

12 August 2016

Property | Real Estate

Tambun Indah Land

Buy (Maintained)

Still Fundamentally Solid

Tambun's solid balance sheet, steady cash flow, 6-7% dividend yield and low land cost underpin our BUY rating and MYR1.66 TP (13% upside). Although 2Q new sales turned weaker, full year numbers should meet our expectation of around MYR300-320m. Two more projects are slated for launch in 4Q16, but this will be subject to market conditions.

Forecasts. We raise our FY16-17 earnings forecasts slightly by 4% and 2%, as construction costs are now relatively lower compared to the last two years. Unbilled sales declined to MYR311.11m, from MYR354.42m in 1Q16.

Expect MYR300-320m sales in FY16. 2Q16 new sales were only MYR62.66m vs MYR115.74m in 1Q. Sales for the three new projects just improved marginally from 1Q, with:

- Raintree Park 2's take-up rate increasing to 50% from 42%;
- Avenue Garden's rate to 56% from 44%;
- Pearl Tropika's rate to 32% from 20%.

The slowdown was mainly attributed to banks' tight mortgage lending policies, as margin financing is now even lower than before. Hence, a downpayment of 20-30% may be difficult for many first-time home buyers.

Launches are dependent on market conditions. Given the challenging market conditions, management guided that Pearl Saujana 1 and Pearl 28, which have already been approved, may only be rolled out in 4Q, depending on market conditions. Both projects have a combined GDV of MYR123m.

Maintain BUY and TP of MYR1.66, based on an unchanged 35% discount to RNAV. Given the industry-wide headwinds, we believe Tambun will fare relatively better given its low land cost, solid balance sheet and steady cash flow from its township development.

2Q16 earnings: above expectations

(MYRm)	2Q16	1Q16	QoQ	2Q15	YoY	Comments
Revenue	104	89	16.8%	60	73.8%	Driven by higher progress billings
EBIT	45	34	35.4%	23	96.1%	
EBIT (%)	43.5%	37.5%		38.6%		Driven by lower cost of construction
Core NI	29	24	20.9%	17	67.2%	
NI (%)	26.4%	26.0%		22.9%		

Source: Company data, RHB

2Q16 results beat expectations. Earnings were stronger, as higher EBIT margin was driven by some savings in construction cost, such as certain infrastructure expenditure that was incurred earlier. However, the positive impact was partially offset by a higher effective tax rate during the quarter. Meanwhile, balance sheet remains solid, with net cash.

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	101	104	119
Recurring net profit (MYRm)	102	94	101	104	119
Recurring net profit growth (%)	57.2	(7.5)	6.5	3.6	14.4
Recurring EPS (MYR)	0.24	0.22	0.23	0.24	0.27
DPS (MYR)	0.10	0.10	0.09	0.10	0.11
Recurring P/E (x)	6.06	6.60	6.33	6.17	5.45
P/B (x)	1.56	1.36	1.21	1.09	0.98
Dividend Yield (%)	6.6	6.6	6.5	6.6	7.5
Return on average equity (%)	28.9	23.6	20.4	18.7	19.1
Return on average assets (%)	17.6	14.1	12.3	11.6	12.1
Net debt to equity (%)	3.7	1.0	(1.7)	(2.8)	(3.9)
Our vs consensus EPS (adjusted) (%)			1.9	(5.8)	3.8

Source: Company data, RHB

Target Price:	MYR1.66
Price:	MYR1.47
Market Cap:	USD156m
Bloomberg Ticker:	TILB MK

Share Data

Avg Daily Turnover (MYR/USD)	0.41m/0.10m
52-wk Price low/high (MYR)	1.18 - 1.55
Free Float (%)	50
Shares outstanding (m)	427
Estimated Return	13%

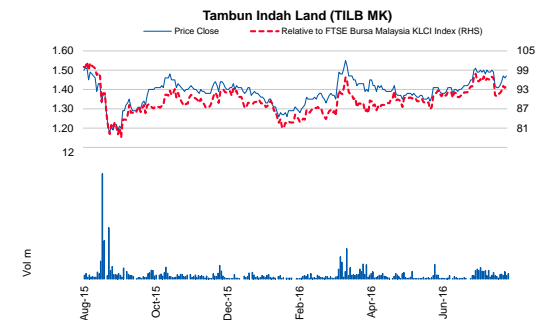
Shareholders (%)

Ir. Teh Kiak Seng	39.0
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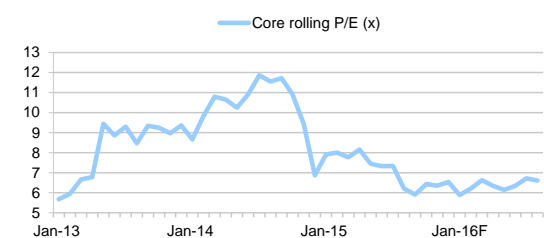
Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	4.3	2.8	7.3	12.2	(6.4)
Relative	5.5	1.1	5.0	10.5	(7.5)

Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

Analyst

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Figure 1: Tambun's quarterly results

FYE Dec (MYRm)	2Q15	1Q16	2Q16	QoQ (%)	YoY (%)	1H15	1H16	YoY (%)	Comments
Turnover	60.0	89.3	104.3	16.8	73.8	190.4	193.6	1.7	Driven by higher progress billings from Camellia Park, Permai Residence, Straits Garden and Pearl City.
EBIT	23.2	33.5	45.4	35.4	96.1	65.6	78.9	20.3	Better margin was due to lower construction cost and better product mix.
EBIT margin (%)	38.6	37.5	43.5			34.5			
Net interest	(1.4)	(1.5)	(1.4)	(4.3)	5.0	(2.7)	(2.9)	7.5	
Pretax profit	22.2	32.1	44.2	37.8	98.8	63.5	76.2	20.0	
Pretax margin (%)	37.0	35.9	42.4			33.4			
Taxation	(4.9)	(8.2)	(15.4)	88.0	215.0	(15.8)	(23.6)	49.6	Higher tax rate was due to certain non-tax deductible expenses and provisions.
Tax rate (%)	22.0	25.6	34.9			24.9	26.9		
Minority interest	(0.2)	(0.2)	(0.2)	(18.1)	(23.8)	(0.7)	(0.4)	(42.1)	
Net profit	17.1	23.6	28.6	20.9	67.2	47.0	52.2	11.1	
Core net profit	17.1	23.6	28.6	20.9	67.2	47.0	52.2	11.1	
Core net margin (%)	28.5	26.4	27.4			24.7			
EPS (sen)	4.1	5.6	6.7	20.6	65.9	11.2	12.3	10.2	
Gross DPS (sen)	0.0	0.0	0.0			0.0	0.0		
NTA/share (MYR)	1.0	1.1	1.2			1.0	1.2		

Source: RHB

Figure 2: Tambun's RNAV estimate

New projects	Total GDV (MYR m)	Land size (acres)	Equity stake	NPV @ 10%
Ongoing projects				
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
Remaining projects				
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
Share base				428.66
FD RNAV per share (MYR)				2.55
Discount				35%
Target price (MYR)				1.66

Source: RHB

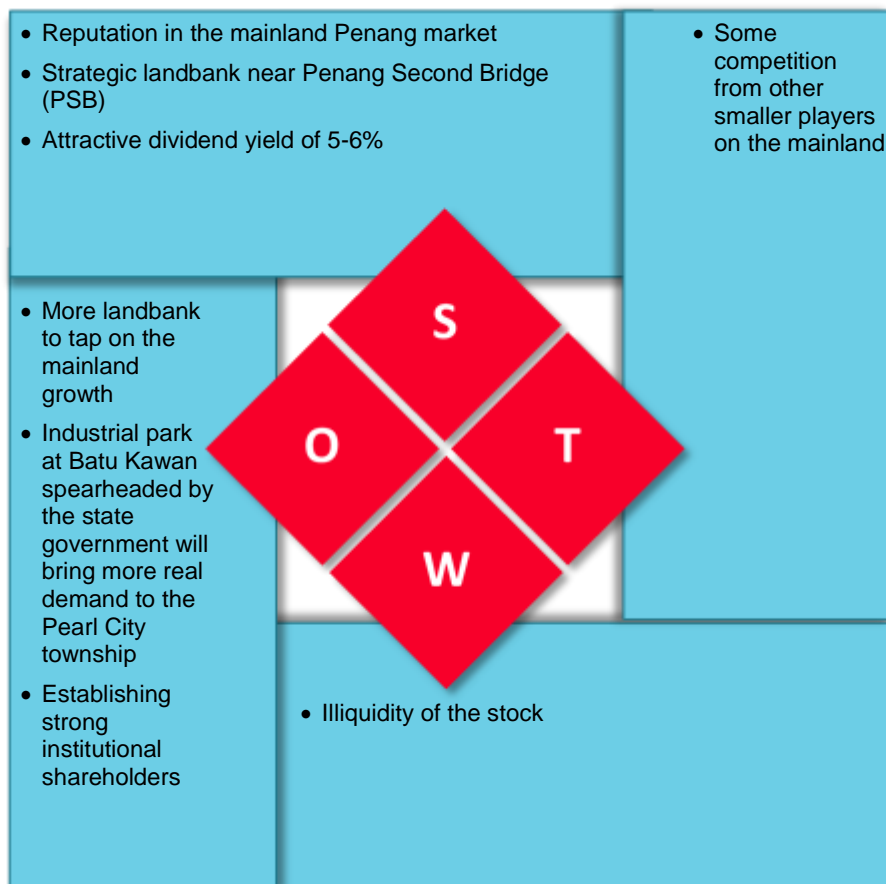
Financial Exhibits

Financial model updated on : 2016-08-11.

Asia	Financial summary	Dec-14	Dec-15	Dec-16F	Dec-17F	Dec-18F
Malaysia	Recurring EPS (MYR)	0.24	0.22	0.23	0.24	0.27
Property	EPS (MYR)	0.24	0.24	0.23	0.24	0.27
Tambun Indah Land	DPS (MYR)	0.10	0.10	0.09	0.10	0.11
Bloomberg TILB MK	BVPS (MYR)	0.94	1.08	1.21	1.35	1.50
Buy	Weighted avg adjusted shares (m)	421	424	433	437	442
Valuation basis	Valuation metrics	Dec-14	Dec-15	Dec-16F	Dec-17F	Dec-18F
35% discount to RNAV.	Recurring P/E (x)	6.06	6.60	6.33	6.17	5.45
Key drivers	P/E (x)	6.06	6.17	6.33	6.17	5.45
i. New property sales;	P/B (x)	1.56	1.36	1.21	1.09	0.98
ii. Strategic landbank acquisitions	FCF Yield (%)	(5.2)	8.3	6.2	6.4	7.5
Key risks	Dividend Yield (%)	6.6	6.6	6.5	6.6	7.5
Weaker-than-expected market conditions.	EV/EBITDA (x)	4.37	4.52	4.27	4.23	3.70
Company Profile	EV/EBIT (x)	4.41	4.55	4.31	4.26	3.73
Tambun Indah Land Bhd is a developer based in Penang's mainland. Its flagship township Pearl City is located at Simpang Ampat, 15 minutes away from the Penang Second Bridge	Income statement (MYRm)	Dec-14	Dec-15	Dec-16F	Dec-17F	Dec-18F
	Total turnover	467	368	382	405	462
	Gross profit	161	151	163	164	184
	EBITDA	144	138	146	148	168
	Depreciation and amortisation	(1)	(1)	(1)	(1)	(1)
	Operating profit	143	137	145	146	167
	Net interest	(6)	(5)	(7)	(8)	(8)
	Income from associates & JVs	1	4	0	0	0
	Pre-tax profit	138	136	138	139	159
	Taxation	(35)	(34)	(37)	(35)	(40)
	Minority interests	(1)	(1)	(0)	0	0
	Recurring net profit	102	94	101	104	119
	Cash flow (MYRm)	Dec-14	Dec-15	Dec-16F	Dec-17F	Dec-18F
	Change in working capital	36	(10)	(4)	(6)	(15)
	Cash flow from operations	121	79	89	91	99
	Capex	(153)	(27)	(50)	(50)	(50)
	Cash flow from investing activities	(150)	(27)	(50)	(49)	(48)
	Proceeds from issue of shares	26	3	0	0	0
	Dividends paid	(24)	(41)	(41)	(41)	(43)
	Cash flow from financing activities	69	7	(31)	(30)	(30)
	Balance sheet (MYRm)	Dec-14	Dec-15	Dec-16F	Dec-17F	Dec-18F
	Total cash and equivalents	138	184	207	225	244
	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	856	937	1,038
	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	526	588	661
	Minority interests	2	3	3	3	3
	Total equity	399	463	529	591	664
	Net debt	15	4	(9)	(17)	(26)
	Total liabilities & equity	662	776	856	937	1,038
	Key metrics	Dec-14	Dec-15	Dec-16F	Dec-17F	Dec-18F
	Revenue growth (%)	24.0	(21.2)	3.8	6.1	14.0
	Recurrent EPS growth (%)	47.2	(8.3)	4.3	2.6	13.3
	Gross margin (%)	34.4	41.2	42.7	40.5	39.9
	Operating EBITDA margin (%)	30.8	37.6	38.3	36.5	36.4
	Net profit margin (%)	21.9	27.5	26.4	25.7	25.8
	Dividend payout ratio (%)	40.0	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	20.3	19.5	21.1

Source: Company data, RHB

SWOT Analysis



Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2016-05-18	Buy	1.66	1.38
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

Source: RHB, Bloomberg

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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

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