

Tambun Indah (HOLD ↔, EPS ↔)

INDUSTRY: NEUTRAL

COMPANY INSIGHTS

December 18, 2015

Price Target: RM1.39 (↔)

Share price: RM1.40

Secured APDL...
Highlights

- We understand that Tambun Indah has secured advertising permits and developer licenses (APDL) for Raintree Park2 and Avenue Garden in early Dec 15 after delays of more than half a year.
- Both projects have total GDV of RM300m and have started piling works while waiting for approvals. Given the affordable price range, we gather the booking rate for Raintree Park 2 (<RM500k) and Avenue Garden has achieved more than 50%.
- Avenue Garden is a 17-storey service apartment with 312 residential units. The pricing is attractive at RM300 psf with smaller size units cost about RM230k. Avenue Garden is just located near to GEMS International School.
- To recap, new property sales in 3QFY15 fell 13% QoQ to RM22m, bringing 9M15 sales to RM193m, only accounting for 48% of company's initial full year sales target of RM400m. This was mainly due to lack of new projects launches with Raintree Park2 and Avenue Garden waiting for APDL.
- With both projects managed to secure APDL, we expect new sales in FY16 to grow strongly to RM420m.
- Average take up rate from on-going projects is healthy and above 90%. Unbilled sales stood at RM343m in 3QFY15, representing 0.8x of the group's FY14 total revenue.

Risks

- Another delay on new project launches;
- Concentration on Penang.

Forecasts

- Unchanged as we already factored in the timing of securing APDL.

Rating
HOLD (↔)
Positives:

(1) Strong beneficiary of rising land prices in Penang mainland; (2) Pearl City Flagship will provide the main earnings driver; (3) Potential for more RNAV-accretive landbanking exercises.

Negatives:

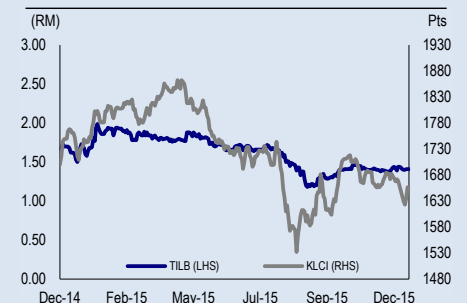
(1) High project concentration in Penang; (2) Delay in new project launches.

Valuation

- Maintain **HOLD** on the stock with target price maintained at RM1.39 based on unchanged discount of 40% to RNAV with dividend yield of 5.7%.

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KLCI	1673.9
Expected share price return	-1.4%
Expected dividend return	5.6%
Expected total return	4.2%

Share price

Information

Bloomberg Ticker	TILB MK
Bursa Code	5191
Issued Shares (m)	424
Market cap (RMm)	598
3-mth avg volume ('000)	319
SC-Syariah Compliant	Yes

Price Performance	1M	3M	12M
Absolute %	0.7	6.8	-9.0
Relative %	1.0	8.4	-7.6

Major shareholders

Siram Permai	33.6%
Amal Pintas	8.5%
Teh Kiak Seng	6.0%

Summary Earnings Table

FYE 31 Dec	2014A	2015E	2016E	2017E
(RM m)				
Revenue	467	420	363	404
EBITDA	140	135	117	130
Norm. net profit	102	97	84	94
Norm. EPS (sen)	25	23	20	22
Norm. PER (x)	5.6	6.1	7.0	6.3
BV/share	0.98	1.08	1.20	1.33
P/BV (x)	1.43	1.30	1.17	1.05
ROA (%)	18.0	21.4	15.9	16.5
ROE (%)	25.6	21.1	16.4	16.5
Yield (%)	6.9	6.6	5.7	6.3

HLIB

Figure #1 HLIB vs. consensus

RMm	FY15			FY16		
	HLIB	Consensus	%	HLIB	Consensus	%
Revenue	420.2	511.8	-17.9	363.2	544.3	-33.3
PATAMI	96.7	105.0	-7.9	83.7	114.3	-26.7

HLIB; Bloomberg

Figure #2 RNAV Table

Projects	Stake	NPV
	(%)	(RM m)
Launched but havent sold	100%	29.6
Raintree Park 2@ Pearl City	100%	36.4
Avenue Garden @ Pearl City	100%	15.5
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
Pearl City - Other Phases	100%	329.1
Unbilled Sales	100%	93.5
NPV		581.3
Shareholder Funds as of 1Q15		427.5
Net cash/(debt) as of 1Q15		(11.0)
RNAV		997.8
WA Proceed		6.5
Total RNAV		1,004.3
Total Diluted Shares		432.2
RNAV/share		2.3
Discount		40%
Discounted RNAV		598.7
Discounted RNAV/share		1.39

Company, HLIB

Figure #3 Peer Comparison

Company	Price	Recomm	TP	Upside	Mkt Cap (m)	Discount to RNAV	P/E (x)		P/B (x)		Dividend Yield		Sales Target	Unbilled Sales Coverage (x)
							CY15	CY16	CY15	CY16	CY15	CY16		
IOI PROPERTIES	2.09	Buy	2.77	32%	8,286.4	(50.9)	15.2	12.2	0.58	0.56	2.0	2.5	1,700.0	1.0
UEM SUNRISE BHD	1.04	Hold	0.94	-9%	5,036.6	(66.9)	19.6	11.8	0.73	0.70	1.5	2.6	2,000.0	2.4
SP SETIA BHD	3.12	Hold	3.47	11%	8,147.9	(37.1)	10.3	11.4	1.25	1.18	3.9	3.5	4,000.0	2.7
MAH SING GROUP	1.37	Hold	1.44	5%	3,349.1	(38.1)	9.0	8.3	1.06	0.98	4.5	4.8	2,300.0	1.8
SUNWAY BHD	3.02	Buy	3.63	20%	5,435.2	0.0	9.3	9.3	0.86	0.81	15.9	4.0	1,000.0	1.4
MATRIX CONCEPTS	2.45	Hold	2.54	4%	1,359.8	(32.5)	6.5	5.6	1.69	1.43	6.2	7.1	700.0	1.1
TAMBUN	1.40	Hold	1.39	0%	606.4	(39.7)	6.1	7.0	1.48	1.43	6.6	5.7	400.0	0.8
YNH PROPERTY BHC	1.84	Sell	1.48	-19%	743.8	(50.4)	30.3	19.1	0.84	0.66	0.7	1.0	-	-
GLOMAC BHD	0.89	Hold	0.89	0%	660.0	(49.9)	8.1	7.2	0.66	0.62	4.7	4.9	500.0	1.5
ECO WORLD DEVELC	1.41	NR			3,333.6	(38.7)	61.3	23.5	0.93	0.90	-	-	3,020.0	2.9
Average						(40.4)	17.6	11.5	1.01	0.93	4.6	3.6		1.6

Financial Projections

Income statement

FYE 31 Dec (RM m)	2013A	2014A	2015E	2016E	2017E
Revenue	376	467	420	363	404
Operating cost	-260	-327	-285	-246	-274
EBITDA	116	140	135	117	130
D&A	0	-1	-1	-1	-1
Net Interest	0	-2	-5	-4	-4
Associates	2	1	1	1	1
Jointly controlled entities	-	-	-	-	-
Exceptionals	-	-	-	-	-
Pretax profit	118	138	130	113	126
Taxation	(30)	(35)	(33)	(28)	(32)
Minority Interest	23	1	1	1	1
PATAMI	65	102	97	84	94
Core Earning	65	102	97	84	94
Basic shares (m)	405	405	421	421	421
Basic EPS (sen)	16.0	25.2	22.9	19.9	22.2

Balance sheet

FYE 31 Dec (RM m)	2013A	2014A	2015E	2016E	2017E
Fixed assets	146	298	83	83	83
Other long-term assets	11	27	29	30	31
Other short-term assets	5	5	5	5	5
Working capital	168	224	202	174	194
Receivables	87	118	106	92	102
Payables	81	104	94	81	90
Inventory	0	2	2	2	2
Net cash / (debt)	13	-38	74	161	190
Cash	111	115	226	314	343
ST debt	25	35	35	35	35
LT debt	73	118	118	118	118
Shareholders' funds	314	399	459	510	567
Share capital	197	210	210	210	210
Reserves	113	187	245	295	351
Minorities	4	2	4	5	6
Other liabilities	30	118	-66	-56	-63

Summary Earnings Table

Revenue	376	467	420	363	404
EBITDA	116	140	135	117	130
Net profit	65	102	97	84	94
P/E (x)	8.7	5.6	6.1	7.0	6.3
BV / share	0.9	1.0	1.1	1.2	1.3
P/BV (x)	1.5	1.4	1.3	1.2	1.1
ROA (%)	18.0	18.0	21.4	15.9	16.5
ROE (%)	20.7	25.6	21.1	16.4	16.5

Cashflow

FYE 31 Dec (RM m)	2013A	2014A	2015E	2016E	2017E
EBIT	116	139	134	116	129
D&A	0	1	1	1	1
Working capital changes	(27)	(99)	30	37	(27)
Taxation	(30)	(35)	(33)	(28)	(32)
Others	1	3	(7)	(7)	(7)
Operating cashflow	54	-5	126	119	65
Capex & acquisitions	0	0	-1	-1	-1
Free cashflow	54	-6	125	118	64
Others	-26	-12	2	3	3
Investing cashflow	-26	-13	1	2	2
Equity Raised	27	0	0	0	0
Others	0	0	0	0	0
Net Borrowing	14	55	0	0	0
Financing cashflow	-4	36	-39	-33	-37
Net cashflow	24	18	88	87	30

Valuation ratios

Net DPS (sen)	6.60	9.70	9.18	7.95	8.89
FCF/ share (sen)	13.24	-1.48	29.73	28.03	15.22
FCF yield (%)	9.5%	-1.1%	21.2%	20.0%	10.9%
Market capitalization (m)	567	567	567	567	567
Net cash (m)	13	-38	74	161	190
Enterprise value	554	605	494	407	377
EV/ EBITDA (x)	4.8	4.3	3.7	3.5	2.9

Growth margins ratios

Growth (%)					
Sales Growth	26.9	24.0	-10.0	-13.6	11.3
Operating expenses	19.8	25.6	-12.8	-13.6	11.3
EBITDA Growth	46.0	20.5	-3.5	-13.5	11.2
PBT Growth	49.0	17.4	-5.6	-13.2	11.7
PATMI	59.2	57.2	-5.4	-13.4	11.9
Basic EPS Growth	59.2	57.2	-8.9	-13.4	11.9

Margins (%)

EBITDA Margin	30.9	30.0	32.1	32.2	32.1
PBT Margin	31.3	29.6	31.0	31.2	31.3
PATMI	17.3	21.9	23.0	23.0	23.2

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BUY	Positive recommendation of stock under coverage. Expected absolute return of more than +10% over 12-months, with low risk of sustained downside.
TRADING BUY	Positive recommendation of stock not under coverage. Expected absolute return of more than +10% over 6-months. Situational or arbitrage trading opportunity.
HOLD	Neutral recommendation of stock under coverage. Expected absolute return between -10% and +10% over 12-months, with low risk of sustained downside.
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