sector

November 11, 2015

TAMBUN (RM1.40/Vol:371k)

DAILY CHART: OVERSOLD WITH KEY SUPPORT NEAR RM1.35 OR 23.6%FR



Source: HLeBroking

WEEKLY CHART: SIDEWAYS CONSOLIDATION BEFORE ADVANCING TOWARDS RM1.65 OR 50-W SMA



Source: HLeBroking

- **HLIB Institutional Research has a BUY rating on TAMBUN with target price of RM1.65 (based on 30% discount to RNAV), or 17.9% upside.** TAMBUN remains our top proxy pick for property sector as it offers resilient growth prospects, with FY14-16 earnings CAGR of 9.5% at undemanding 5x FY16 P/E (against average historical 10-year 5.7x and peers' 9.3x), supported by attractive yields of 7.3-8.1% for FY15-16 (FIG1&2).
- Unlike Iskandar, which is facing a supply glut, the Penang mainland market is experiencing a supply shortage and healthy demand. As at 30 June 2015, TAMBUN achieved an average take-up rate of 89.2% for its ongoing projects, with a total GDV of RM1.2bn; and unbilled sales of approximately RM408m. These should contribute positively to the Group's earnings for the next two to three years.
- **Values resurface after recent plunge in share prices.** While weak consumer sentiment post-GST, prolonged political uncertainties and the concern on further delay in advertising permits and developer license (APDL) could pose downside risks to share prices, we believe these negative news have largely been reflected in its recent share price correction (-39.4% from 52-week high) and have formed a temporary bottom, supported by oversold indicators coupled with buying supports byEPF.

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Risk Profile



Technical (Daily)

Daily RSI	Inching up
Daily Slow stochastic	Deeply oversold
Daily MACD	Neutral
52-w High/Low	2.31/1.16
Book value/share	RM0.99
P/BV (x)	1.41
Average volume	1M (380k); 3M (516k)
Price performance: 1-d/1-wk	+0.7% /-0.7%
S1/S2 (RM)	1.38/1.35
R1/R2 (RM)	1.48/1.57
Long term objective (RM)	1.65
Stop loss (RM)	1.32
HLIB Target price (RM)	1.65
Bloomberg Target price (RM)	1.69
Upside to LT objective	25sen (+17.9%)
Downside to stop loss	8sen (-5.7%)

Source: HLIB, Bloomberg

- **Oversold and ripe for short term rebound.** TAMBUN is oversold after recent slump in share price. Currently, it is building its base near RM1.38 (daily lower Bollinger band), with lower support above RM1.35 (50-d SMA and 23.6% FR).
- A decisive breakout above RM1.43 (daily mid Bollinger band) could provide further impetus to retest short term upside targets of RM1.48 (38.2% FR) and RM1.57 (50% FR) before reaching our long term objectives of RM1.65 (200-d SMA). Cut loss at RM1.32 (3 sen below S2).
- **Good risk to reward ratio with 17.9% upside against 5.7% downside.** All in, we see a good risk to reward ratio for investor with a theoretical entry price of RM1.40 given that the downside to the cut loss zone of RM1.32 is 8 sen (-5.7%) while the upside to the LT target of RM1.65 is 25 sen (+17.9%).

FIG1: PEERS COMPARISON

Stocks	9-Nov RM	Market cap RM'm	52w High RM	52w low RM	% from 52w high	% from 52w low	P/E 15 (x)	DY 15 %
TAMBUN	1.40	594	2.31	1.16	-39.4%	20.7%	5.5	7.3
GLOMAC	0.91	659	1.13	0.73	-19.9%	24.0%	7.2	5.1
HUAYANG	1.85	488	2.30	1.66	-19.6%	11.4%	4.4	3.8
HUNZAPTY*	2.81	701	2.83	1.77	-0.7%	58.8%	26.0	-
LBS*	1.44	794	1.61	1.27	-10.6%	13.4%	10.2	2.3
MATRIX	2.50	1,376	2.87	1.88	-12.9%	33.0%	6.6	6.1
PLENITU*	2.10	801	2.75	1.72	-23.6%	22.1%	10.5	2.9
WINGTM*	1.28	623	1.92	1.14	-33.3%	12.3%	5.7	2.3
YNHProp	1.84	812	2.08	1.55	-11.5%	18.7%	15.5	1.4
Average							9.3	1.9
Tambun vs avg							-41%	289%
KLCI properties index	1,220		1,444	1,062	-15.5%	14.9%	9.2	4.2
Tambun vs properties index							-63.3%	61.9%

Source: HLIB, Bloomberg

Note: **Based on latest historical data

FIG2: EARNINGS SUMMARY

FYE 31 Dec	2012	2013	2014	2015E	2016E
Turnover (RM'm)	297	376	467	467	515
Core earnings (RM'm)	41.0	65	102	108	120
Issued shrs (m)	424.1	424.1	424.1	424.1	424.1
EPS (sen)	9.7	15.3	24.1	25.5	28.3
DPS (sen)	5.0	6.6	9.7	10.2	11.4
P/E (x)	14.5	9.1	5.8	5.5	4.9
Yield (%)	3.6	4.7	6.9	7.3	8.1
ROE (%)	21.6	24.4	25.6	23.2	22.2

Source: HLIB

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Published & Printed by
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