

10 March 2016

Property | Real Estate

Tambun Indah Land

Buy (Maintained)

Bread-And-Butter Products Still Sell

Target Price:	MYR1.66
Price:	MYR1.33
Market Cap:	USD137m
Bloomberg Ticker:	TILB MK

We remain positive on Tambun's sales prospects, given its affordable township property products. Maintain BUY with MYR1.66 TP (25% upside). 2016 new sales are expected to grow 25% to MYR330m, given the new launches that worth MYR586m. This should help to replenish its current unbilled sales of only MYR324.2m.

Share Data

Avg Daily Turnover (MYR/USD)	0.24m/0.06m
52-wk Price low/high (MYR)	1.18 - 1.89
Free Float (%)	50
Shares outstanding (m)	424
Estimated Return	25%

Good turnout in the briefing. After a quiet 2015, Tambun Indah Land (Tambun) hosted an analyst briefing yesterday. Managing director Mr Teh Kiak Seng, CFO Mr Steve Neoh and general manager Mr Teh Deng Wei presented their corporate update.

Shareholders (%)

Ir. Teh Kiak Seng	39.0
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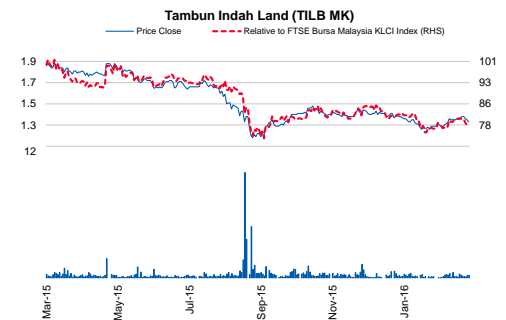
Concerns on delay in approvals have eased. During the briefing, various questions on approvals were raised given that the company was not able to obtain the advertising permit and developer license (APDL) to launch new projects last year. However, we think the concerns should ease temporarily, given that the new projects – Raintree Park 2, Avenue Garden and Pearl Tropika – had received the green light to launch in Dec 2015. These three projects, with a combined GDV of MYR463m, have already achieved a booking rate of 60% thus far (Tropika was just released in March, and hence booking rate is low at >20%). The company has also submitted applications for other pipeline projects, such as Pearl Saujana Phase 1 and Pearl 28, which are slated for launch in 2H16. Management has been constantly following up with the authorities for the latest updates. Given the type of products and pricing, we expect Tambun to rake in MYR330m sales, a 25% growth from MYR263.4m.

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(5.7)	3.1	(7.6)	9.0	(25.7)
Relative	(5.4)	1.6	(8.7)	2.7	(19.1)

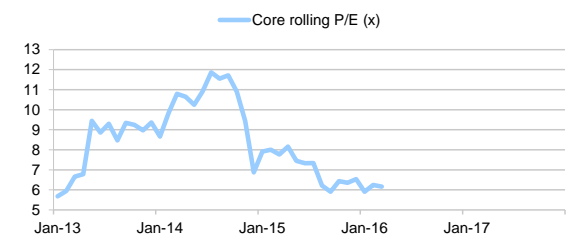
Source: Bloomberg

Affordable products attract home occupiers. We concur with management that affordable landed products will continue to attract owner occupiers. Although another developer in the proximity is selling at MYR700-800k for a terrace house, a similar house type in Tambun's established Pearl City township is currently priced at MYR450k (7% increase YoY), which is more affordable for the mass market, and at the same time maintaining the upside in pricing once the property market recovers.



Source: Bloomberg

Prudent on landbanking. Management has been prudent in its landbanking exercise and the company has accumulated a solid war chest which would come in handy once opportunities arise. While many land parcels were offered, Mr Teh believes that 2017 would see better opportunities. We agree with his view. Currently, Tambun has a remaining landbank of 675 acres, and should last for another eight years.



Source: Bloomberg

Maintain BUY. We maintain our BUY rating with unchanged MYR1.66 TP, based on 35% discount to RNAV. Although the current property market is challenging, we think Tambun has the right products that should continue to capture the first-time home buyers, and upgraders from Penang, which have been the trend over the past years (ie less property investors).

Forecasts and Valuations	Dec-14	Dec-15	Dec-16F	Dec-17F	Dec-18F
Total turnover (MYRm)	467	368	382	405	462
Reported net profit (MYRm)	102	101	97	102	118
Recurring net profit (MYRm)	102	94	97	102	118
Recurring net profit growth (%)	57.2	(7.5)	2.4	5.8	15.0
Recurring EPS (MYR)	0.24	0.22	0.22	0.23	0.27
DPS (MYR)	0.08	0.10	0.09	0.10	0.11
Recurring P/E (x)	5.48	5.97	5.96	5.68	4.99
P/B (x)	1.41	1.23	1.10	1.00	0.90
Dividend Yield (%)	6.0	7.3	6.9	7.2	8.2
Return on average equity (%)	28.9	23.6	19.7	18.5	19.0
Return on average assets (%)	17.6	14.1	11.9	11.5	12.0
Net debt to equity (%)	3.7	1.0	(1.0)	(1.8)	(2.8)
Our vs consensus EPS (adjusted) (%)			(4.2)	1.7	2.5

Source: Company data, RHB

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Financial Exhibits

Profit & Loss (MYRm)	Dec-14	Dec-15	Dec-16F	Dec-17F	Dec-18F	Cash flow (MYRm)	Dec-14	Dec-15	Dec-16F	Dec-17F	Dec-18F
Total turnover	467	368	382	405	462	Operating profit	143	137	136	144	165
Cost of sales	(306)	(216)	(228)	(243)	(279)	Depreciation & amortisation	1	1	1	1	1
Gross profit	161	151	154	161	182	Change in working capital	36	(10)	(4)	(6)	(15)
Gen & admin expenses	(23)	(24)	(23)	(23)	(23)	Other operating cash flow	(18)	(10)	(9)	(8)	(7)
Other operating costs	5	10	5	5	5	Operating cash flow	162	118	125	131	144
Operating profit	143	137	136	144	165	Interest paid	(6)	(5)	(7)	(8)	(8)
EBITDA	144	138	137	145	166	Tax paid	(35)	(34)	(32)	(34)	(39)
Depreciation of fixed assets	(1)	(1)	(1)	(1)	(1)	Cash flow from operations	121	79	85	89	97
Operating profit	143	137	136	144	165	Capex	(153)	(27)	(50)	(50)	(50)
Net income from investments	1	4	-	-	-	Other investing cash flow	3	(0)	-	1	2
Interest expense	(6)	(5)	(7)	(8)	(8)	Cash flow from investing activities	(150)	(27)	(50)	(49)	(48)
Pre-tax profit	138	136	129	136	157	Dividends paid	(24)	(34)	(41)	(39)	(42)
Taxation	(35)	(34)	(32)	(34)	(39)	Proceeds from issue of shares	18	3	-	-	-
Minority interests	(1)	(1)	(0)	-	-	Increase in debt	55	35	-	-	-
Reported net profit	102	101	97	102	118	Other financing cash flow	12	10	11	12	13
Recurring net profit	102	94	97	102	118	Cash flow from financing activities	62	14	(31)	(28)	(29)
						Cash at beginning of period	126	138	184	204	219
						Total cash generated	33	66	5	12	20
						Implied cash at end of period	159	204	188	216	239

Source: Company data, RHB

Key Ratios	Dec-14	Dec-15	Dec-16F	Dec-17F	Dec-18F
Revenue growth (%)	24.0	(21.2)	3.8	6.1	14.0
Operating profit growth (%)	20.7	(3.8)	(0.7)	5.7	14.5
Recurring net profit growth (%)	57.2	(7.5)	2.4	5.8	15.0
Recurrent EPS growth (%)	47.2	(8.3)	0.3	4.8	13.8
Gross margin (%)	34.4	41.2	40.4	39.9	39.5
Operating EBITDA margin (%)	30.8	37.6	36.0	35.9	36.0
Operating margin (%)	30.6	37.3	35.7	35.6	35.7
Recurring net profit margin (%)	21.9	25.7	25.3	25.3	25.5
Return on average assets (%)	17.6	14.1	11.9	11.5	12.0
Return on average equity (%)	28.9	23.6	19.7	18.5	19.0
Net debt to equity (%)	3.7	1.0	(1.0)	(1.8)	(2.8)
Interest cover (x)	24.8	26.7	19.0	19.1	20.9
Capex/Free cash flow (%)	126.3	34.5	58.6	56.0	51.6
BVPS (MYR)	0.94	1.08	1.21	1.33	1.48
DPS (MYR)	0.08	0.10	0.09	0.10	0.11
Dividend payout ratio (%)	33.0	40.8	40.8	40.8	40.8
Free cash flow per share (MYR)	(0.08)	0.12	0.08	0.09	0.11

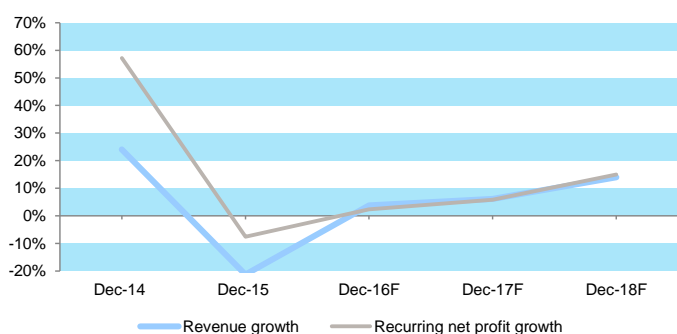
Source: Company data, RHB

Source: Company data, RHB

Balance Sheet (MYRm)	Dec-14	Dec-15	Dec-16F	Dec-17F	Dec-18F
Total cash and equivalents	138	184	204	219	237
Inventories	75	128	133	141	161
Accounts receivable	118	91	95	100	114
Other current assets	5	7	7	7	7
Total current assets	336	410	438	468	519
Total investments	4	4	4	4	4
Tangible fixed assets	298	324	373	422	471
Total other assets	23	36	36	36	36
Total non-current assets	325	365	414	463	512
Total assets	662	776	852	931	1,031
Short-term debt	35	49	49	49	49
Accounts payable	104	118	122	130	149
Other current liabilities	1	6	6	6	6
Total current liabilities	140	173	177	185	204
Total long-term debt	118	139	149	159	169
Other liabilities	4	1	1	1	1
Total non-current liabilities	122	140	150	160	170
Total liabilities	262	313	328	345	374
Share capital	210	212	216	219	221
Retained earnings reserve	118	178	236	295	364
Other reserves	68	69	69	69	69
Shareholders' equity	397	460	522	583	654
Minority interests	2	3	3	3	3
Other equity	(0)	0	0	0	0
Total equity	399	463	525	586	657
Total liabilities & equity	662	776	852	931	1,031

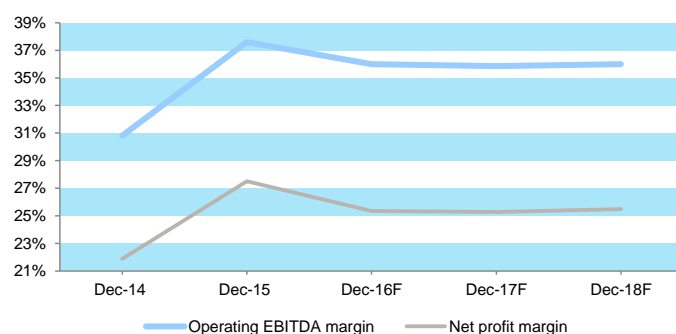
Source: Company data, RHB

Revenue growth vs Recurring net profit growth



Source: Company data, RHB

EBITDA margin vs Net profit margin



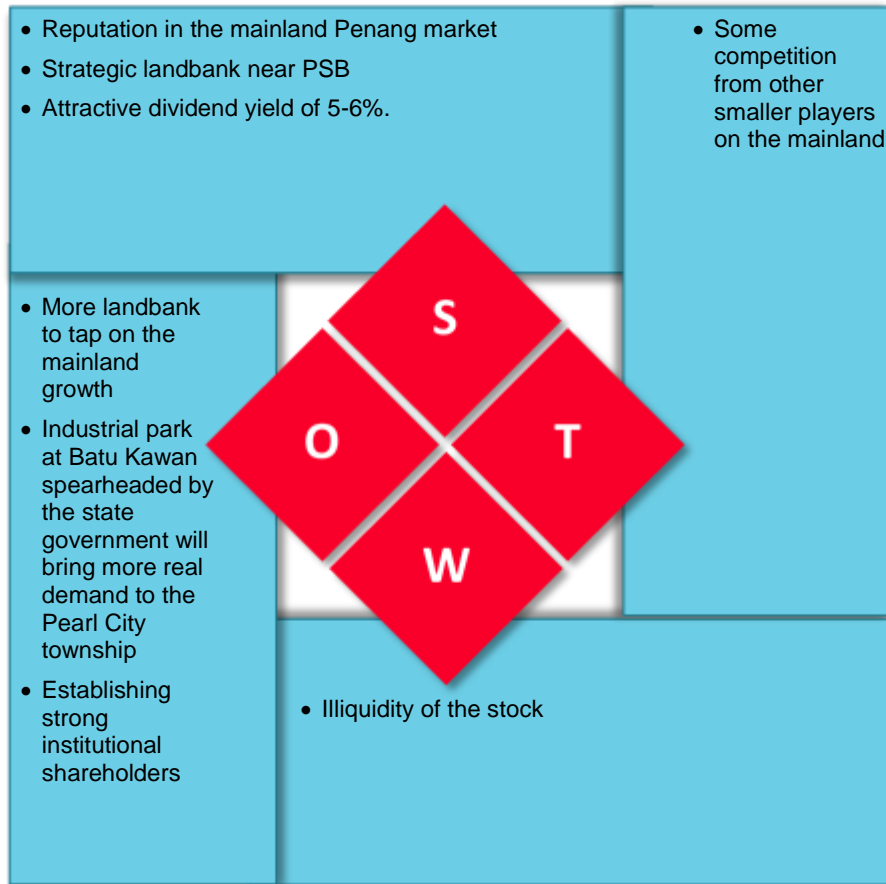
Source: Company data, RHB

Figure 1: Tambun's RNAV

New projects	Total GDV (MYR m)	Land size (acres)	Equity stake	NPV @ 10%
<u>Ongoing projects</u>				
Straits Garden	237.8	n.a.	100%	45.6
Taman Bukit Residence	72.1	8.0	100%	13.2
Pearl Avenue (Ph. 2)	40.1	4.1	100%	12.7
Pearl Harmoni	151.2	21.6	100%	27.7
Rain Tree Park 1	170.3	25.1	100%	32.7
Avenue Garden @ Pearl City	95.0	n.a.	100%	15.8
Pearl Tropika	146.0	20.3	100%	28.0
<u>Remaining projects</u>				
Rain Tree Park 2	211.8	30.1	100%	35.4
Central Avenue @ Pearl City	82.1	n.a.	100%	16.3
Pearl Saujana - Phase 1	102.7	n.a.	100%	16.3
Pearl Saujana - Phase 2	87.5	n.a.	100%	12.7
Pearl 28	20.0	n.a.	100%	3.5
Camellia Park - Commercial	4.0	n.a.	100%	0.6
Alma	48.0	n.a.	100%	8.4
Pearl City - other phases	2,643.9	385.1	100%	337.8
Kota Permai	200.0	18.8	100%	26.5
Total				633.32
Shareholders' fund				459.77
Total RNAV				1,093.09
Shares base				428.66
FD RNAV per share (MYR)				2.55
Discount				35%
Target price (MYR)				1.66

Source: RHB

SWOT Analysis



Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2016-03-01	Buy	1.66	1.37
2015-12-07	Buy	1.81	1.39
2015-11-20	Buy	1.81	1.40
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

Source: RHB, Bloomberg

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