

19 May 2016

Property | Real Estate

## Tambun Indah Land

**Buy** (Maintained)

### New Sales Recovered As Expected

**Tambun Indah Land's (Tambun) first-quarter sales of MYR116m are on track to meet our full-year projection of MYR320-330m. Management is confident that it will receive the green light over the near term for another two projects slated to be launched in 2H16. We believe the stronger sales and the timely approvals would help to ease investors' concerns. Maintain BUY, with an unchanged TP of MYR1.66 (20% upside).**

**Forecasts.** We make no changes to our earnings projection as we have factored in the slower sales last year into our FY17-18 estimates. Unbilled sales inched up to MYR354.42m from MYR324m in 4Q15.

**Better sales prospects.** New sales for the first quarter reached MYR115.74m, ie much better than MYR70m made in 4Q15, as last year's sales were affected by the delay in obtaining approvals. In the first quarter, both Raintree Park 2 and Avenue Garden achieved 42-44% take-up rates, while Pearl Tropika's was only at 20% as it was just launched in mid-March. We gather that three-fifths of all three projects have been booked. As such, Tambun should be able to achieve our MYR320-330m new sales forecast for this year.

**More projects coming.** Two more projects (Pearl Saujana 1 and Pearl 28) will likely be rolled out in 2H16, as management is confident that it will receive the approval from the authorities within these few months. The projects have a combined GDV of MYR123m.

**We maintain our BUY call and MYR1.66 TP, based on an unchanged 35% discount to RNAV. We believe the stronger sales this year, and the timely approvals for the pipeline projects, would help to ease investors' concerns on the stock. A key risk to our call would be weaker-than-expected market conditions.**

#### 1Q16 earnings: in line with estimates

(MYRm)	1Q16	4Q15	QoQ	1Q15	YoY	Comments
Revenue	89	91	-1.9%	130	-31.5%	Lower revenue was due to the early stage of construction for the three new projects.
EBIT	34	38	-12.6%	42	-21.0%	
EBIT (%)	37.5%	42.1%		32.5%		
Core NI	24	24	-0.1%	30	-21.0%	Within expectations
NI (%)	26.4%	26.0%		22.9%		

Source: Company data, RHB

**1Q16 results were in line.** Tambun's topline weakened, mainly due to the early stage of construction for its three recently-launched projects. Its EBIT margin remained healthy, at above 35%. Meanwhile, net profit fell QoQ, as 4Q15 numbers were lifted by a MYR6.7m fair value gain on its international school.

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)	5.69	6.20	6.18	5.90	5.18
P/B (x)	1.46	1.27	1.14	1.04	0.93
Dividend Yield (%)	5.8	7.1	6.6	6.9	7.9
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) (%)			(2.1)	(7.5)	2.5

Source: Company data, RHB

Target Price:	MYR1.66
Price:	MYR1.38
Market Cap:	USD146m
Bloomberg Ticker:	TILB MK

#### Share Data

Avg Daily Turnover (MYR/USD)	0.60m/0.15m
52-wk Price low/high (MYR)	1.18 - 1.82
Free Float (%)	50
Shares outstanding (m)	429
Estimated Return	20%

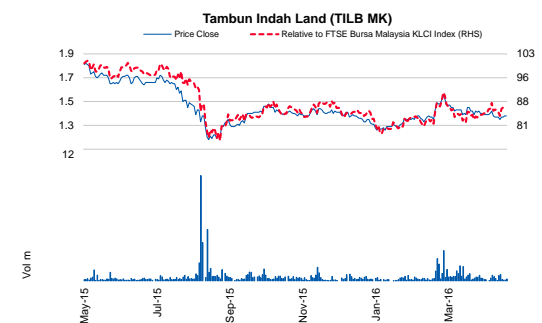
#### Shareholders (%)

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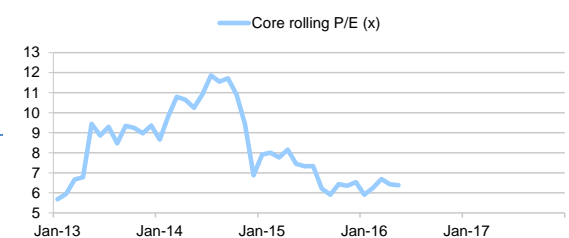
#### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(2.1)	(2.8)	4.5	(0.7)	(23.8)
Relative	1.4	2.1	7.3	0.7	(13.4)

Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

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Figure 1: Tambun's quarterly results

FYE Dec (MYRm)	1Q15	4Q15	1Q16	QoQ (%)	YoY (%)	Comments
<b>Turnover</b>	<b>130.4</b>	<b>91.1</b>	<b>89.3</b>	<b>(1.9)</b>	<b>(31.5)</b>	1Q16 revenue decline was due to slower progress billings as the three recently-launched projects were at their early stages of construction.
EBIT	42.4	38.4	33.5	(12.6)	(21.0)	
EBIT margin (%)	32.5	42.1	37.5			
Net interest	(1.4)	(1.4)	(1.5)	9.9	9.9	
<b>Pretax profit</b>	<b>41.3</b>	<b>39.3</b>	<b>32.1</b>	<b>(18.5)</b>	<b>(22.4)</b>	
Pretax margin (%)	31.7	43.2	35.9			
Taxation	(10.9)	(8.9)	(8.2)	(8.2)	(24.8)	
Tax rate (%)	26.4	22.8	25.6			
Minority interest	(0.5)	(0.0)	(0.2)	981.0	(51.6)	
<b>Net profit</b>	<b>29.9</b>	<b>30.3</b>	<b>23.6</b>	<b>(22.2)</b>	<b>(21.0)</b>	4Q15 net profit was lifted by a MYR6.7m fair value gain on investment properties.
<b>Core net profit</b>	<b>29.9</b>	<b>23.6</b>	<b>23.6</b>	<b>(0.1)</b>	<b>(21.0)</b>	Within expectations.
Core net margin (%)	22.9	33.3	26.4			
EPS (sen)	7.1	7.2	5.6	(22.2)	(21.5)	
Gross DPS (sen)	0.0	6.0	0.0			
NTA/share (MYR)	1.0	1.1	1.1			

Source: RHB

Figure 2: Tambun's RNAV estimate

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
<b>Total</b>				<b>633.32</b>
Shareholders' fund				459.77
Total RNAV				1,093.09
Share base (m)				428.66
FD RNAV per share (MYR)				2.55
Discount				35%
Target price (MYR)				1.66

Source: RHB

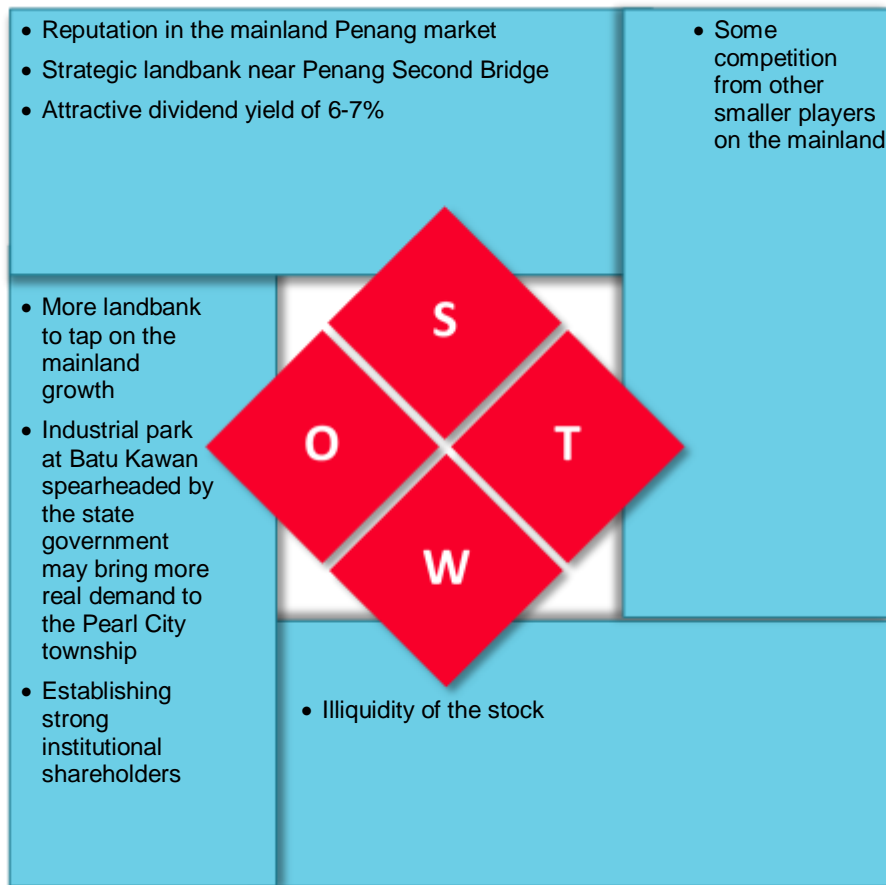
## Financial Exhibits

Financial model updated on : 2016-05-18.

Asia	<b>Financial summary</b>	<b>Dec-14</b>	<b>Dec-15</b>	<b>Dec-16F</b>	<b>Dec-17F</b>	<b>Dec-18F</b>
Malaysia	Recurring EPS (MYR)	0.24	0.22	0.22	0.23	0.27
Property	EPS (MYR)	0.24	0.24	0.22	0.23	0.27
<b>Tambun Indah Land</b>	DPS (MYR)	0.08	0.10	0.09	0.10	0.11
Bloomberg TILB MK	BVPS (MYR)	0.94	1.08	1.21	1.33	1.48
<b>Buy</b>	Weighted avg adjusted shares (m)	421	424	433	437	442
<b>Valuation basis</b>	<b>Valuation metrics</b>	<b>Dec-14</b>	<b>Dec-15</b>	<b>Dec-16F</b>	<b>Dec-17F</b>	<b>Dec-18F</b>
35% discount to RNAV	Recurring P/E (x)	5.69	6.20	6.18	5.90	5.18
<b>Key drivers</b>	P/E (x)	5.69	5.79	6.18	5.90	5.18
i. New property sales;	P/B (x)	1.46	1.27	1.14	1.04	0.93
ii. Strategic landbank acquisitions	FCF Yield (%)	(5.5)	8.9	5.9	6.5	7.7
<b>Key risks</b>	Dividend Yield (%)	5.8	7.1	6.6	6.9	7.9
Weaker-than-expected market conditions	EV/EBITDA (x)	4.11	4.25	4.30	4.07	3.55
	EV/EBIT (x)	4.14	4.28	4.33	4.10	3.58
<b>Company Profile</b>	<b>Income statement (MYRm)</b>	<b>Dec-14</b>	<b>Dec-15</b>	<b>Dec-16F</b>	<b>Dec-17F</b>	<b>Dec-18F</b>
Tambun Indah Land is a developer based in the Penang mainland. Its flagship township Pearl City is located at Simpang Ampat, 15 minutes away from the Penang Second Bridge.	Total turnover	467	368	382	405	462
	Gross profit	161	151	154	161	182
	EBITDA	144	138	137	145	166
	Depreciation and amortisation	(1)	(1)	(1)	(1)	(1)
	Operating profit	143	137	136	144	165
	Net interest	(6)	(5)	(7)	(8)	(8)
	Income from associates & JVs	1	4	0	0	0
	Pre-tax profit	138	136	129	136	157
	Taxation	(35)	(34)	(32)	(34)	(39)
	Minority interests	(1)	(1)	(0)	0	0
	Recurring net profit	102	94	97	102	118
	<b>Cash flow (MYRm)</b>	<b>Dec-14</b>	<b>Dec-15</b>	<b>Dec-16F</b>	<b>Dec-17F</b>	<b>Dec-18F</b>
	Change in working capital	36	(10)	(4)	(6)	(15)
	Cash flow from operations	121	79	85	89	97
	Capex	(153)	(27)	(50)	(50)	(50)
	Cash flow from investing activities	(150)	(27)	(50)	(49)	(48)
	Proceeds from issue of shares	18	3	0	0	0
	Dividends paid	(24)	(34)	(41)	(39)	(42)
	Cash flow from financing activities	62	14	(31)	(28)	(29)
	<b>Balance sheet (MYRm)</b>	<b>Dec-14</b>	<b>Dec-15</b>	<b>Dec-16F</b>	<b>Dec-17F</b>	<b>Dec-18F</b>
	Total cash and equivalents	138	184	204	219	237
	Tangible fixed assets	298	324	373	422	471
	Total investments	4	4	4	4	4
	Total other assets	23	36	36	36	36
	Total assets	662	776	852	931	1,031
	Short-term debt	35	49	49	49	49
	Other liabilities	4	1	1	1	1
	Total liabilities	262	313	328	345	374
	Shareholders' equity	397	460	522	583	654
	Minority interests	2	3	3	3	3
	Total equity	399	463	525	586	657
	Net debt	15	4	(5)	(11)	(18)
	Total liabilities & equity	662	776	852	931	1,031
	<b>Key metrics</b>	<b>Dec-14</b>	<b>Dec-15</b>	<b>Dec-16F</b>	<b>Dec-17F</b>	<b>Dec-18F</b>
	Revenue growth (%)	24.0	(21.2)	3.8	6.1	14.0
	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
	Net profit margin (%)	21.9	27.5	25.3	25.3	25.5
	Dividend payout ratio (%)	33.0	40.8	40.8	40.8	40.8
	Capex/sales (%)	32.8	7.4	13.1	12.3	10.8
	Interest cover (x)	24.8	26.7	19.0	19.1	20.9

Source: Company data, 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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**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

**Sell:** Share price may fall by more than 10% over the next 12 months

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

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