

Tambun Indah (HOLD ↔, EPS ↔)
INDUSTRY: NEUTRAL
EARNINGS EVALUATION

March 1, 2016

Price Target: RM1.39 (↔)
Share price: RM1.35
Slowdown in new launching
Results

- **Within expectations:** TILB's FY15 core PATAMI (excluding RM6.7m of revaluation gain) fell by 8% YoY, accounting for 98% of HLIB's and consensus' full year forecasts.

Deviations

- None.

Dividends

- None.

Highlights

- FY15 PATAMI fell by 8% YoY mainly due to delay in launching new projects. Tambun only managed to launch Raintree Park 2 and Avenue Garden in Dec 15 with total GDV of RM320m. Average take up rate from on-going projects remained healthy at 82%.
- New property sales increased from RM22m to RM70m QoQ mainly due to timing launch of Raintree Park 2 in Dec 15 which contributed RM55m of sales. FY15 sales achieved RM263m.
- To recap, Tambun Indah has secured advertising permits and developer licenses (APDL) for Raintree Park2 (GDV: RM222m) and Avenue Garden (GDV: RM95m) in early Dec 15 after delays of more than half a year. We understand that both projects received well response from buyers with latest take up rate of around 50%.
- Avenue Garden is a 17-storey service apartment with 312 residential units. The pricing is attractive at RM300 psf with smaller size units priced around RM230k. Avenue Garden is just located near to GEMS International School.
- Tambun is targeting to launch Pearl Tropika (GDV: RM146m, secured APDL) and Pearl Saujana – Phase 1 (GDV: RM RM103m, pending APDL) in 2016. We opine that the uncertainty on the timing to secure APDL remains the key concern to the company.

Risks

- Continued delay in new project launches.

Forecasts

- Unchanged.

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:

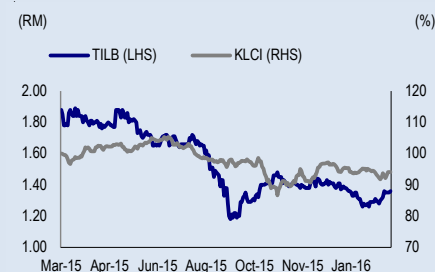
- (1) High project concentration in Penang;
- (2) Delay in new project launches.

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 5.8%.

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KLCI	1,660.1
Expected share price return	3.0%
Expected dividend return	5.8%
Expected total return	6.5%

Share price

Information

Bloomberg Ticker	TILB MK
Bursa Code	5191
Issued Shares (m)	421.7
Market cap (RMm)	573
3-mth avg volume ('000)	219
SC-Syariah Compliant	Yes

Price Performance

	1M	3M	12M
Absolute %	6.3	-2.2	-27.8
Relative %	7.1	-1.1	-20.5

Major shareholders

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

Summary Earnings Table

FYE 31 Dec	2014A	2015E	2016E	2017E
Revenue (RM m)	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)	5.5	6.0	6.9	6.2
BV/share	0.98	1.08	1.20	1.33
P/BV (x)	1.41	1.28	1.15	1.04
ROA (%)	18.0	21.4	15.9	16.5
ROE (%)	25.6	21.1	16.4	16.5
Yield (%)	7.0	6.7	5.8	6.4

HLIB

Figure #1 Quarterly results comparison

FYE 31 Dec	4Q14	3Q15	4Q15	Qoq (%)	Yoy (%)	Comments
Revenue	110.1	86.2	91.1	5.6	(17.3)	YoY: Mainly due lack of new projects launches. QoQ: Increased due to higher work progress from on-going projects.
Cost of Sales	(71.3)	(48.2)	(53.3)	10.5	(25.3)	
Gross profit	38.8	38.0	37.8	(0.6)	(2.6)	Yoy: Declined lesser as compared to revenue due to better margin.
Selling and marketing expenses	(2.3)	(1.6)	(4.1)	159.4	80.7	
Administrative expenses	(3.8)	(4.1)	(3.2)	(20.7)	(16.1)	
Other Income	1.7	0.2	6.8	3,828.5	302.2	Surged due to RM6.7m of revaluation gain on investment properties.
Operating Profit	34.4	32.5	37.2	14.5	8.3	
Interest Income	1.4	0.7	1.1	52.5	(21.6)	
Finance costs	(0.9)	(1.0)	(1.4)	31.2	53.4	
Net Interest	0.5	(0.3)	(0.2)	(21.2)	(143.4)	
Associates	0.2	0.7	2.3	238.0	1,050.2	
Profit before taxation	35.1	32.9	39.3	19.4	11.9	Filtered down from EBIT.
Income tax expense	(8.7)	(9.0)	(8.9)	(1.0)	3.3	
MI	0.6	0.1	0.0	(77.7)	(96.4)	
PATAMI	25.9	23.8	30.3	27.6	17.3	Filtered down from PBT.
EI			6.7			
Core PATAMI	25.9	23.8	23.7	(0.4)	(8.5)	

Figure #2 Cumulative results comparison

FYE 31 Dec	FY14	FY15	Yoy (%)	Comments
Revenue	466.8	367.7	(21.2)	Mainly due lack of new projects launches.
Cost of Sales	(306.3)	(216.2)	(29.4)	
Gross profit	160.6	151.4	(5.7)	Declined lesser as compared to revenue due to better margin.
Selling and marketing expenses	(9.8)	(9.6)	(2.2)	
Administrative expenses	(14.4)	(15.4)	7.4	
Other Income	3.0	7.5	146.6	
Operating Profit	139.4	133.9	(4.0)	Due to lower marketing cost.
Interest Income	3.3	3.4	2.9	
Finance costs	(5.8)	(5.1)	(10.6)	
Net Interest	(2.5)	(1.8)	(28.3)	
Associates	1.3	3.6	181.0	
Profit before taxation	138.2	135.7	(1.8)	Filtered down from EBIT.
Income tax expense	(34.9)	(33.8)	(3.2)	
MI	1.2	0.8	(30.7)	
PATAMI	102.1	101.1	(1.0)	Filtered down from PBT.
EI	-	6.7		
Core PATAMI	102.1	94.4	(7.5)	

Figure #3 HLIB vs. consensus

RMm	FY16			FY1		
	HLIB	Consensus	%	HLIB	Consensus	%
Revenue	353.4	446.0	-20.8	392.9	438.0	-10.3
PATAMI	83.6	98.5	-15.1	93.2	97.5	-4.4

HLIB; Bloomberg

Figure #4 RNAV Table

Projects	Stake	NPV
	(%)	(RM m)
Launched but havent sold	100%	26.9
Raintree Park 2@ Pearl City	100%	42.6
Avenue Garden @ Pearl City	100%	17.2
Central Avenue @ Pearl City	100%	12.3
Pearl Tropika @ Pearl City	100%	25.9
Alma (TBC)	100%	14.0
Kota Permai, Bukit Mertajam (TBC)	100%	25.9
Camellia Park - Commercial	100%	0.6
Pearl City - Other Phases	100%	324.0
Unbilled Sales	100%	93.3
NPV		582.6
Shareholder Funds as of 1Q15		427.5
Net cash/(debt) as of 1Q15		(11.0)
RNAV		999.1
WA Proceed		6.5
Total RNAV		1,005.6
Total Diluted Shares		432.2
RNAV/share		2.3
Discount		40%
Discounted RNAV		599.4
Discounted RNAV/share		1.39

Company, HLIB

Figure #5 Peer Comparison

Company	Current Px	Recomm	TP	Upside	Mkt Cap (m)	Discount to RNAV	P/E (x)		P/B (x)		Dividend Yield		Unbilled Sales Coverage (x)
							CY15	CY16	CY15	CY16	CY15	CY16	
IOI PROPERTIES	2.05	Buy	2.77	35%	9,043.2	(51.9)	14.9	12.0	0.57	0.55	2.0	2.5	0.9
UEM SUNRISE BHD	0.985	Hold	0.92	-6%	4,469.4	(68.0)	17.4	13.7	0.69	0.66	1.7	2.2	2.9
SP SETIA BHD	3	Hold	3.12	4%	7,885.2	(37.5)	8.6	11.2	1.28	1.21	7.7	4.5	2.6
MAH SING GROUP	1.31	Hold	1.41	8%	3,156.3	(44.3)	8.8	8.2	1.00	0.93	4.5	4.9	1.7
SUNWAY BHD	3	Buy	3.63	21%	5,340.3	0.0	8.8	8.6	0.80	0.75	16.0	4.0	1.4
MATRIX CONCEPTS	2.3	Buy	2.91	27%	1,293.1	(36.8)	5.2	5.2	1.53	1.30	6.2	7.7	1.1
TAMBUN	1.35	Hold	1.40	3%	572.9	(42.0)	6.0	6.8	1.43	1.38	6.6	5.9	0.9
YNH PROPERTY BHD	1.95	Hold	1.85	-5%	791.8	(47.4)	32.1	20.2	0.90	0.82	0.6	1.0	0.0
GLOMAC BHD	0.855	Hold	0.89	4%	619.5	(51.9)	7.8	6.9	0.63	0.60	4.9	5.2	1.5
ECO WORLD DEVELO	1.31	NR			3,097.2	(43.0)	57.0	21.8	0.87	0.84	-	-	2.5
Average						(42.3)	16.6	11.5	0.97	0.90	5.0	3.8	1.5

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)	8.6	5.5	6.0	6.9	6.2
BV / share	0.9	1.0	1.1	1.2	1.3
P/BV (x)	1.5	1.4	1.3	1.2	1.0
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 (%)	9.6%	-1.1%	21.5%	20.3%	11.0%
Market capitalization (m)	559	559	559	559	559
Net cash (m)	13	-38	74	161	190
Enterprise value	546	597	486	399	369
EV/ EBITDA (x)	4.7	4.3	3.6	3.4	2.8

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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TRADING BUY	Positive recommendation of stock not under coverage. Expected absolute return of more than +10% over 6-months. Situational or arbitrage trading opportunity.
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