



3QFY16

## Tambun Indah

**BUY** ◀ ▶

**In-line**

**Up to The Mark**

Price: **RM1.46**  
 Target Price: **(+32.8%) RM1.94**

**Stock Data**

Bloomberg Ticker	TILB MK	Altman Z-score	2.9
Market Cap	632.1	YTD price chg	5.0%
Issued shares	427.1	YTD KLCI chg	-3.9%
52-week range (H)	1.59	Beta	1.0
52-week range (L)	1.25	<b>Major Shareholders</b>	
3-mth avg daily	241,608	SIRAM PERMAI	33.4%
Free Float	52.3%	AMAL PINTAS	8.5%
Shariah Compliant	Y	KIAK SENG TEH	5.9%
Financial Derivatives	n.a.		

<b>Share Performance (%)</b>	<b>1mth</b>	<b>3mth</b>	<b>12mth</b>
Absolute	(1.3)	(2.6)	13.6
vs. KLCI	1.4	1.7	8.6

<b>Consensus</b>	<b>2016</b>	<b>2017</b>
Net Profit	99.7	102.0
EPS (sen)	23.3	23.0

<b>Historical Price Ratio (x)</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
Price Earnings	7.7	8.7	6.1
Price to Book	1.7	2.3	1.5

**Financial Highlights (RMm)**

<b>FYE 31 Dec</b>	<b>2014</b>	<b>2015</b>	<b>2016E</b>	<b>2017E</b>	<b>2018E</b>
Turnover	466.8	367.4	390.5	416.3	462.0
EBIT	142.7	137.2	142.5	154.0	167.1
Pretax profit	138.2	135.7	134.7	140.7	159.3
<b>Net Profit</b>	<b>102.5</b>	<b>101.1</b>	<b>107.4</b>	<b>114.5</b>	<b>119.2</b>
EPS (sen)	24.0	23.7	25.1	26.8	27.9
PER (x)	6.1	6.2	5.8	5.4	5.2
DPS (sen)	9.7	9.0	10.0	10.7	11.0
Div. Yield (%)	6.6	6.2	6.8	7.3	7.5
NTA/share	0.95	1.08	1.22	1.36	1.5

**Margins**

EBIT margin	30.6%	37.3%	37.0%	36.0%	36.1%
Pretax margin	29.6%	36.9%	35.2%	35.0%	35.0%
Effective tax	25.0%	24.9%	25.0%	25.0%	25.0%
ROE	26.3%	23.3%	18.9%	17.2%	19.1%
ROA	15.4%	14.1%	14.0%	13.0%	12.1%
Net Gearing (x)	NC	0.01	NC	NC	NC

**Growth ratios**

Turnover	27.2%	-21.2%	6.3%	6.7%	10.9%
EBIT	47.1%	-3.8%	5.3%	8.7%	8.5%
Pretax profit	49.3%	-1.8%	1.3%	4.5%	13.2%
Net profit	59.1%	-1.0%	6.2%	6.6%	4.1%

**Research Team**

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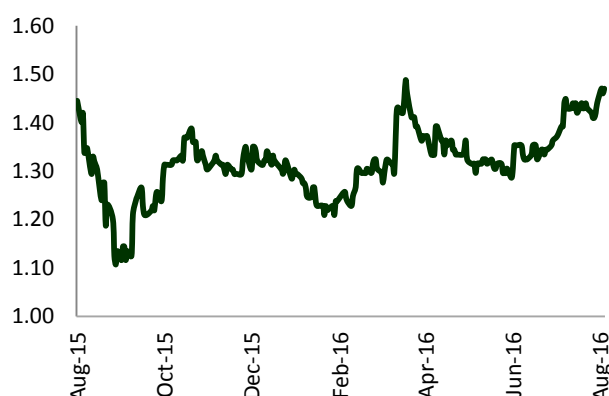
- Tambun Indah's 3QFY16 net profit is in-line with ours and consensus full year estimates. The group posted a steady performance with net profit growth of 9.4% YTD.
- Pearl City township accounted for approximately 55% of the group's total revenue.
- High average take-up rate of 81.9% for its on-going projects, with a total GDV of RM1.68bn and unbilled sales of RM260m which should provide good earnings visibility for the next three years.
- Total declared interim DPS of 9sen translates into an attractive yield of 6.8%.

**Pearl City flagship township continues to be the key driver to the group's sales.** For 9M16, the group recorded total property sales of RM211.4m (9M15: RM263.4m). YTD, Pearl City project contributed 85% from the total GDV of RM88.2m, which demonstrated the continuous buoyant demand for residential properties in mainland, Penang. We expect sales from Pearl City to remain resilient as landed residential, which is priced half of the island's, attract demand.

**Recurring income from investment properties.** The group's Pearl City Mall started contributing to its rental income under its investment properties division (50% stake JV). This is in addition to its GEMS International School, which kick-started operation in 4Q15. However, the earnings contribution from both is still rather small to the group. We expect the yearly profit from both operations to be c. RM4m -5m.

**Maintain BUY.** We rolled over our valuation to FY17E hence the new TP of RM1.94 which is derived from a blended valuation of PE and PBV of 6.3x and 1.6x. We view that the current valuation looks compelling as the share price is trading at 5.4x 2017 PER.

Share Price Chart



## Quarterly figures Mm)

FYE 31 Dec (RM'm)	3Q15	4Q15	1Q16	2Q16	3Q16	QoQ Chg	YoY Chg	9M15	9M16	YTD Chg
Revenue	86.2	91.1	89.3	104.3	85.4	-18.1%	-0.9%	276.6	279.1	0.9%
EBIT	34.0	38.4	33.5	45.4	33.4	-26.5%	-1.7%	100.2	112.5	12.3%
Pretax profit	32.9	39.3	32.1	44.2	32.2	-27.2%	-2.2%	96.4	108.4	12.4%
Taxation	9.0	8.9	8.2	15.4	6.7	-56.9%	-26.4%	24.9	30.3	21.9%
Minority interest	0.1	0.0	0.2	0.2	0.3	56.5%	209.6%	0.8	0.7	-12.8%
<b>Net Profit</b>	<b>23.8</b>	<b>30.3</b>	<b>23.6</b>	<b>28.6</b>	<b>25.2</b>	<b>-11.7%</b>	<b>6.1%</b>	<b>70.8</b>	<b>77.410</b>	<b>9.4%</b>
EPS (sen)	5.55	7.08	5.51	6.66	5.88	-11.7%	6.1%	16.51	18.06	9.4%
Net gearing (x)	0.14	0.01	Net Cash	Net Cash	Net Cash	n.a	n.a	0.14	Net Cash	n.a
EBIT margin (%)	39.4%	42.1%	37.5%	43.5%	39.1%	-10.2%	-0.8%	36.2%	40.3%	11.3%
PBT margin (%)	38.2%	43.2%	35.9%	42.4%	37.7%	-11.1%	-1.4%	34.9%	38.8%	11.4%
Net margin (%)	27.6%	33.3%	26.4%	27.4%	29.5%	7.8%	7.0%	25.6%	27.7%	8.4%
Effective tax rate (%)	27.5%	22.8%	25.6%	34.9%	20.7%	-40.8%	-24.7%	25.8%	28.0%	8.5%

Source: Company/BIMB Securities

**On course to meet sales target.** The group successfully obtained the Advertising Permits and Developer Licenses (APDL) for two of its pearl city residential projects (Pearl Saujana and Pearl 28) and will be launching them in 2H16. For 9M16 the group's total sales achieved stood at RM211.4m or 71% from its target.

**Strong earnings visibility.** As of Sept-16, the group enjoyed strong take up rates averaging 81.9% (1H15:90%) for its ongoing projects, with a total GDV of RM1.7bn. Out of the total unbilled sales, Pearl City has an unrecognised sales of 85%. This should provide good earnings visibility at least for the next 3 years. Currently the group has c.400 acres of remaining landbank to be developed. YTD the group's total unbilled sales stood at RM259.6bn.

**Penang Transport Master Plan (PTP) another catalyst for property demand.** The PTP will comprise three transportation modes namely the a) Undersea Tunnel; b) Sky Cab; and c) Light Rail Transit (LRT Line) costing an estimated RM27bn. The plan was formed by the Penang state government to ease the worsening traffic congestion across the state and to link Penang Island and Penang Mainland territory of Seberang Perai.

The Undersea Tunnel, which is the third link between the Penang Island and Mainland, is expected to commence construction in June 2016. It will link Gurney Drive in George Town with the town of Butterworth in Seberang Perai. The 3km-line Penang Sky Cab is currently under review for its environment impact.

Meanwhile, the LRT, which shall be named Bayan Lepas LRT, will link George Town and the Penang International Airport and is slated to commence construction in 2018. This is expected to take six years to complete and will be 22km in length traversing across George Town's southern suburbs to the Penang International Airport. We are positive on the PTP, as improved traffic condition will further serve as a catalyst for housing demand based on past successful case studies in other countries.

**We are upbeat on the region's upcoming RM27bn PTP,** which shall improve the traffic flow and connectivity between Penang Island and Mainland. The ease in traffic congestion and reduced travelling time will help drive demand from upgraders from the island as the price for a landed home is nearly half in mainland Penang. Currently, Penang is also our favourite property region among the key cities due to its stable pricing and demand. Besides, we notice there is a surge in developers buying landbank, particularly in Seberang Perai since 2014. Currently, Tambun Indah is the second largest landbank owner in the mainland area after Eco World, among listed entities.

Table 1 : Remaining potential GDV (RMm)

On-going projects	Remaining GDV (RMm)	Effective Stake (%)
BM Residence	57.7	100%
Straits Garden	248.4	100%
Pearl Residence	224.6	100%
Pearl Impian	91.6	100%
Pearl Avenue Ph. 1	82.6	100%
Bukit Residence	72	100%
Camellia Park	49.1	100%
Permai Residence	25	100%
Pearl Avenue Ph. 2	39.4	100%
Pearl Harmoni	150.5	100%
Pearl Tropika	138.4	100%
Rain Tree Park 1	170.5	100%
Rain Tree Park 2	217.7	100%
Avenue Garden	92.8	100%
Central Avenue	77.5	100%
Alma	98.6	100%
Kota Permai	200	100%
Pearl City - Other Phases	2326.3	100%
New Land in Bukit Mertajam	170	100%
	<b>4,532.7</b>	

Source: Company, BIMB

**DEFINITION OF RATINGS**

BIMB Securities uses the following rating system:

**STOCK RECOMMENDATION**

<b>BUY</b>	Total return (price appreciation plus dividend yield) is expected to exceed 10% in the next 12 months.
<b>TRADING BUY</b>	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain.
<b>HOLD</b>	Share price may fall within the range of +/- 10% over the next 12 months
<b>TAKE PROFIT</b>	Target price has been attained. Fundamentals remain intact. Look to accumulate at lower levels.
<b>TRADING SELL</b>	Share price may fall by more than 15% in the next 3 months.
<b>SELL</b>	Share price may fall by more than 10% over the next 12 months.
<b>NOT RATED</b>	Stock is not within regular research coverage.

**SECTOR RECOMMENDATION**

<b>OVERWEIGHT</b>	The Industry as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months
<b>NEUTRAL</b>	The Industry as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months
<b>UNDERWEIGHT</b>	The Industry as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months

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The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

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