

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

August 12, 2016

Price Target: RM1.40 (↑)

Share price: RM1.47

2Q Result: Better progress billing
Results

- **Above expectations:** TILB's 1H FY16 core PATAMI increased by 11% YoY, accounting for 62% and 53% of HLIB and consensus full year forecasts.

Deviations

- Mainly due to higher progress of revenue recognition.

Dividends

- None.

Highlights

- 2QFY16 PATAMI increased by 21% QoQ and 67% YoY mainly due to higher progress of revenue recognition, especially from Rain Tree Park, Avenue Garden and Straits Garden. Revenue was mainly contributed from Pearl City, which accounted for 91% of total revenue. Average take up rate from on-going projects remained encouraging at 80%.
- 2Q16 new sales achieved RM63m (versus RM116m in 1Q16), bringing 1H16 sales to RM178m which accounted for 59% of full year sales target of RM300m (versus RM263m in FY15).
- Raintree Park 2 (RM480k onwards) and Avenue Garden (RM268k onwards) sales were progressing slowly with take up rate of 50% and 56% respectively. Pearl Tropika (GDV: RM146m) which was launched in Mar 16 had secured 30% take up rate. We gather that difficulty in securing bank financing remains the key challenge in driving new sales.
- Pearl Saujana (GDV: RM103m) and Pearl 28 (GDV: RM20m) have just secured APDL in May 16 and are targeted for launch in 4Q16.
- Unbilled sales shrank from RM354m to RM311m, representing only 0.84x FY15's property development revenue.
- Delay in new project launches.

Risks
Forecasts

- FY16 earnings forecast is raised by 15% after factoring in higher progress of revenue recognition but FY17 earnings forecast is maintained due to concern on shrinking unbilled sales.

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:

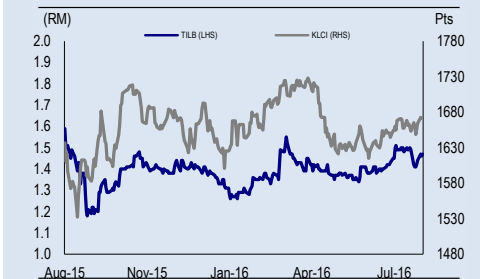
- (1) High project concentration in Penang; (2) Delay in new project launches.

Valuation

- Maintain **HOLD** on the stock with target price raised from RM1.39 to **RM1.40** post earning upgrade based on unchanged discount of 40% to RNAV.

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KLCI	1,678.8
Expected share price return	-4.8%
Expected dividend return	5.9%
Expected total return	1.1%

Share price

Information

Bloomberg Ticker	TILB MK
Bursa Code	5191
Issued Shares (m)	427
Market cap (RMm)	627
3-mth avg volume ('000)	301
SC-Syariah Compliant	Yes

Price Performance

	1M	3M	12M
Absolute %	1.4	8.9	-2.0
Relative %	-0.1	6.7	-4.5

Major shareholders

Siram Permai	33.4%
Amal Pintas	8.5%
Teh Kiak Seng	5.9%
EPF	5.4%

Summary Earnings Table

FYE 31 Dec				
(RM m)	2014A	2015A	2016E	2017E
Revenue	467	368	383	393
EBITDA	140	134	130	126
Norm. net profit	102	94	96	93
Norm. EPS (sen)	25	22	23	22
Norm. PER (x)	5.8	6.6	6.4	6.6
BV/share	0.98	1.09	1.23	1.37
P/BV (x)	1.50	1.35	1.19	1.07
ROA (%)	18.0	19.8	18.1	15.9
ROE (%)	25.6	20.4	18.3	16.0
Yield (%)	6.6	6.1	5.9	5.7

HLIB

Figure #1 Quarterly results comparison

FYE 31 Dec	2Q15	1Q16	2Q16	Qoq (%)	Yoy (%)	Comments
Revenue	60.0	89.3	104.3	16.8	73.8	YoY/QoQ: Higher due to higher work progress and higher take up rate for on going projects. Revenue was mainly contributed from Pearl City, which accounted for 91% of total revenue.
Cost of Sales	(32.0)	(51.4)	(54.2)	5.6	69.5	
Gross profit	28.0	38.0	50.1	32.0	78.9	YoY/QoQ: Higher due to better product mix and cost saving.
Selling and marketing expenses	(1.5)	(1.5)	(2.2)	53.4	45.1	
Administrative expenses	(4.2)	(4.4)	(3.7)	(14.9)	(11.6)	
Other Income	0.1	0.2	0.1	(12.7)	28.6	
Operating Profit	22.4	32.3	44.3	37.1	98.0	
Interest Income	0.8	1.2	1.1	(8.4)	43.6	
Finance costs	(1.4)	(1.5)	(1.4)	(4.3)	5.0	
Net Interest	(0.6)	(0.3)	(0.3)	15.4	(48.0)	
Associates	0.4	-	0.2	#DIV/0!	(51.6)	
Profit before taxation	22.2	32.0	44.2	37.9	98.8	Filtered down from EBIT.
Income tax expense	(4.9)	(8.2)	(15.4)	88.0	215.0	
MI	0.2	0.2	0.2	(18.1)	(23.8)	
PATAMI	17.1	23.6	28.6	21.0	67.2	Filtered down from PBT.
EI						
Core PATAMI	17.1	23.6	28.6	21.0	67.2	

Company

Figure #2 Cumulative results comparison

FYE 31 Dec	6M15	6M16	Yoy (%)	Comments
Revenue	190.4	193.6	1.7	Higher due to higher work progress and higher take up rate for on going projects
Cost of Sales	(114.8)	(105.6)	(8.0)	
Gross profit	75.6	88.1	16.4	Higher due to better product mix and cost saving.
Selling and marketing expenses	(3.9)	(3.7)	(5.3)	
Administrative expenses	(8.1)	(8.1)	(0.6)	
Other Income	0.5	0.3	(42.6)	
Operating Profit	64.1	76.6	19.4	
Interest Income	1.5	2.4	60.0	
Finance costs	(2.7)	(2.9)	7.5	
Net Interest	(1.2)	(0.6)	(55.2)	
Associates	0.7	0.2	(67.3)	
Profit before taxation	63.5	76.2	20.0	Filtered down from EBIT.
Income tax expense	(15.8)	(23.6)	49.6	
MI	0.7	0.4	(42.1)	
PATAMI	47.0	52.2	11.0	Filtered down from PBT.
EI	-	-		
Core PATAMI	47.0	52.2	11.0	

Company

Figure #3 HLIB vs. consensus

RMm	FY16			FY17		
	HLIB	Consensus	%	HLIB	Consensus	%
Revenue	383.4	379.0	1.2	392.9	421.8	-6.8
PATAMI	96.1	97.3	-1.2	93.3	107.5	-13.2

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%	103.7
NPV		593.1
Shareholder Funds as of 1Q15		427.5
Net cash/(debt) as of 1Q15		(11.0)
RNAV		1,009.5
WA Proceed		6.5
Total RNAV		1,016.0
Total Diluted Shares		432.2
RNAV/share		2.4
Discount		40%
Discounted RNAV		605.7
Discounted RNAV/share		1.40

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	
							CY16	CY17	CY16	CY17	CY16	CY17
IOI PROPERTIES	2.40	Buy	2.77	15%	10,586.9	(43.7)	16.2	14.2	0.7	0.7	1.9	2.1
UEM SUNRISE BHD	1.13	Hold	0.91	-19%	5,172.7	(62.9)	23.4	16.4	0.8	0.7	1.3	1.8
SP SETIA BHD	3.13	Hold	3.12	0%	8,650.0	(34.8)	11.7	12.9	1.3	1.2	4.3	3.9
MAH SING GROUP	1.60	Hold	1.41	-12%	3,831.0	(31.9)	10.1	8.8	1.1	1.1	4.0	4.5
SUNWAY BHD	2.87	Buy	3.72	30%	5,942.8		9.3	8.4	0.8	0.8	4.2	4.2
MATRIX CONCEPTS	2.52	Buy	2.91	15%	1,435.9	(30.7)	6.1	5.8	1.6	1.3	6.0	6.0
TAMBUN	1.47	Hold	1.40	-5%	627.0	(36.9)	6.4	6.6	1.2	1.1	5.9	5.7
GLOMAC BHD	0.78	Hold	0.80	2%	564.2	(56.1)	6.6	6.4	0.5	0.5	5.2	5.6
ECO WORLD DEVELO	1.31	NR			3,049.9	(43.0)	29.5	15.3	0.9	0.8	-	-
Average						(42.5)	13.2	10.5	1.0	0.9	3.6	3.8

Financial Projections

Income statement

FYE 31 Dec (RM m)	2013A	2014A	2015A	2016E	2017E
Revenue	376	467	368	383	393
Operating cost	-260	-327	-233	-253	-267
EBITDA	116	140	134	130	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	129	125
Taxation	(30)	(35)	(34)	(32)	(31)
Minority Interest	23	1	1	1	1
PATAMI	65	102	101	96	93
Core Earning	65	102	94	96	93
Basic shares (m)	405	405	421	421	421
Basic EPS (sen)	16.0	25.2	22.4	22.8	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	184	189
Receivables	87	118	93	97	99
Payables	81	104	82	85	87
Inventory	0	2	2	2	2
Net cash / (debt)	13	-38	110	157	206
Cash	111	115	263	310	359
ST debt	25	35	35	35	35
LT debt	73	118	118	118	118
Shareholders' funds	314	399	463	524	582
Share capital	197	210	210	210	210
Reserves	113	187	250	309	367
Minorities	4	2	3	4	5
Other liabilities	30	118	-57	-60	-61

Summary Earnings Table

Revenue	376	467	368	383	393
EBITDA	116	140	134	130	126
Net profit	65	102	94	96	93
P/E (x)	9.2	5.8	6.6	6.4	6.6
BV / share	0.9	1.0	1.1	1.2	1.4
P/BV (x)	1.6	1.5	1.3	1.2	1.1
ROA (%)	18.0	18.0	19.8	18.1	15.9
ROE (%)	20.7	25.6	20.4	18.3	16.0

Cashflow

FYE 31 Dec (RM m)	2013A	2014A	2015A	2016E	2017E
EBIT	116	139	134	130	126
D&A	0	1	1	1	1
Working capital changes	(27)	(99)	65	(10)	(6)
Taxation	(30)	(35)	(34)	(32)	(31)
Others	1	3	(5)	(7)	(7)
Operating cashflow	54	-5	160	81	82
Capex & acquisitions	0	0	-1	-1	-1
Free cashflow	54	-6	160	80	81
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	-37	-35
Net cashflow	24	18	125	47	49

Valuation ratios

Net DPS (sen)	6.60	9.70	9.00	8.66	8.41
FCF/ share (sen)	13.24	-1.48	37.88	19.04	19.27
FCF yield (%)	9.0%	-1.0%	25.8%	13.0%	13.1%
Market capitalization (m)	596	596	619	619	619
Net cash (m)	13	-38	110	157	206
Enterprise value	583	633	509	463	414
EV/ EBITDA (x)	5.0	4.5	3.8	3.6	3.3

Growth margins ratios

Growth (%)					
Sales Growth	26.9	24.0	-21.2	4.3	2.5
Operating expenses	19.8	25.6	-28.7	8.5	5.3
EBITDA Growth	46.0	20.5	-4.0	-3.1	-3.0
PBT Growth	49.0	17.4	-1.8	-4.8	-2.9
PATMI	59.2	57.2	-7.5	1.7	-2.9
Basic EPS Growth	59.2	57.2	-11.0	1.7	-2.9

Margins (%)

EBITDA Margin	30.9	30.0	36.6	34.0	32.1
PBT Margin	31.3	29.6	36.9	33.7	31.9
PATMI	17.3	21.9	25.7	25.1	23.7

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