

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

May 19, 2016

Price Target: RM1.39 (↔)
Share price: RM1.38
1Q Result: Inline
Results

- **Within expectations:** TILB's 1QFY16 core PATAMI fell by 2%% QoQ, accounting for 28% and 24% of HLIB's and consensus's full year forecasts.

Deviations

- We deem the result inline as the higher progress of revenue recognition in 1Q16 is expected to normalise in the subsequent quarters.

Dividends

- None.

Highlights

- 1QFY16 PATAMI fell by 2% QoQ and 32% YoY mainly due to delay in launching new projects. Revenue was mainly contributed from Pearl City, which accounted for 83% of total revenue. Average take up rate from on-going projects remained healthy at 77%.
- New property sales increased from RM70m to RM116m mainly due to contribution from Avenue Garden, Raintree Park 2 and Pearl Tropika. Full year sales target of RM300m (versus RM263m in FY15) should be achievable as 1Q16 sales already achieved 39% of full year target.
- Both Raintree Park 2 (RM480k onwards) and Avenue Garden (RM268k onwards) achieved booking rate as of April 16 of circa 60% given its affordable pricing.
- For FY16, Tambun is targeting to launch RM364m worth of new projects. Key launches included Avenue Garden (GDV: RM95m), Pearl Tropika (GVD: RM146m), Pearl Saujana (GDV: RM103m) and Pearl 28 (GDV: RM20m).
- Unbilled sales increased slightly from RM324m to RM354m, representing 1x FY15's property development revenue.
- Pearl Tropika had already secured APDL and was recently launched in Mar 16 with take up rate of slightly more than 20% and booking rate of 40%. Pearl Saujana – Phase 1 and Pearl 28 are in the process of applying APDL. 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:

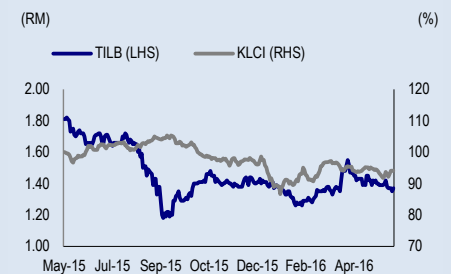
- (1) High project concentration in Penang;
- (2) Delay in new project launches.

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	1,635.7
Expected share price return	0.7%
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)	587
3-mth avg volume ('000)	429
SC-Syariah Compliant	Yes

Price Performance

	1M	3M	12M
Absolute %	-2.8	4.5	-23.8
Relative %	2.1	7.4	-15.0

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	368	353	393
EBITDA	140	134	114	126
Norm. net profit	102	94	84	93
Norm. EPS (sen)	25	22	20	22
Norm. PER (x)	5.5	6.2	7.0	6.2
BV/share	0.98	1.09	1.21	1.34
P/BV (x)	1.41	1.26	1.14	1.03
ROA (%)	18.0	19.8	15.7	16.2
ROE (%)	25.6	20.4	16.3	16.3
Yield (%)	7.0	6.5	5.8	6.4

HLIB

Figure #1 Quarterly results comparison

FYE 31 Dec	1Q15	4Q15	1Q16	Qoq (%)	Yoy (%)	Comments
Revenue	130.4	91.1	89.3	(1.9)	(31.5)	YoY/QoQ: Lower as few projects were nearing completion and three recently launched were at early stage of construction. Revenue was mainly contributed from Pearl City, which accounted for 83% of total revenue.
Cost of Sales	(82.8)	(53.3)	(51.4)	(3.6)	(38.0)	
Gross profit	47.6	37.8	38.0	0.5	(20.3)	Yoy: Declined lesser as compared to revenue due to better margin.
Selling and marketing expenses	(2.4)	(4.1)	(1.5)	(64.2)	(38.2)	
Administrative expenses	(3.9)	(3.2)	(4.4)	35.6	11.1	
Other Income	0.4	6.8	0.2	(97.6)	(61.3)	Previous quarter higher due to RM6.7m of revaluation gain on investment properties.
Operating Profit	41.7	37.2	32.3	(13.3)	(22.6)	
Interest Income	0.7	1.1	1.2	10.1	78.7	
Finance costs	(1.4)	(1.4)	(1.5)	9.9	9.9	
Net Interest	(0.7)	(0.2)	(0.3)	9.2	(61.3)	
Associates	0.2	2.3	-	(100.0)	(100.0)	
Profit before taxation	41.3	39.3	32.0	(18.5)	(22.4)	Filtered down from EBIT.
Income tax expense	(10.9)	(8.9)	(8.2)	(8.2)	(24.8)	
MI	0.5	0.0	0.2	981.0	(51.6)	
PATAMI	29.9	30.3	23.6	(22.2)	(21.1)	Filtered down from PBT.
EI		6.7				
Core PATAMI	29.9	23.7	23.6	(0.3)	(21.1)	

Company

Figure #2 HLIB vs. consensus

RMm	FY16			FY1		
	HLIB	Consensus	%	HLIB	Consensus	%
Revenue	353.4	379.0	-6.8	392.9	421.8	-6.8
PATAMI	83.6	97.3	-14.0	93.2	107.5	-13.3

HLIB; Bloomberg

Figure #3 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 #4 Peer Comparison

Company	Current Px	Recomm	TP	Upside	Mkt Cap (m)	Discount to RNAV	P/E (x)		P/B (x)		Dividend Yield	
							CY15	CY16	CY15	CY16	CY15	CY16
IOI PROPERTIES	2.21	Buy	2.77	25%	9,749.0	(48.1)	16.0	12.9	0.61	0.59	1.9	2.3
UEM SUNRISE BHD	1.03	Hold	0.92	-10%	4,673.6	(66.6)	18.2	14.3	0.72	0.69	1.6	2.1
SP SETIA BHD	3.20	Hold	3.12	-3%	8,411.1	(33.3)	9.2	11.9	1.36	1.29	7.2	4.2
MAH SING GROUP	1.49	Hold	1.41	-5%	3,590.0	(36.6)	10.0	9.4	1.14	1.06	4.0	4.3
SUNWAY BHD	3.10	Buy	3.75	21%	6,103.1	0.0	9.0	8.9	0.83	0.78	15.5	3.9
MATRIX CONCEPTS	2.52	Buy	2.91	15%	1,422.4	(30.7)	5.7	5.7	1.67	1.42	5.7	7.0
TAMBUN	1.38	Hold	1.40	1%	586.6	(40.7)	6.2	7.0	1.46	1.41	6.5	5.8
GLOMAC BHD	0.79	Hold	0.89	13%	568.3	(55.8)	7.2	6.3	0.58	0.55	5.4	5.6
ECO WORLD DEVELO	1.31	NR			3,097.2	(43.0)	57.0	21.8	0.87	0.84	-	-
Average						(39.4)	15.4	10.9	1.03	0.96	5.3	3.9

Financial Projections

Income statement

FYE 31 Dec (RM m)	2013A	2014A	2015A	2016E	2017E
Revenue	376	467	368	353	393
Operating cost	-260	-327	-233	-240	-267
EBITDA	116	140	134	114	126
D&A	0	-1	-1	-1	-1
Net Interest	0	-2	-2	-4	-4
Associates	2	1	4	4	4
Jointly controlled entities	-	-	-	-	-
Exceptionals	-	-	-	-	-
Pretax profit	118	138	136	113	125
Taxation	(30)	(35)	(34)	(28)	(31)
Minority Interest	23	1	1	1	1
PATAMI	65	102	101	84	93
Core Earning	65	102	94	84	93
Basic shares (m)	405	405	421	421	421
Basic EPS (sen)	16.0	25.2	22.4	19.9	22.1

Balance sheet

FYE 31 Dec (RM m)	2013A	2014A	2015A	2016E	2017E
Fixed assets	146	298	83	83	83
Other long-term assets	11	27	31	35	38
Other short-term assets	5	5	5	5	5
Working capital	168	224	177	170	189
Receivables	87	118	93	89	99
Payables	81	104	82	79	87
Inventory	0	2	2	2	2
Net cash / (debt)	13	-38	110	167	194
Cash	111	115	263	320	347
ST debt	25	35	35	35	35
LT debt	73	118	118	118	118
Shareholders' funds	314	399	463	514	571
Share capital	197	210	210	210	210
Reserves	113	187	250	300	356
Minorities	4	2	3	4	5
Other liabilities	30	118	-57	-55	-61

Summary Earnings Table

Revenue	376	467	368	353	393
EBITDA	116	140	134	114	126
Net profit	65	102	94	84	93
P/E (x)	8.6	5.5	6.2	7.0	6.2
BV / share	0.9	1.0	1.1	1.2	1.3
P/BV (x)	1.5	1.4	1.3	1.1	1.0
ROA (%)	18.0	18.0	19.8	15.7	16.2
ROE (%)	20.7	25.6	20.4	16.3	16.3

Cashflow

FYE 31 Dec (RM m)	2013A	2014A	2015A	2016E	2017E
EBIT	116	139	134	113	126
D&A	0	1	1	1	1
Working capital changes	(27)	(99)	65	9	(26)
Taxation	(30)	(35)	(34)	(28)	(31)
Others	1	3	(5)	(7)	(7)
Operating cashflow	54	-5	160	88	62
Capex & acquisitions	0	0	-1	-1	-1
Free cashflow	54	-6	160	87	62
Others	-26	-12	3	3	3
Investing cashflow	-26	-13	3	2	3
Equity Raised	27	0	0	0	0
Others	0	0	0	0	0
Net Borrowing	14	55	0	0	0
Financing cashflow	-4	36	-38	-34	-37
Net cashflow	24	18	125	57	27

Valuation ratios

Net DPS (sen)	6.60	9.70	9.00	7.97	8.88
FCF/ share (sen)	13.24	-1.48	37.88	20.71	14.64
FCF yield (%)	9.6%	-1.1%	27.4%	15.0%	10.6%
Market capitalization (m)	559	559	559	559	559
Net cash (m)	13	-38	110	167	194
Enterprise value	546	597	449	393	365
EV/ EBITDA (x)	4.7	4.3	3.3	3.5	2.9

Growth margins ratios

Growth (%)					
Sales Growth	26.9	24.0	-21.2	-3.9	11.2
Operating expenses	19.8	25.6	-28.7	2.8	11.2
EBITDA Growth	46.0	20.5	-4.0	-15.5	11.1
PBT Growth	49.0	17.4	-1.8	-17.0	11.4
PATMI	59.2	57.2	-7.5	-11.4	11.5
Basic EPS Growth	59.2	57.2	-11.0	-11.4	11.5

Margins (%)

EBITDA Margin	30.9	30.0	36.6	32.2	32.1
PBT Margin	31.3	29.6	36.9	31.9	31.9
PATMI	17.3	21.9	25.7	23.7	23.7

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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.
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