

Tambun Indah (BUY ↔, EPS ↔)
INDUSTRY: NEUTRAL
COMPANY INSIGHTS
October 12, 2015
Price Target: RM1.65 (↔)
Share price: RM1.40
Visit to Pearl City
Highlights

- We visited Tambun Indah's (TILB) Pearl City along with a small group discussion with the group's CFO and General Manager.
- Pearl City is undergoing rapid development with construction activities seen everywhere. GEMS International School has started operation since Sept 15, while Pearl City Mall will be completed in 1Q16. Both investment properties are target to secure rental yield of 8% per annum.
- The company targets to launch Raintree Park 2 and Avenue Garden worth about RM300m GDV in 2H15. Raintree Park 1 has secured 75% take up rate (vs. 61% in 1QFY15) with the remaining units from bumi lot waiting for release. Raintree Park 2 comprises duplex villas, 2-storey terrace and semi-detached houses. Duplex villas and 2-storey terrace are expected to price circa RM400k and RM500k respectively, still circa RM70k cheaper than houses in Bukit Mertajam.
- 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. Given the affordable price range, we expect to see encouraging take up rate for Raintree Park 2 and Avenue Garden upon launching.
- We understand that Penang developers are facing delays in application for advertising permits and developer license (APDL) from the Urban Well-being, Housing and Local Government. Without APDL, developers are not able to advertise and sign S&P with buyers. The company is actively engaging with relevant authority to resolve the matter. Any further delay will be risk to achieve full year sales target of RM400m (1H sales:RM171m). Unbilled sales to date stands at RM408m, representing 0.9x of the group's FY14 total revenue.

Risks

- Slowdown in mainland Penang property market (albeit unlikely), as it is 100% concentrated in Penang and the affordable segment.

Rating
BUY ↔

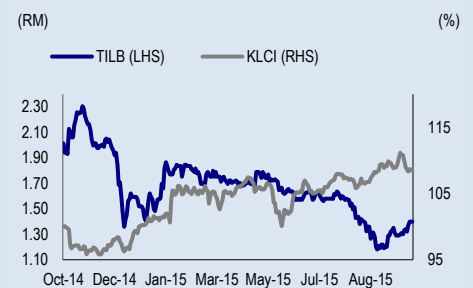
- **Positives:** (1) Strong beneficiary of rising land prices in Penang mainland; (2) Pearl City Flagship will provide the main earnings driver; (3) Potential for more RNAV-accretive landbanking exercises.
- **Negatives:** (1) High project concentration in Penang.

Valuation

- Despite the concern on further delay in APDL, we believe the negative news are already reflected in its recent share price correction (-20% since Apr 15). Given undemanding valuation at 5x FY16 P/E and 7.2% dividend yield, we maintain our BUY call with unchanged TP of **RM1.65** based on 30% discount to RNAV.

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| | |
|-----------------------------|---------|
| KLCI | 1,706.5 |
| Expected share price return | 17.9% |
| Expected dividend return | 7.2% |
| Expected total return | 25.1% |

Share price

Information

| | |
|-------------------------|---------|
| Bloomberg Ticker | TILB MK |
| Bursa Code | 5191 |
| Issued Shares (m) | 421.7 |
| Market cap (RMm) | 594 |
| 3-mth avg volume ('000) | 614 |
| SC-Syariah Compliant | Yes |

| Price Performance | 1M | 3M | 12M |
|-------------------|------|-------|-------|
| Absolute % | 15.7 | -15.7 | -36.1 |
| Relative % | 8.7 | -15.2 | -32.2 |

Major shareholders

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

Summary Earnings Table

| FYE 31 Dec (RM m) | 2013A | 2014A | 2015E | 2016E |
|-------------------|-------|-------|-------|-------|
| Revenue | 376 | 467 | 467 | 515 |
| EBITDA | 116 | 140 | 150 | 165 |
| Norm. net profit | 65 | 102 | 108 | 120 |
| Norm. EPS (sen) | 16 | 25 | 26 | 28 |
| Norm. PER (x) | 8.7 | 5.6 | 5.5 | 4.9 |
| BV/share | 0.94 | 0.98 | 1.10 | 1.27 |
| P/BV (x) | 1.48 | 1.43 | 1.28 | 1.11 |
| ROA (%) | 18.0 | 18.0 | 24.5 | 24.2 |
| ROE (%) | 20.7 | 25.6 | 23.2 | 22.2 |
| Yield (%) | 4.6 | 6.8 | 7.2 | 8.0 |

HLIB

Figure #1 Pearl City Master Plan



Figure #2 Peer Comparison Table

| 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 | 2.22 | Buy | 2.27 | 2% | 8,361.7 | (36.4) | 16.0 | 12.8 | 0.64 | 0.62 | 1.9 | 2.3 | 1,800.0 | 1.0 |
| UEM SUNRISE BHD | 1.16 | Hold | 0.97 | -16% | 5,263.4 | (64.2) | 14.0 | 11.6 | 0.80 | 0.76 | 2.1 | 2.6 | 2,000.0 | 2.2 |
| SP SETIA BHD | 3.25 | Hold | 3.47 | 7% | 8,541.8 | (34.5) | 11.4 | 11.9 | 1.31 | 1.23 | 3.5 | 3.4 | 4,000.0 | 2.8 |
| MAH SING GROUP | 1.31 | Hold | 1.44 | 10% | 3,156.3 | (40.8) | 8.6 | 7.9 | 1.01 | 0.94 | 4.7 | 5.1 | 2,300.0 | 1.8 |
| SUNWAY BHD | 3.08 | Buy | 3.49 | 13% | 5,495.2 | 0.0 | 9.5 | 9.4 | 0.87 | 0.82 | 15.6 | 3.9 | 1,200.0 | 1.4 |
| MATRIX CONCEPTS | 2.33 | Hold | 2.52 | 8% | 1,282.2 | (35.3) | 6.6 | 6.0 | 1.62 | 1.39 | 6.1 | 6.6 | 600.0 | 0.9 |
| TAMBUN | 1.40 | Buy | 1.65 | 18% | 593.7 | (40.9) | 5.5 | 4.9 | 1.28 | 1.11 | 7.3 | 8.1 | 400.0 | 1.0 |
| YNH PROPERTY BHC | 1.90 | Sell | 1.49 | -22% | 763.9 | (49.0) | 29.0 | 15.9 | 0.87 | 0.65 | 0.7 | 1.3 | - | - |
| GLOMAC BHD | 0.90 | Hold | 0.86 | -4% | 649.8 | (48.2) | 7.8 | 6.8 | 0.66 | 0.62 | 4.9 | 5.2 | 600.0 | 1.6 |
| ECO WORLD DEVELC | 1.41 | NR | | | 3,333.6 | (38.7) | 61.3 | 23.5 | 0.93 | 0.90 | - | - | 3,000.0 | 2.9 |
| Average | | | | | | (38.8) | 17.0 | 11.1 | 1.00 | 0.90 | 4.7 | 3.9 | | 1.6 |

Figure #3 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 |

Company, HLIB

Financial Projections

Income statement

| FYE 31 Dec (RM m) | 2012A | 2013A | 2014A | 2015E | 2016E |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|
| Revenue | 297 | 376 | 467 | 467 | 515 |
| Operating cost | -217 | -260 | -327 | -317 | -350 |
| EBITDA | 80 | 116 | 140 | 150 | 165 |
| D&A | 0 | 0 | -1 | -1 | -1 |
| Net Interest | -1 | 0 | -2 | -5 | -5 |
| Associates | 1 | 2 | 1 | 1 | 1 |
| Jointly controlled entities | - | - | - | - | - |
| Exceptionals | - | - | - | - | - |
| Pretax profit | 79 | 118 | 138 | 145 | 161 |
| Taxation | (22) | (30) | (35) | (36) | (40) |
| Minority Interest | 16 | 23 | 1 | 1 | 1 |
| PATAMI | 41 | 65 | 102 | 108 | 120 |
| Core Earning | 41 | 65 | 102 | 108 | 120 |
| Basic shares (m) | 405 | 405 | 405 | 421 | 421 |
| Basic EPS (sen) | 10.1 | 16.0 | 25.2 | 25.6 | 28.4 |

Balance sheet

| FYE 31 Dec (RM m) | 2012A | 2013A | 2014A | 2015E | 2016E |
|----------------------------|------------|------------|------------|------------|------------|
| Fixed assets | 130 | 146 | 298 | 83 | 83 |
| Other long-term assets | 6 | 11 | 27 | 29 | 30 |
| Other short-term assets | 5 | 5 | 5 | 5 | 5 |
| Working capital | 164 | 168 | 224 | 224 | 247 |
| Receivables | 71 | 87 | 118 | 118 | 130 |
| Payables | 93 | 81 | 104 | 104 | 115 |
| Inventory | 0 | 0 | 2 | 2 | 3 |
| Net cash / (debt) | -2 | 13 | -38 | 50 | 90 |
| Cash | 82 | 111 | 115 | 203 | 243 |
| ST debt | 7 | 25 | 35 | 35 | 35 |
| LT debt | 77 | 73 | 118 | 118 | 118 |
| Shareholders' funds | 262 | 314 | 399 | 465 | 538 |
| 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

| | | | | | |
|----------------|------|------|------|------|------|
| Revenue | 297 | 376 | 467 | 467 | 515 |
| EBITDA | 80 | 116 | 140 | 150 | 165 |
| Net profit | 41 | 65 | 102 | 108 | 120 |
| P/E (x) | 13.9 | 8.7 | 5.6 | 5.5 | 4.9 |
| BV / share | 0.8 | 0.9 | 1.0 | 1.1 | 1.3 |
| P/BV (x) | 1.7 | 1.5 | 1.4 | 1.3 | 1.1 |
| ROA (%) | 13.8 | 18.0 | 18.0 | 24.5 | 24.2 |
| ROE (%) | 15.6 | 20.7 | 25.6 | 23.2 | 22.2 |

Cashflow

| FYE 31 Dec (RM m) | 2012A | 2013A | 2014A | 2015E | 2016E |
|---------------------------|------------|------------|------------|------------|------------|
| EBIT | 79 | 116 | 139 | 150 | 165 |
| D&A | 0 | 0 | 1 | 1 | 1 |
| Working capital changes | 24 | (27) | (99) | (0) | (31) |
| Taxation | (22) | (30) | (35) | (36) | (40) |
| Others | 4 | 1 | 3 | (7) | (7) |
| Operating cashflow | 82 | 54 | -5 | 106 | 87 |
| Capex & acquisitions | -1 | 0 | 0 | -1 | -1 |
| Free cashflow | 80 | 54 | -6 | 106 | 86 |
| Others | -57 | -26 | -12 | 2 | 2 |
| Investing cashflow | -58 | -26 | -13 | 1 | 2 |
| Equity Raised | 45 | 27 | 0 | 0 | 0 |
| Others | 0 | 0 | 0 | 0 | 0 |
| Net Borrowing | 6 | 14 | 55 | 0 | 0 |
| Financing cashflow | 29 | -4 | 36 | -43 | -48 |
| Net cashflow | 52 | 24 | 18 | 64 | 41 |

Valuation ratios

| | | | | | |
|---------------------------|-------|-------|-------|-------|-------|
| Net DPS (sen) | 0.00 | 0.00 | 0.00 | 0.00 | 1.00 |
| FCF/ share (sen) | 19.78 | 13.24 | -1.48 | 25.16 | 20.52 |
| FCF yield (%) | 14.1% | 9.5% | -1.1% | 18.0% | 14.7% |
| Market capitalization (m) | 567 | 567 | 567 | 567 | 567 |
| Net cash (m) | -2 | 13 | -38 | 50 | 90 |
| Enterprise value | 569 | 554 | 605 | 518 | 477 |
| EV/ EBITDA (x) | 7.2 | 4.8 | 4.3 | 3.4 | 2.9 |

Growth margins ratios

| Growth (%) | | | | | |
|--------------------|--|------|------|------|------|
| Sales Growth | | 26.9 | 24.0 | 0.1 | 10.2 |
| Operating expenses | | 19.8 | 25.6 | -3.0 | 10.2 |
| EBITDA Growth | | 46.0 | 20.5 | 7.2 | 10.1 |
| PBT Growth | | 49.0 | 17.4 | 5.2 | 10.9 |
| PATMI | | 59.2 | 57.2 | 5.6 | 11.0 |
| Basic EPS Growth | | 59.2 | 57.2 | 1.6 | 11.0 |

Margins (%)

| | | | | | |
|---------------|------|------|------|------|------|
| EBITDA Margin | 26.8 | 30.9 | 30.0 | 32.1 | 32.1 |
| PBT Margin | 26.6 | 31.3 | 29.6 | 31.1 | 31.3 |
| PATMI | 13.8 | 17.3 | 21.9 | 23.1 | 23.3 |

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(a) -.

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(a) -.

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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. |
| TRADING SELL | Negative recommendation of stock not under coverage. Expected absolute return of less than -10% over 6-months. Situational or arbitrage trading opportunity. |
| SELL | Negative recommendation of stock under coverage. High risk of negative absolute return of more than -10% over 12-months. |
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| | |
|--------------------|--|
| OVERWEIGHT | The sector, based on weighted market capitalization, is expected to have absolute return of more than +5% over 12-months. |
| NEUTRAL | The sector, based on weighted market capitalization, is expected to have absolute return between -5% and +5% over 12-months. |
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