

1 March 2016

Property | Real Estate

## Tambun Indah Land

**Buy** (Maintained)

### Expect Higher Sales In 2016

We expect Tambun's property sales to pick up more substantially in 2016 after a lacklustre 2015. We maintain our BUY rating but lower our TP to MYR1.66 TP (23% upside) to reflect the general weakening property market conditions. FY15 new sales achieved MYR263m, down from MYR429m in FY14. The company is almost in net cash again.

**Maintain BUY.** While we are still positive on the Penang mainland market, given the weaker overall property market conditions, we lower our TP to MYR1.66 TP (from MYR1.81), based on a higher 35% discount to our updated RNAV (from 30%).

**Expect MYR330m sales in 2016.** We expect Tambun Indah Land (Tambun) to rake in higher sales of about MYR330m this year as it has just received the advertising permit and developer licence (APDL) to launch Raintree Park 2, Avenue Garden and Pearl Tropika in Dec 2015. These three projects have a combined GDV of MYR446m (MYR95m, MYR205m and MYR146m respectively), and have already achieved a booking rate of about 40-50%. In 4Q15, Tambun also plans to roll out Pearl Saujana 1 with a GDV of MYR102m. All of these are affordable housing as their pricing is around MYR300,000-450,000/unit.

**New sales rose swiftly in 4Q15.** New sales reached MYR70m in 4Q vs MYR22m in 3Q when Tambun was still awaiting the APDL. Full-year sales amounted to MYR263.41m, down from MYR429.11m in 2014, given the slow approval process.

**Forecast.** We make minimal changes to our earnings projections. Tambun is now almost in net cash. Meanwhile, unbilled sales declined to MYR324m from MYR343m in 3Q15. Key risks are: i) delays in approvals, and ii) worse-than-expected market conditions.

#### 4Q15 earnings: in line

(MYRm)	4Q15	3Q15	QoQ	4Q14	YoY	Comments
Revenue	91	86	5.6%	110	-17.3%	
EBIT	38	33	15.3%	37	4.6%	4Q15 EBIT included a MYR6.7m fair value gain on the international school
EBIT (%)	42.1%	38.6%		33.3%		
NI	30	24	27.6%	26	18.8%	
NI (%)	33.3%	27.6%		23.2%		

Source: Company data, RHB

**4Q15 results within expectation.** Against the industry trend, Tambun's gross margin expanded to 41% from 34% in 2014, suggesting more efficient use of its landbank, which is carried at low cost. A final dividend will likely be announced at a later date.

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)	5.56	6.06	6.05	5.77	5.07
P/B (x)	1.43	1.25	1.12	1.01	0.91
Dividend Yield (%)	5.9	7.2	6.8	7.1	8.1
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

Target Price:	MYR1.66
Price:	MYR1.35
Market Cap:	USD136m
Bloomberg Ticker:	TILB MK

#### Share Data

Avg Daily Turnover (MYR/USD)	0.28m/0.06m
52-wk Price low/high (MYR)	1.18 - 1.89
Free Float (%)	50
Shares outstanding (m)	424
Estimated Return	23%

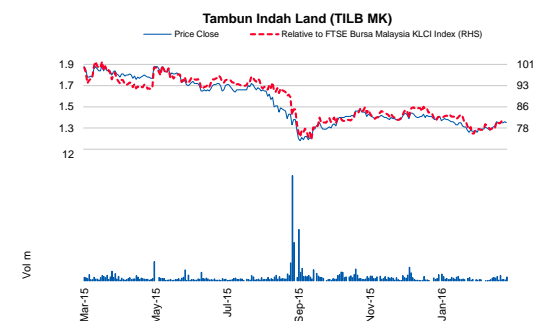
#### Shareholders (%)

Ir. Teh Kiak Seng	39.0
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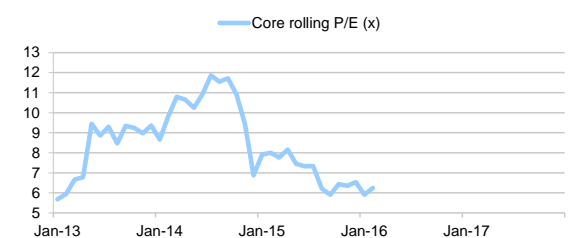
#### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(4.3)	6.3	(2.2)	(2.2)	(27.8)
Relative	(2.6)	6.6	(1.1)	(5.3)	(19.1)

Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

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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
<b>Total turnover</b>	<b>467</b>	<b>368</b>	<b>382</b>	<b>405</b>	<b>462</b>	<b>Operating profit</b>	<b>143</b>	<b>137</b>	<b>136</b>	<b>144</b>	<b>165</b>
Cost of sales	(306)	(216)	(228)	(243)	(279)	Depreciation & amortisation	1	1	1	1	1
<b>Gross profit</b>	<b>161</b>	<b>151</b>	<b>154</b>	<b>161</b>	<b>182</b>	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	<b>Operating cash flow</b>	<b>162</b>	<b>118</b>	<b>125</b>	<b>131</b>	<b>144</b>
<b>Operating profit</b>	<b>143</b>	<b>137</b>	<b>136</b>	<b>144</b>	<b>165</b>	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)	<b>Cash flow from operations</b>	<b>121</b>	<b>79</b>	<b>85</b>	<b>89</b>	<b>97</b>
<b>Operating profit</b>	<b>143</b>	<b>137</b>	<b>136</b>	<b>144</b>	<b>165</b>	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)	<b>Cash flow from investing activities</b>	<b>(150)</b>	<b>(27)</b>	<b>(50)</b>	<b>(49)</b>	<b>(48)</b>
<b>Pre-tax profit</b>	<b>138</b>	<b>136</b>	<b>129</b>	<b>136</b>	<b>157</b>	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	-	-	-
<b>Reported net profit</b>	<b>102</b>	<b>101</b>	<b>97</b>	<b>102</b>	<b>118</b>	Other financing cash flow	12	10	11	12	13
<b>Recurring net profit</b>	<b>102</b>	<b>94</b>	<b>97</b>	<b>102</b>	<b>118</b>	<b>Cash flow from financing activities</b>	<b>62</b>	<b>14</b>	<b>(31)</b>	<b>(28)</b>	<b>(29)</b>

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

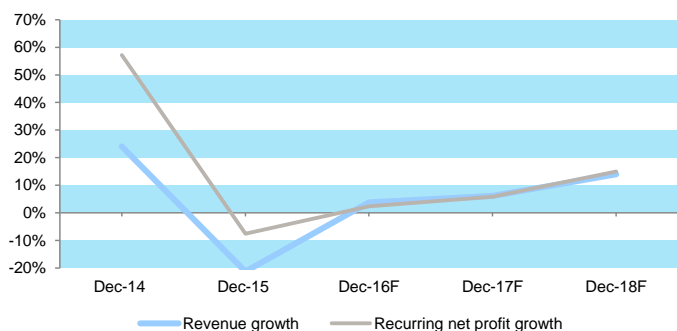
Source: Company data, RHB

Source: Company data, RHB

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

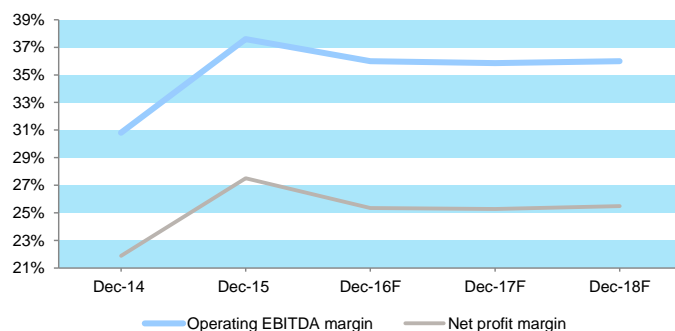
Source: Company data, RHB

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 quarterly results table

FYE Dec (MYRm)	4Q14	3Q15	4Q15	QoQ (%)	YoY (%)	FY14	FY15	YoY (%)	Comments
Turnover	110.1	86.2	91.1	5.6	(17.3)	466.8	367.7	(21.2)	4Q15 revenue was mainly contributed by Straits Garden and Raintree Park 1.
EBIT	35.8	33.3	38.4	15.3	7.1	142.7	137.2	(3.8)	Lifted by a MYR6.7m fair value gain on the international school.
EBIT margin (%)	32.5	38.6	42.1			30.6	37.3		
Net interest	(0.9)	(1.0)	(1.4)	31.2	53.4	(5.8)	(5.1)	102.5	
Pretax profit	35.1	32.9	39.3	19.4	11.9	138.2	135.7	(1.8)	
Pretax margin (%)	31.9	38.2	43.2			29.6	36.9		
Taxation	(8.7)	(9.0)	(8.9)	(1.0)	3.3	(34.9)	(33.8)	(3.2)	
Tax rate (%)	24.7	27.5	22.8			25.3	24.9		
Minority interest	(0.6)	(0.1)	(0.0)	(77.7)	(96.4)	(1.2)	(0.8)	(30.7)	
Net profit	25.9	23.8	30.3	27.6	17.3	102.1	101.1	(1.0)	
Core net profit	25.9	23.8	23.6	(0.6)	(8.6)	102.1	94.4	(7.6)	
Core net margin (%)	23.5	27.6	33.3			21.9	27.5		
EPS (sen)	6.2	5.6	7.2	27.6	14.7	25.2	23.9	(5.1)	
Gross DPS (sen)	6.7	3.0	0.0			9.7	3.0		
NTA/share (MYR)	0.9	1.0	1.1			0.9	1.1		

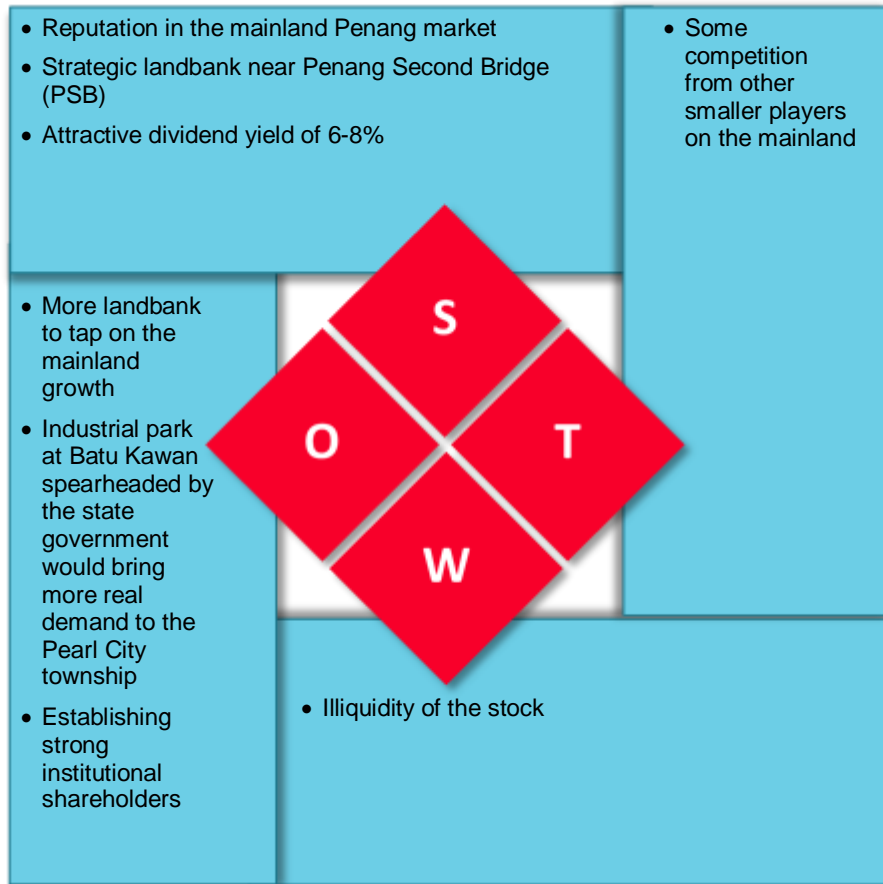
Source: RHB

Figure 2: Tambun's RNAV

New projects	Total GDV (MYR m)	Land size (acres)	Equity stake	NPV @ 9%
<u>Ongoing projects</u>				
Straits Garden	237.8		100%	46.0
Pearl Residence	223.5		100%	39.6
Pearl Avenue (Ph. 1)	82.6		100%	27.6
<u>Remaining projects</u>				
Taman Bukit Residence	63.7	8.0	100%	11.8
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>632.52</b>
Shareholders' fund				459.77
Total RNAV				1,092.29
Share 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
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
2014-07-13	Buy	3.00	2.37

Source: RHB, Bloomberg

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