

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

May 19, 2017

**Price Target: RM1.39 (↔)**
**Share price: RM1.54**
**Expecting weaker quarters ahead**

- |                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Results</b>    | <ul style="list-style-type: none"> <li>▪ <b>Within Expectations:</b> TILB's 1Q17 core PATAMI of RM24m came in within expectation, accounting for 31.5% and 25.0% of HLIB and consensus full year forecasts.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Deviations</b> | <ul style="list-style-type: none"> <li>▪ The results are deemed in line as we expect earnings to shrink in the subsequent quarters due to lack of new launches and shrinking unbilled sales.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Dividends</b>  | <ul style="list-style-type: none"> <li>▪ None.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Highlights</b> | <ul style="list-style-type: none"> <li>▪ <b>QoQ:</b> Revenue dropped marginally by 1.6% due to lower progressive billing. However, core profit declined by 18.9% due to lower margin for the quarter under review, coupled with higher base in 4Q16 on the back of higher JV contribution and lower effective tax rate.</li> <li>▪ <b>YoY:</b> Revenue fell by 10% mainly due to lower sales of property in the absence of new launches. However, core net profit increased by 1.7% mainly due to better product mix and revision of estimated costs for completed projects.</li> <li>▪ During 1Q17, total new sales achieved RM35m (versus RM18m in 4Q16).</li> <li>▪ For FY17, the sales target of RM180m is supported by the launching Pearl Saujana (GDV: RM103m), Pearl 28 (GDV: RM20m) and Palma Residence in Alma (GDV: RM50m).</li> <li>▪ Earnings sustainability will be affected by the shrinking unbilled sales, which had decreased to RM150m from RM200m in 4Q16 and RM260m in 3Q16, representing only 0.4x FY16's property development revenue.</li> <li>▪ Management shared some improvements in the property sales and enquiry in the current year as compared to 2H16. The higher new sales qoq and improved average take-up rate at 82.7% (from 80.3% last year) are the slight positive despite the overall challenging environment.</li> </ul> |
| <b>Risks</b>      | <ul style="list-style-type: none"> <li>▪ Delay in new project launches.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Forecasts</b>  | <ul style="list-style-type: none"> <li>▪ We update the latest annual report figures and fine tune our model. In, turn, this has led to revisions in our FY17 and FY18 earnings forecast by 2.9% and -5.6%, respectively.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Rating</b>     | <b>HOLD ↔</b> <ul style="list-style-type: none"> <li>▪ Tambun is one of the strong beneficiaries of rising land prices in Penang mainland but near-term outlook is clouded by the delay in new project launches and subdued property sentiment.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Valuation</b>  | <ul style="list-style-type: none"> <li>▪ Maintain <b>HOLD</b> with target price unchanged at <b>RM1.39</b> based on unchanged discount of 40% to RNAV of RM2.33.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |

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KLCI	1767.2
Expected share price return	-9.7%
Expected dividend return	4.0%
Expected total return	-5.8%

**Share price**

**Information**

Bloomberg Ticker	TILB MK
Bursa Code	5191
Issued Shares (m)	431
Market cap (RMm)	663
3-mth avg volume ('000)	311
SC-Syariah Compliant	Yes

<b>Price Performance</b>	1M	3M	12M
Absolute %	5.5	9.2	11.6
Relative %	3.9	5.5	3.3

**Major shareholders**

Siram Permai	33.1%
Amal Pintas	8.4%
Teh Kiak Seng	5.9%
EPF	5.4%

**Summary Earnings Table**

FYE 31 Dec (RM m)	2016A	2017E	2018F	2019F
Revenue	361	319	351	396
EBITDA	147	103	115	131
Norm. net profit	107	78	89	102
Norm. EPS (sen)	25.4	18.6	21.2	24.2
Norm. PER (x)	6.1	8.3	7.3	6.4
BV/share	1.27	1.39	1.53	1.68
P/BV (x)	1.21	1.11	1.01	0.92
ROA (%)	21.1	16.3	17.3	18.7
ROE (%)	19.9	13.3	13.8	14.3
Yield (%)	5.8	4.6	4.9	6.0
HLIB				

**Figure #1 Quarterly results comparison**

FYE 31 Dec	1Q16	4Q16	1Q17	QoQ (%)	YoY (%)	Comments
<b>Revenue</b>	<b>89.3</b>	<b>81.8</b>	<b>80.5</b>	<b>(1.6)</b>	<b>(9.9)</b>	<b>QoQ/YoY:</b> Fell mainly due to lower sales of property in the absence of new launches.
Cost of Sales	(51.4)	(43.1)	(43.9)	1.8	(14.5)	
<b>Gross profit</b>	<b>38.0</b>	<b>38.6</b>	<b>36.6</b>	<b>(5.3)</b>	<b>(3.6)</b>	<b>QoQ:</b> Margin deteriorated due to lower margin product mix. <b>YoY:</b> Margin improved due to better product mix and cost saving.
Selling and marketing expenses	(1.5)	(2.7)	(0.9)	(67.2)	(38.9)	
Administrative expenses	(4.4)	(7.0)	(4.1)	(41.1)	(5.3)	
Other Income	0.2	9.1	0.1	(99.4)	(64.8)	<b>QoQ:</b> Lower due to high base effect from fair value gain.
<b>Operating Profit</b>	<b>32.3</b>	<b>38.0</b>	<b>31.6</b>	<b>(16.9)</b>	<b>(2.1)</b>	
Interest Income	1.2	0.9	0.9	4.3	(27.2)	
Finance costs	(1.5)	(0.7)	(1.0)	49.6	(34.4)	
Net Interest	(0.3)	0.2	(0.1)	(138.1)	(69.2)	
Associates	-	2.1	0.2	NM	NM	
<b>Profit before taxation</b>	<b>32.0</b>	<b>40.3</b>	<b>31.8</b>	<b>(21.3)</b>	<b>(0.9)</b>	
Income tax expense	(8.2)	(5.2)	(7.8)	48.4	(5.4)	
MI	0.2	0.3	0.0	(99.4)	(99.1)	
<b>PATAMI</b>	<b>23.6</b>	<b>34.8</b>	<b>24.0</b>	<b>(31.0)</b>	<b>1.7</b>	Filtered down from PBT.
EI	-	5.2	-	NM	NM	Fair value gain of investment properties for RM8.9m and RM3.7m fair value loss during last quarter.
<b>Core PATAMI</b>	<b>23.6</b>	<b>29.6</b>	<b>24.0</b>	<b>(18.9)</b>	<b>1.7</b>	

Company

**Figure #2 1Q17 Results vs. HLIB's Estimates and Consensus**

	Actual 1Q17	HLIB FY17	Actual vs. HLIB (%)	Consensus FY17	Actual vs. Consensus (%)	Comments
Revenue	80.5	329.0	24.5	259.5	31.0	In line.
Normalised PAT	24.0	76.1	31.5	96.0	25.0	In line.

Company Data, HLIB, Bloomberg

**Figure #3 HLIB vs. consensus**

RMm	FY17E			FY18F		
	HLIB	Consensus	%	HLIB	Consensus	%
Revenue	318.7	375.3	-15.1	350.5	377.0	-7.0
PATAMI	78.2	96.3	-18.7	89.4	95.2	-6.1

HLIB; Bloomberg

**Figure #4 RNAV Table**

Projects	Stake	NPV
	(%)	(RM m)
Launched but havent sold	100%	14.2
Raintree Park 2@ Pearl City	100%	40.8
Avenue Garden @ Pearl City	100%	17.2
Central Avenue @ Pearl City	100%	12.3
Pearl Tropika @ Pearl City	100%	28.3
Alma (TBC)	100%	21.2
Kota Permai, Bukit Mertajam (TBC)	100%	23.5
Camellia Park - Commercial	100%	0.6
Pearl City - Other Phases	100%	290.4
Unbilled Sales	100%	136.9
NPV		585.3
Shareholder Funds as of 1Q15		427.5
Net cash/(debt) as of 1Q15		(11.0)
RNAV		1,001.8
WA Proceed		6.5
Total RNAV		1,008.3
Total Diluted Shares		432.2
RNAV/share		2.33
Discount		40%
Discounted RNAV		601.1
Discounted RNAV/share		1.39

Company, HLIB

### Figure #5 Peer Comparison

Company	Current	Recomm	TP	Upside	Mkt Cap (m)	Discount to RNAV	P/E (x)		P/B (x)		Dividend Yield	
	Px						CY17	CY18	CY17	CY18	CY17	CY18
IOI PROPERTIES	2.09	Hold	2.54	21%	11,507.8	(46.4)	15.4	14.8	0.6	0.7	3.8	1.9
SP SETIABHD	3.63	Buy	4.00	10%	10,361.2	(36.4)	13.6	10.0	1.2	1.1	4.8	5.0
SUNWAY BHD	3.60	Buy	3.75	4%	7,320.6		12.4	11.5	1.2	1.2	3.3	3.3
UEM SUNRISE BHD	1.29	Hold	1.18	-9%	5,853.3	(56.0)	26.3	23.9	0.9	0.9	0.8	0.8
MAH SING GROUP	1.52	Hold	1.52	0%	3,662.3	(35.0)	9.9	8.4	1.0	1.0	4.0	5.1
MATRIX CONCEPTS	2.71	Buy	2.98	10%	1,556.7	(24.9)	6.2	5.1	1.3	1.1	5.6	6.9
TAMBUN	1.54	Hold	1.39	-10%	663.2	(33.6)	8.3	7.3	1.4	1.5	4.6	4.6
ECO WORLD DEVELO	1.52	NR			4,475.4	(33.9)	34.3	17.8	1.1	1.0	-	-
<b>Average</b>						<b>(38.0)</b>	<b>15.8</b>	<b>12.4</b>	<b>1.1</b>	<b>1.0</b>	<b>3.4</b>	<b>3.4</b>

## Financial Projections for Tambun Indah (TP: RM1.39)

### Income statement

FYE 31 Dec (RM m)	2015A	2016A	2017E	2018F	2019F
<b>Revenue</b>	<b>368</b>	<b>361</b>	<b>319</b>	<b>351</b>	<b>396</b>
Operating cost	-231	-214	-215	-236	-265
<b>EBITDA</b>	<b>136</b>	<b>147</b>	<b>103</b>	<b>115</b>	<b>131</b>
D&A	-1	-1	-1	0	0
Net Interest	-2	0	0	3	3
Associates	2	3	2	2	2
Jointly controlled entities	-	-	-	-	-
Exceptionals	-	-	-	-	-
<b>Pretax profit</b>	<b>136</b>	<b>149</b>	<b>104</b>	<b>119</b>	<b>136</b>
Taxation	(34)	(36)	(25)	(29)	(33)
Minority Interest	1	1	1	1	1
PATMI	101	112	78	89	102
<b>Core Earning</b>	<b>95</b>	<b>107</b>	<b>78</b>	<b>89</b>	<b>102</b>
Basic shares (m)	421	421	421	421	421
<b>Basic EPS (sen)</b>	<b>22.5</b>	<b>25.4</b>	<b>18.6</b>	<b>21.2</b>	<b>24.2</b>

### Balance sheet

FYE 31 Dec (RM m)	2015A	2016A	2017E	2018F	2019F
Fixed assets	324	282	121	121	121
Other long-term assets	39	47	53	55	57
Other short-term assets	5	5	5	5	5
<b>Working capital</b>	<b>210</b>	<b>161</b>	<b>159</b>	<b>175</b>	<b>197</b>
Receivables	91	89	79	87	98
Payables	116	70	78	86	97
Inventory	3	1	2	2	2
<b>Net cash / (debt)</b>	<b>-9</b>	<b>-55</b>	<b>87</b>	<b>112</b>	<b>128</b>
Cash	180	83	225	250	266
ST debt	49	41	41	41	41
LT debt	139	97	97	97	97
<b>Shareholders' funds</b>	<b>463</b>	<b>539</b>	<b>589</b>	<b>647</b>	<b>712</b>
Share capital	212	214	214	214	214
Reserves	248	323	371	429	492
Minorities	3	3	4	5	6
Other liabilities	107	-99	-164	-181	-204

### Summary Earnings Table

<b>Revenue</b>	368	361	319	351	396
EBITDA	136	147	103	115	131
Net profit	95	107	78	89	102
P/E (x)	6.9	6.1	8.3	7.3	6.4
BV / share	1.1	1.3	1.4	1.5	1.7
P/BV (x)	1.4	1.2	1.1	1.0	0.9
ROA (%)	14.7	21.1	16.1	17.2	18.6
ROE (%)	20.5	19.9	13.3	13.8	14.3

### Cashflow

FYE 31 Dec (RM m)	2015A	2016A	2017E	2018F	2019F
EBIT	136	146	103	114	130
D&A	1	1	1	0	0
Working capital changes	(6)	(74)	60	(32)	(46)
Taxation	(34)	(36)	(25)	(29)	(33)
Others	5	9	(5)	(4)	(4)
<b>Operating cashflow</b>	<b>97</b>	<b>36</b>	<b>133</b>	<b>50</b>	<b>48</b>
Capex & acquisitions	-2	0	0	0	0
<b>Free cashflow</b>	<b>95</b>	<b>36</b>	<b>133</b>	<b>49</b>	<b>48</b>
Others	-37	-7	4	7	7
<b>Investing cashflow</b>	<b>-39</b>	<b>-7</b>	<b>4</b>	<b>7</b>	<b>7</b>
Equity Raised	2	3	0	0	0
Others	0	0	0	0	1
Net Borrowing	35	-50	0	0	0
<b>Financing cashflow</b>	<b>-9</b>	<b>-92</b>	<b>-30</b>	<b>-32</b>	<b>-39</b>
<b>Net cashflow</b>	<b>49</b>	<b>(63)</b>	<b>108</b>	<b>25</b>	<b>16</b>

### Valuation ratios

Net DPS (sen)	9.00	9.00	7.06	7.52	9.20
FCF/ share (sen)	22.55	8.63	31.56	11.72	11.31
FCF yield (%)	14.6%	5.6%	20.5%	7.6%	7.3%
Market capitalization (m)	649	649	649	649	649
Net cash (m)	-9	-55	87	112	128
Enterprise value	658	704	562	537	521
EV/ EBITDA (x)	4.8	4.8	5.4	4.7	4.0

### Growth margins ratios

Growth (%)					
Sales Growth	-21.2	-1.9	-11.7	10.0	12.9
Operating expenses	-29.2	-7.6	0.7	9.5	12.4
EBITDA Growth	-2.7	7.8	-29.7	11.1	14.0
PBT Growth	-1.7	9.4	-29.9	14.0	14.0
PATMI	-7.4	13.1	-26.9	14.2	14.2
Basic EPS Growth	-10.9	13.1	-26.9	14.2	14.2

### Margins (%)

EBITDA Margin	37.1	40.7	32.4	32.7	33.0
PBT Margin	37.0	41.2	32.7	33.9	34.3
PATMI	25.7	29.7	24.6	25.5	25.8

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<b>BUY</b>	Positive recommendation of stock under coverage. Expected absolute return of more than +10% over 12-months, with low risk of sustained downside.
<b>TRADING BUY</b>	Positive recommendation of stock not under coverage. Expected absolute return of more than +10% over 6-months. Situational or arbitrage trading opportunity.
<b>HOLD</b>	Neutral recommendation of stock under coverage. Expected absolute return between -10% and +10% over 12-months, with low risk of sustained downside.
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<b>NEUTRAL</b>	The sector, based on weighted market capitalization, is expected to have absolute return between -5% and +5% over 12-months.
<b>UNDERWEIGHT</b>	The sector, based on weighted market capitalization, is expected to have absolute return of less than -5% over 12-months.