

24 February 2017

Property | Real Estate

Tambun Indah Land

Buy (Maintained)

Dividend Yield Provides Support To Valuation

We expect Tambun Indah's property sales to improve gradually this year as management has seen some pick up in February. Three new projects would also be rolled out this year to drive sales. Weak property sales in 2016 may post a downside risk to 2017's net profit. However, the recurring income from its mall and international school, which makes up around 5% of earnings, may help to mitigate. We maintain our BUY recommendation and MYR1.66 TP (18% upside).

Challenging sales outlook in 2017. We expect Tambun Indah Land (Tambun Indah) to generate MYR250m in sales in 2017. 2016 was a tough year for the company, as full year sales only achieved MYR229.13m vs MYR263.41m in 2015. 4Q16 new sales reached MYR17.78m, compared with MYR32.96m in 3Q16. The company was still negatively affected by the stringent mortgage lending of the banks. As a result, the increase in the take up rates during 4Q for the three launches last year – Raintree Park 2, Avenue Garden and Pearl Tropika was very marginal. The average take up rate for these projects is around 50% thus far.

Pipeline launches in 2017. Tambun Indah is still on track to launch Pearl 28 (GDV: MYR23m) and Pearl Saujana 1 (GDV: MYR103m) in 1H17, of which approvals have already been obtained. As for 2H, Palma Residence in Alma (GDV: MYR48m) is likely to be rolled out. The project comprises strata landed and gated residences.

Forecasts. We make minimal changes to our earnings projection. Given the weak property sales, unbilled sales has declined to MYR196.9m as at 4Q16 vs MYR259.6m as at 3Q16.

Maintain BUY. We maintain our BUY recommendation and unchanged TP of MYR1.66, based on an unchanged 35% discount to RNAV. New landbank acquisition could be the share price catalyst.

4Q16 earnings announced on 23 Feb 2017 are within expectations

| (MYRm) | 4Q16 | 3Q16 | QoQ | 4Q15 | YoY | Comments |
|----------|-------|-------|-------|-------|--------|---|
| Revenue | 82 | 85 | -4.3% | 91 | -10.2% | |
| EBIT | 39 | 33 | 17.4% | 38 | 1.4% | |
| EBIT (%) | 47.6% | 38.8% | | 42.1% | | Higher margin was due to low land cost and efficiency in construction |
| Core NI | 28 | 25 | 10.2% | 24 | 17.5% | |
| NI (%) | 34% | 29.5% | | 26% | | |

Source: Company data, RHB

4Q16 results within expectations. Ongoing projects continued to drive FY16 earnings. EBIT margin in 2016 strengthened to 42%, from 37% in 2015, due mainly to higher contribution from projects in Pearl City, as land cost is lower, and construction is more efficient. The company has yet to declare a final dividend, as it would be proposed in the next board meeting and approved in AGM in May. We believe a 6% yield is still achievable given its strong balance sheet.

| Forecasts and Valuations | Dec-15 | Dec-16 | Dec-17F | Dec-18F | Dec-19F |
|-------------------------------------|--------|--------|---------|---------|---------|
| Total turnover (MYRm) | 368 | 361 | 338 | 365 | 405 |
| Reported net profit (MYRm) | 101 | 112 | 99 | 107 | 120 |
| Recurring net profit (MYRm) | 94 | 112 | 99 | 107 | 120 |
| Recurring net profit growth (%) | (7.5) | 18.8 | (11.8) | 8.2 | 11.7 |
| Recurring EPS (MYR) | 0.22 | 0.26 | 0.23 | 0.25 | 0.27 |
| DPS (MYR) | 0.10 | 0.10 | 0.08 | 0.09 | 0.10 |
| Recurring P/E (x) | 6.33 | 5.37 | 6.15 | 5.74 | 5.19 |
| P/B (x) | 1.30 | 1.12 | 1.02 | 0.93 | 0.84 |
| Dividend Yield (%) | 6.9 | 6.8 | 5.9 | 6.4 | 7.0 |
| Return on average equity (%) | 23.6 | 22.5 | 17.4 | 17.0 | 17.1 |
| Return on average assets (%) | 14.1 | 14.7 | 12.6 | 12.4 | 12.6 |
| Net debt to equity (%) | 1.0 | 3.2 | (3.2) | (3.3) | (3.4) |
| Our vs consensus EPS (adjusted) (%) | | | (10.0) | (5.5) | 4.5 |

Source: Company data, RHB

| | |
|-------------------|---------|
| Target Price: | MYR1.66 |
| Price: | MYR1.41 |
| Market Cap: | USD136m |
| Bloomberg Ticker: | TILB MK |

Share Data

| | |
|------------------------------|-------------|
| Avg Daily Turnover (MYR/USD) | 0.20m/0.04m |
| 52-wk Price low/high (MYR) | 1.33 - 1.55 |
| Free Float (%) | 50 |
| Shares outstanding (m) | 410 |
| Estimated Return | 18% |

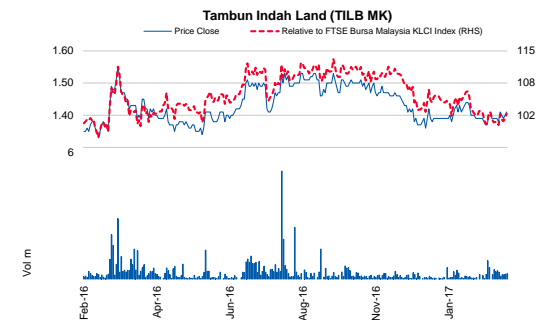
Shareholders (%)

| | |
|--------------------------|------|
| Ir Teh Kiak Seng | 39.0 |
| Employees Provident Fund | 5.4 |
| Kumpulan Wang Persaraan | 5.2 |

Share Performance (%)

| | YTD | 1m | 3m | 6m | 12m |
|----------|-------|-------|-------|-------|-----|
| Absolute | 1.4 | (1.4) | (3.4) | (5.4) | 4.4 |
| Relative | (2.4) | (3.4) | (7.9) | (6.7) | 2.8 |

Source: Bloomberg



Source: Bloomberg

Analyst

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Financial Exhibits

Financial model updated on : 2017-02-23.

| | | | | | | |
|--|-------------------------------------|---------------|---------------|----------------|----------------|----------------|
| Asia | Financial summary | Dec-15 | Dec-16 | Dec-17F | Dec-18F | Dec-19F |
| Malaysia | Recurring EPS (MYR) | 0.22 | 0.26 | 0.23 | 0.25 | 0.27 |
| Property | EPS (MYR) | 0.24 | 0.26 | 0.23 | 0.25 | 0.27 |
| Tambun Indah Land | DPS (MYR) | 0.10 | 0.10 | 0.08 | 0.09 | 0.10 |
| Bloomberg TILB MK | BVPS (MYR) | 1.08 | 1.26 | 1.39 | 1.52 | 1.68 |
| Buy | Weighted avg adjusted shares (m) | 424 | 427 | 432 | 436 | 440 |
| Valuation basis | Valuation metrics | Dec-15 | Dec-16 | Dec-17F | Dec-18F | Dec-19F |
| 35% discount to RNAV | Recurring P/E (x) | 6.33 | 5.37 | 6.15 | 5.74 | 5.19 |
| Key drivers | P/E (x) | 5.91 | 5.37 | 6.15 | 5.74 | 5.19 |
| i. New property sales; | P/B (x) | 1.30 | 1.12 | 1.02 | 0.93 | 0.84 |
| ii. Strategic landbank acquisitions. | FCF Yield (%) | 8.7 | (3.3) | 10.8 | 6.0 | 7.0 |
| Key risks | Dividend Yield (%) | 6.9 | 6.8 | 5.9 | 6.4 | 7.0 |
| Weaker-than-expected market conditions | EV/EBITDA (x) | 4.34 | 4.03 | 4.21 | 3.91 | 3.53 |
| | EV/EBIT (x) | 4.37 | 4.09 | 4.29 | 3.99 | 3.60 |
| Company Profile | Income statement (MYRm) | Dec-15 | Dec-16 | Dec-17F | Dec-18F | Dec-19F |
| Tambun Indah Land is a developer based in Penang mainland. Its flagship township Pearl City is located at Simpang Ampat, 15 minutes away from the Penang Second Bridge | Total turnover | 368 | 361 | 338 | 365 | 405 |
| | Gross profit | 151 | 164 | 149 | 160 | 178 |
| | EBITDA | 138 | 153 | 140 | 151 | 169 |
| | Depreciation and amortisation | (1) | (2) | (2) | (3) | (3) |
| | Operating profit | 137 | 151 | 137 | 148 | 165 |
| | Net interest | (5) | (5) | (5) | (5) | (6) |
| | Income from associates & JVs | 4 | 3 | 0 | 0 | 0 |
| | Pre-tax profit | 136 | 149 | 132 | 143 | 160 |
| | Taxation | (34) | (36) | (33) | (36) | (40) |
| | Minority interests | (1) | (1) | 0 | 0 | 0 |
| | Recurring net profit | 94 | 112 | 99 | 107 | 120 |
| | Cash flow (MYRm) | Dec-15 | Dec-16 | Dec-17F | Dec-18F | Dec-19F |
| | Change in working capital | (10) | (124) | 22 | (16) | (24) |
| | Cash flow from operations | 79 | (20) | 116 | 87 | 93 |
| | Capex | (27) | 0 | (50) | (50) | (50) |
| | Cash flow from investing activities | (27) | 43 | (49) | (48) | (47) |
| | Proceeds from issue of shares | 3 | 5 | 0 | 0 | 0 |
| | Dividends paid | (41) | (41) | (41) | (36) | (39) |
| | Cash flow from financing activities | 7 | (76) | (29) | (24) | (26) |
| | Cash at beginning of period | 138 | 184 | 121 | 168 | 180 |
| | Net change in cash | 59 | (52) | 37 | 16 | 21 |
| | Ending balance cash | 197 | 132 | 158 | 183 | 201 |
| | Balance sheet (MYRm) | Dec-15 | Dec-16 | Dec-17F | Dec-18F | Dec-19F |
| | Total cash and equivalents | 184 | 121 | 168 | 180 | 193 |
| | Tangible fixed assets | 324 | 279 | 327 | 374 | 421 |
| | Total investments | 4 | 4 | 4 | 4 | 4 |
| | Total other assets | 36 | 46 | 46 | 46 | 46 |
| | Total assets | 776 | 749 | 825 | 907 | 999 |
| | Short-term debt | 49 | 41 | 41 | 41 | 41 |
| | Total long-term debt | 139 | 97 | 107 | 117 | 127 |
| | Other liabilities | 1 | 0 | 0 | 0 | 0 |
| | Total liabilities | 313 | 210 | 224 | 240 | 258 |
| | Shareholders' equity | 460 | 536 | 599 | 664 | 738 |
| | Minority interests | 3 | 3 | 3 | 3 | 3 |
| | Total equity | 463 | 539 | 601 | 667 | 740 |
| | Net debt | 4 | 17 | (20) | (22) | (25) |
| | Total liabilities & equity | 776 | 749 | 825 | 907 | 999 |
| | Key metrics | Dec-15 | Dec-16 | Dec-17F | Dec-18F | Dec-19F |
| | Revenue growth (%) | (21.2) | (1.9) | (6.2) | 7.9 | 10.9 |
| | Recurrent EPS growth (%) | (8.3) | 17.9 | (12.6) | 7.1 | 10.6 |
| | Gross margin (%) | 41.2 | 45.4 | 44.0 | 43.9 | 44.1 |
| | Operating EBITDA margin (%) | 37.6 | 42.5 | 41.2 | 41.4 | 41.6 |
| | Net profit margin (%) | 27.5 | 31.1 | 29.3 | 29.3 | 29.6 |
| | Dividend payout ratio (%) | 40.8 | 36.6 | 36.6 | 36.6 | 36.6 |
| | Capex/sales (%) | 7.4 | 0.0 | 14.8 | 13.7 | 12.4 |
| | Interest cover (x) | 26.7 | 31.7 | 27.3 | 27.7 | 28.9 |

Source: Company data, RHB

Figure 1: Tambun Indah's quarterly results

| FYE Dec (MYRm) | 4Q15 | 3Q16 | 4Q16 | QoQ (%) | YoY (%) | FY15 | FY16 | YoY (%) | Comments |
|------------------------|-------------|-------------|-------------|--------------|---------------|--------------|--------------|--------------|--|
| Turnover | 91.1 | 85.4 | 81.8 | (4.3) | (10.2) | 367.7 | 360.8 | (1.9) | |
| EBIT | 38.4 | 33.1 | 38.9 | 17.4 | 1.4 | 137.2 | 151.0 | 10.0 | |
| EBIT margin (%) | 42.1 | 38.8 | 47.6 | | | 37.3 | 41.8 | | |
| Net interest | (1.4) | (1.2) | (0.7) | (42.9) | (51.8) | (5.1) | (4.8) | (7.6) | |
| Pretax profit | 39.3 | 32.2 | 40.3 | 25.4 | 2.6 | 135.7 | 148.8 | 9.6 | |
| Pretax margin (%) | 43.2 | 37.7 | 49.4 | | | 36.9 | 41.2 | | |
| Taxation | (8.9) | (6.7) | (5.2) | (21.4) | (41.5) | (33.8) | (35.5) | 5.1 | |
| Tax rate (%) | 22.8 | 20.7 | 13.0 | | | 24.9 | 23.9 | | |
| Minority interest | (0.0) | (0.3) | (0.3) | 10.3 | 1428.6 | (0.8) | (1.0) | 23.8 | |
| Net profit | 30.3 | 25.2 | 34.8 | 37.9 | 14.7 | 101.1 | 112.2 | 11.0 | 4Q16 net profit is inclusive of MYR8.9m fair value gain from Straits Garden shops and carpark, MYR1.8m from hypermarket and MYR3.7m loss from the international school |
| Core net profit | 23.6 | 25.2 | 27.8 | 10.2 | 17.5 | 94.4 | 105.2 | 11.4 | Within expectations. |
| Core net margin (%) | 26 | 29.5 | 34 | | | 27.5 | 31.1 | | |
| EPS (sen) | 7.2 | 5.9 | 8.2 | 37.7 | 13.8 | 23.9 | 26.4 | 10.2 | |
| Gross DPS (sen) | 6.0 | 3.0 | 0.0 | | | 9.0 | 3.0 | | |
| NTA/share (MYR) | 1.1 | 1.2 | 1.3 | | | 1.1 | 1.3 | | |

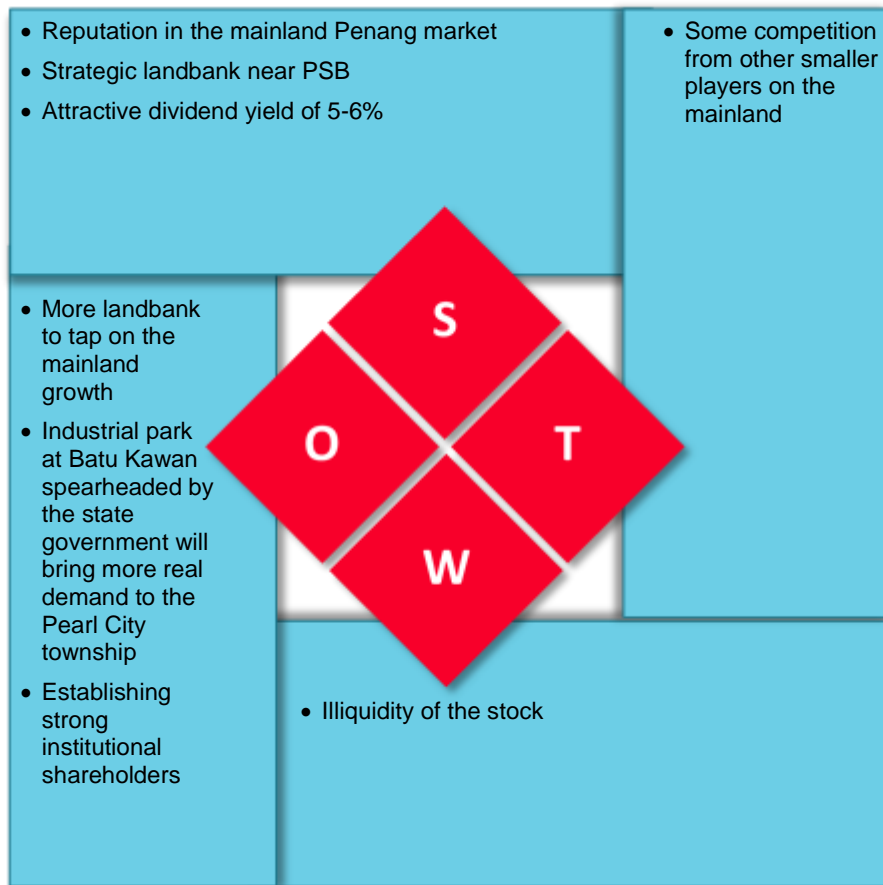
Source: RHB

Figure 2: Tambun Indah'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% | 41.3 |
| Pearl Avenue (Ph. 2) | 40.1 | 4.1 | 100% | 9.3 |
| Pearl Harmoni | 151.2 | 21.6 | 100% | 25.1 |
| Rain Tree Park 1 | 170.3 | 25.1 | 100% | 28.2 |
| Avenue Garden @ Pearl City | 95.0 | n.a. | 100% | 15.8 |
| Pearl Tropika | 146.0 | 20.3 | 100% | 24.2 |
| <u>Remaining projects</u> | | | | |
| Rain Tree Park 2 | 211.8 | 30.1 | 100% | 33.5 |
| Central Avenue @ Pearl City | 82.1 | n.a. | 100% | 14.2 |
| Pearl Saujana - Phase 1 | 102.7 | n.a. | 100% | 16.2 |
| Pearl Saujana - Phase 2 | 87.5 | n.a. | 100% | 12.6 |
| Pearl 28 | 20.0 | n.a. | 100% | 3.2 |
| Camellia Park - Commercial | 4.0 | n.a. | 100% | 0.6 |
| Alma | 48.0 | n.a. | 100% | 7.6 |
| Palm Garden @ Pearl City | 105.7 | n.a. | 100% | 16.7 |
| Pearl City - other phases | 2,512.1 | 385.1 | 100% | 286.5 |
| Kota Permai | 200.0 | 18.8 | 100% | 26.2 |
| Total | | | | 561.09 |
| Shareholders' fund | | | | 536.42 |
| Total RNAV | | | | 1,097.52 |
| Shares base | | | | 428.66 |
| FD RNAV per share (MYR) | | | | 2.56 |
| Discount | | | | 35% |
| Target price (MYR) | | | | 1.66 |

Source: RHB

SWOT Analysis



Recommendation Chart



Source: RHB, Bloomberg

| Date | Recommendation | Target Price | Price |
|------------|----------------|--------------|-------|
| 2016-11-17 | Buy | 1.66 | 1.46 |
| 2016-08-11 | Buy | 1.66 | 1.47 |
| 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 |

Source: RHB, Bloomberg

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