

**Tambun Indah Land(TILB MK)**
**Buy (Maintained)**

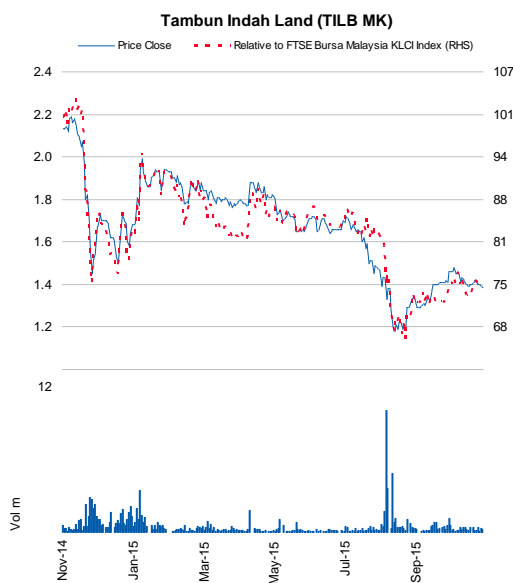
Property- Real Estate

Target Price: MYR1.81

Market Cap: USD133m

Price: MYR1.38

## Still No Approvals To Launch New Projects

 Macro   
 Risks   
 Growth   
 Value 


Source: Bloomberg

Avg Turnover (MYR/USD)	0.84m/0.20m
Cons. Upside (%)	22.5
Upside (%)	31.2
52-wk Price low/high (MYR)	1.18 - 2.19
Free float (%)	50
Share outstanding (m)	424
<b>Shareholders (%)</b>	
Ir. Teh Kiak Seng	39.0

**Share Performance (%)**

	YTD	1m	3m	6m	12m
Absolute	(14.8)	(2.8)	(6.8)	(23.8)	(35.2)
Relative	(8.8)	0.8	(11.5)	(15.3)	(26.0)

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Tambun's 3Q15 earnings were in line with our estimate but missed market expectation. Maintain BUY with an unchanged MYR1.81 TP (31% upside). New sales achieved only MYR22m in 3Q, as Tambun is still unable to obtain the license to launch its new projects, similarly faced by most other developers currently. Hence, we lower our FY15-16 earnings forecast by 14% and 8%, respectively.

- ◆ **Within our expectation.** Tambun Indah Land (Tambun)'s 3Q15 results came in line with our estimate but was 10% below market expectation. Earnings improved QoQ as construction progresses for its two projects – Raintree Park 1 and Pearl Avenue 2. A 3 sen interim dividend was declared for the quarter, similar to last year.
- ◆ **MYR22m new sales in 3Q.** New sales achieved only MYR22m vs MYR25m in 2Q, bringing 9M sales to MYR193.1m. The amount was largely contributed by remaining units in Raintree Park 1, as the company is still waiting for the Advertising Permit & Developer License (APDL) from the authorities to launch new projects. Note that, this is the same problem that other developers are facing with projects in Penang. Tambun is now running out of products to offer, as the average take-up rate for its ongoing projects has reached 90.9%, from 89.2% in the previous quarter. Recall, management has initially scheduled to roll out Raintree Park 2 and Avenue Garden in 2H this year, which have a combined GDV of MYR300m.
- ◆ **Forecast.** The slower launches are expected to negatively affect our earnings forecasts. As such, we lower our FY16-17 net profit projections by 14% and 8% respectively. Balance sheet should remain healthy as net gearing currently stands at 15%. Unbilled sales declined to MYR343m from MYR408m in 2Q15.
- ◆ **Maintain BUY.** We maintain our BUY recommendation and a MYR1.81 TP on the stock, based on 30% discount to RNAV. The difficulty in obtaining authority's license to launch projects is widely known in the market. However, the prospects of the Penang mainland housing market remains unchanged in our view, as demand is still strong, largely spurred by the catalytic investments that are taking place in Batu Kawan as well as the housing affordability issue on Penang island.

Forecasts and Valuations	Dec-13	Dec-14	Dec-15F	Dec-16F	Dec-17F
Total turnover (MYRm)	376	467	435	416	472
Reported net profit (MYRm)	65	102	94	90	101
Recurring net profit (MYRm)	65	102	94	90	101
Recurring net profit growth (%)	59.2	57.2	(8.4)	(3.5)	11.8
Recurring EPS (MYR)	0.16	0.24	0.22	0.21	0.24
DPS (MYR)	0.06	0.08	0.07	0.07	0.08
Recurring P/E (x)	8.37	5.69	6.25	6.47	5.79
P/B (x)	1.75	1.46	1.29	1.17	1.06
Dividend Yield (%)	4.4	5.8	5.3	5.1	5.7
Return on average equity (%)	24.4	28.9	22.0	19.0	19.3
Return on average assets (%)	13.8	17.6	13.5	12.0	12.4
Net debt to equity (%)	(8.9)	3.7	1.2	1.3	1.5
Our vs consensus EPS (adjusted) (%)			(38.7)	(44.2)	(27.8)

Source: Company data, RHB

Figure 1: Tambun's quarterly results table

FYE Dec (MYRm)	3Q14	2Q15	3Q15	QoQ (%)	YoY (%)	9M14	9M15	YoY (%)	Comments
Turnover	116.8	60.0	86.2	43.6	(26.2)	356.8	276.6	(22.5)	QoQ growth was attributed to the pick up in construction progress.
EBIT	36.7	23.2	33.3	43.7	(9.3)	106.9	98.9	(7.5)	
EBIT margin (%)	31.4	38.6	38.6			30.0	35.7		
Net interest	(2.0)	(1.4)	(1.0)	(23.9)	(48.0)	(4.9)	(3.8)	71.1	
Pretax profit	34.8	22.2	32.9	48.1	(5.3)	103.1	96.4	(6.5)	
Pretax margin (%)	29.8	37.0	38.2			28.9	34.9		
Taxation	(9.0)	(4.9)	(9.0)	84.5	0.4	(26.2)	(24.9)	(5.3)	
Tax rate (%)	25.9	22.0	27.5			25.5	25.8		
Minority interest	(0.2)	(0.2)	(0.1)	(61.5)	(57.5)	(0.6)	(0.8)	33.2	
Net profit	25.5	17.1	23.8	39.2	(6.9)	76.3	70.8	(7.2)	Within our expectation.
Net margin (%)	21.9	28.5	27.6			21.4	25.6		
EPS (sen)	6.2	4.1	5.6	38.5	(9.8)	19.0	16.8	(11.6)	
Gross DPS (sen)	3.0	0.0	3.0			3.0	3.0		
NTA/share (MYR)	0.9	1.0	1.0			0.9	1.0		

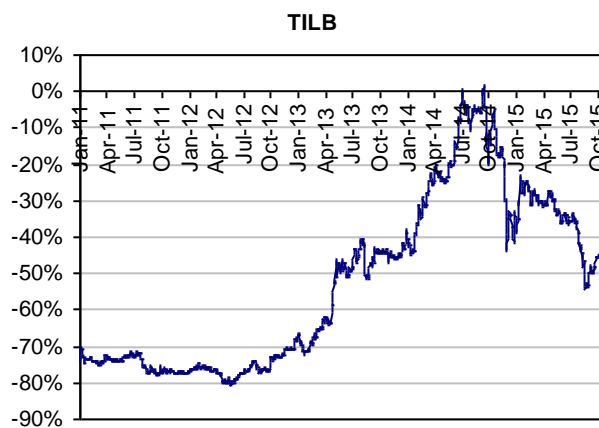
Source: Company, RHB

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

Figure 3: Tambun's historical discount to RNAV trend



Note: We adopt 30% discount to RNAV as it was roughly the level when the second Penang bridge was opened (Mar 2014), and hence improved the housing market prospect on the mainland.

Source: Bloomberg, 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	435	416	472
Cost of sales	(240)	(306)	(287)	(271)	(313)
<b>Gross profit</b>	<b>137</b>	<b>161</b>	<b>148</b>	<b>144</b>	<b>159</b>
Gen & admin expenses	(21)	(23)	(21)	(22)	(23)
Other operating costs	3	5	5	5	5
<b>Operating profit</b>	<b>118</b>	<b>143</b>	<b>132</b>	<b>128</b>	<b>142</b>
Operating EBITDA	119	144	133	129	143
Depreciation of fixed assets	(1)	(1)	(1)	(1)	(1)
<b>Operating EBIT</b>	<b>118</b>	<b>143</b>	<b>132</b>	<b>128</b>	<b>142</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>126</b>	<b>121</b>	<b>135</b>
Taxation	(30)	(35)	(32)	(30)	(34)
Minority interests	(23)	(1)	(1)	(0)	-
<b>Profit after tax &amp; minorities</b>	<b>65</b>	<b>102</b>	<b>94</b>	<b>90</b>	<b>101</b>
<b>Reported net profit</b>	<b>65</b>	<b>102</b>	<b>94</b>	<b>90</b>	<b>101</b>
<b>Recurring net profit</b>	<b>65</b>	<b>102</b>	<b>94</b>	<b>90</b>	<b>101</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>132</b>	<b>128</b>	<b>142</b>
Depreciation & amortisation	1	1	1	1	1
<b>Change in working capital</b>	<b>(24)</b>	<b>36</b>	<b>3</b>	<b>2</b>	<b>(5)</b>
Other operating cash flow	(4)	(18)	(10)	(9)	(8)
<b>Operating cash flow</b>	<b>91</b>	<b>162</b>	<b>126</b>	<b>121</b>	<b>130</b>
Interest paid	(3)	(6)	(6)	(7)	(7)
Tax paid	(30)	(35)	(32)	(30)	(34)
<b>Cash flow from operations</b>	<b>58</b>	<b>121</b>	<b>88</b>	<b>84</b>	<b>90</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)	(31)	(30)
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>(20)</b>	<b>(18)</b>
Cash at beginning of period	96	126	138	168	176
<b>Total cash generated</b>	<b>24</b>	<b>33</b>	<b>14</b>	<b>14</b>	<b>22</b>
Forex effects	6				
<b>Implied cash at end of period</b>	<b>126</b>	<b>159</b>	<b>152</b>	<b>181</b>	<b>199</b>

Source: Company data, RHB

## Financial Exhibits

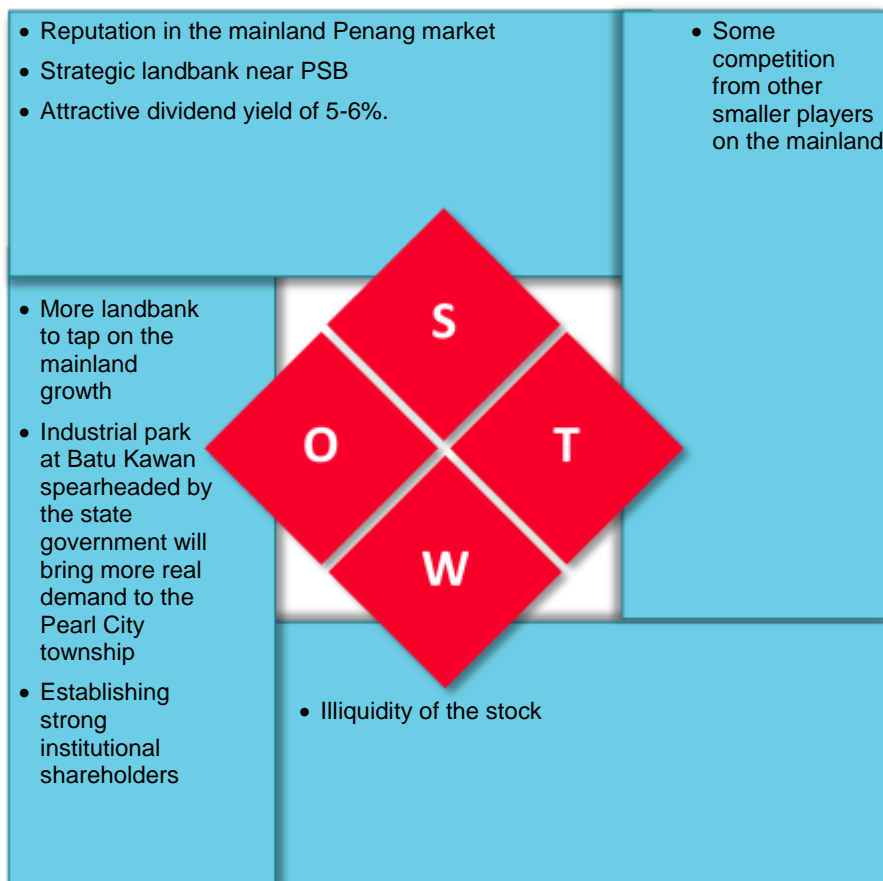
<b>Balance Sheet (MYRm)</b>	<b>Dec-13</b>	<b>Dec-14</b>	<b>Dec-15F</b>	<b>Dec-16F</b>	<b>Dec-17F</b>
Total cash and equivalents	126	138	168	176	185
Inventories	125	75	70	67	76
Accounts receivable	87	118	110	105	119
Other current assets	2	5	5	5	5
<b>Total current assets</b>	<b>340</b>	<b>336</b>	<b>353</b>	<b>353</b>	<b>385</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>727</b>	<b>777</b>	<b>857</b>
Short-term debt	25	35	35	35	35
Accounts payable	81	104	93	87	106
Other current liabilities	4	1	1	1	1
<b>Total current liabilities</b>	<b>110</b>	<b>140</b>	<b>130</b>	<b>124</b>	<b>142</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>272</b>	<b>276</b>	<b>304</b>
Share capital	197	210	212	212	212
Retained earnings reserve	48	118	172	217	270
Other reserves	65	68	68	68	68
<b>Shareholders' equity</b>	<b>310</b>	<b>397</b>	<b>452</b>	<b>498</b>	<b>550</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>455</b>	<b>501</b>	<b>553</b>
<b>Total liabilities &amp; equity</b>	<b>497</b>	<b>662</b>	<b>727</b>	<b>777</b>	<b>857</b>

Source: Company data, RHB

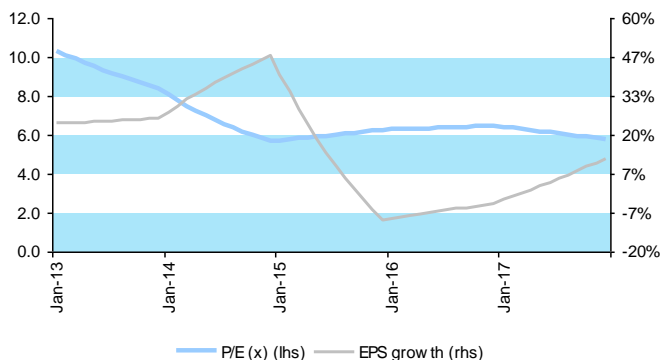
<b>Key Ratios (MYR)</b>	<b>Dec-13</b>	<b>Dec-14</b>	<b>Dec-15F</b>	<b>Dec-16F</b>	<b>Dec-17F</b>
Revenue growth (%)	26.8	24.0	(6.8)	(4.4)	13.6
Operating profit growth (%)	46.6	20.7	(7.2)	(3.7)	11.3
Net profit growth (%)	59.2	57.2	(8.4)	(3.5)	11.8
EPS growth (%)	25.6	47.2	(9.0)	(3.5)	11.8
BVPS growth (%)	9.5	20.0	13.0	10.1	10.5
Operating margin (%)	31.4	30.6	30.4	30.7	30.0
Net profit margin (%)	17.3	21.9	21.5	21.7	21.4
Return on average assets (%)	13.8	17.6	13.5	12.0	12.4
Return on average equity (%)	24.4	28.9	22.0	19.0	19.3
Net debt to equity (%)	(8.9)	3.7	1.2	1.3	1.5
DPS	0.06	0.08	0.07	0.07	0.08
Recurrent cash flow per share	0.15	0.29	0.21	0.20	0.21

Source: Company data, RHB

## SWOT Analysis

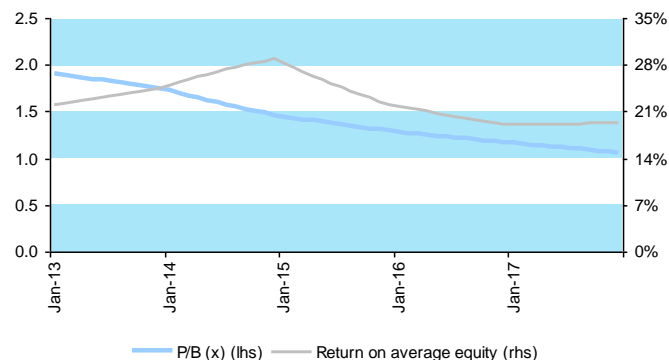


P/E (x) vs EPS growth



Source: Company data, RHB

P/BV (x) vs ROAE



Source: Company data, RHB

## Company Profile

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

## Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2015-08-26	Buy	1.81	1.43
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

Source : RHB, Bloomberg

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**Trading Buy:** Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain

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

**Take Profit:** Target price has been attained. Look to accumulate at lower levels

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**Not Rated:** Stock is not within regular research coverage

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