

Company Result

27 February 2014

Tambun Indah

HOLD

FY13: Stellar Performance

Downgraded

Share Price	RM1.75
Target Price	RM1.63

Company Description
Tambun Indah Land Berhad develops real estate. The Company builds residential projects including attached terrace homes, vilas, condominium towers & bungalows.

Stock Data

Bursa / Bloomberg code	5191 / TILB MK
Board / Sector	Main / Property
Syariah Compliant status	Yes
Issued shares (m)	394.67
Par Value (RM)	0.50
Market cap. (RM)	686.73
52-week price Range	RM0.78– 1.82
Beta (against KLCI)	0.78
3-m Average Daily Volume	0.69m
3-m Average Daily Value [^]	RM1.07m

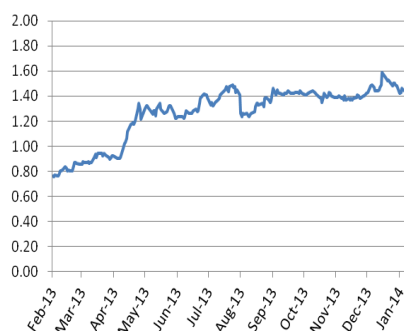
Share Performance

	1m	3m	12m
Absolute (%)	22.50	15.20	118.90
Relative (%-pts)	19.60	21.80	95.0

Major Shareholders

	%
SIRAM PERMAI	44.2
AMAL PINTAS	8.5
TEH KIAK SENG	6.0

Historical Chart



Source: Bloomberg

Research Team

03-87361118, ext. 753

research.dept@jfapex.com.my

What's New

- **Tambun Indah's FY2013 net earnings were registered at RM65mil**, soared 28% q-o-q and 59% y-o-y. Similarly, revenue was registered at RM 376mil, an impressive jump of 22% q-o-q and 27% y-o-y.
- **FY2013 net profit was above our and market expectations.** This was mainly due to higher profit recognition of construction progress, better sales in the last quarter and higher margin achieved.

Comment

- **Commendable FY13.** We reckon that bulk of the sales were derived from Pearl City Residence as well as the commercial portion of Pearl City which contributed approximately >70% of the total property development revenue. Besides, the take-up rates for its current ongoing projects were promising, exceeding 80% to-date. Furthermore, the improved EBIT margin from 27% last year to current 31% as well as higher pricing also aided in lifting the bottom line.
- **4QFY13 net profit inched up 22% q-o-q in tandem with higher revenue.** The upbeat performance for the quarter was chiefly contributed by residential and commercial properties development in Pearl City, Simpang Ampat which contributed c. 62% of the total revenue. We reckon that the favourable numbers were attributable to higher take up rates for on going projects for the quarter and higher revenue recognition with better site progress.
- **Stronger demand ahead.** For FY2013, the Group's take up rate of 84% exceeded our expectation of 70% on its ongoing projects, with total gross development value of RM1.35bil and unbilled sales of c. RM460mil. New launches planned for FY2014F are: a) Pearl Harmoni, Pearl Avenue 2, Raintree Park and Pearl Tropika in Pearl City, Simpang Ampat, Camellia Park in Butterworth and Taman Bukit Residence in Bukit Mertajam. We reckon that most of the Group's products are affordable housing which will continue to receive promising results at least for the next 2-3 years.
- **A total of 6.6 sen DPS was declared for FY2013.** This renders a decent dividend yield of 4% based on 40% payout. We are expecting total dividend payout of 9 sen for FY2014F.

Earnings Outlook/Revision

- **We maintain our FY2014F net profit of RM90mil (+38% y-o-y)** at this moment pending analysts and fund managers briefing slated 5 March 2014.
- **Our FY14F earnings will be bolstered by:** 1) Unbilled sales of RM455mil; 2) New property launches of approximate GDV of RM600mil; 3) Upward revision of products pricing; and 4) Continuous take-up rate of c.70%. We opine the high take-up rate would not be an issue for Tambun due to their products' branding of affordable housing albeit market sentiment could remain subdued for the year.

Valuation & Recommendation

- **We downgrade the stock to HOLD as current price has exceeded our target price. The share price has appreciated 26% since our initiate coverage in 13th December 13.** Our target price of RM1.63 is based on 10% discount to fully diluted RNAV per share of RM1.81 or implied PER of 7.8x FY14F EPS.
- Despite the positive vibes coming from Pearl City project, development happening in Seberang Perai and 2nd Penang Bridge, we believe current share price has largely factored in its fundamentals and positive newsflow.

Figure 1: Quarterly Figures

Year Ending 31 Dec	4Q13	3Q13	4Q12	Q-o-Q (%)	Y-o-Y (%)	FY13	FY12	Change (%)
Revenue (RMm)	118.4	97.1	75.5	22%	57%	376.4	297	27%
EBIT(RMm)	35.3	31.3	21.2	13%	67%	118.2	80.1	48%
Pretax profit (RMm)	36.3	31.2	20.8	16%	75%	117.7	79.0	49%
Taxation (RMm)	-8.0	-7.7	-5.3	n.a	n.a	-29.9	-22.0	n.a
Minority interest	-6.2	-6.3	-4.2	n.a	n.a	-22.3	-16.0	n.a
Net Profit	22.0	17.2	11.3	28%	95%	65.0	40.8	59%
EPS (sen)	5.78	5.53	5.07	4.5%	14%	18.7	15.0	25%
Net gearing (x)	Net Cash	Net Cash	Net Cash	n.a	n.a	Net Cash	Net Cash	n.a
EBIT margin (%)	30%	32%	28%	-2ppt	+2ppt	31.4%	27%	+4.4ppt
PBT margin (%)	31%	32%	28%	-1ppt	+3ppt	31.4%	27%	+4.4ppt
Net margin (%)	19%	18%	15%	+1ppt	+4ppt	17.3%	14%	+3.3ppt
Effective tax rate (%)	22%	25%	25%	n.a	n.a	25%	28%	n.a

Figure 2: Financial Summary

Financial Year End December RM mil'	2011	2012	2013	2014F	2015F
Revenue	192	297	376	461	646
EBIT	47	81	118	129	181
Net Profit	23	41	65	90	126
P/E (x)	25	14.5	9	7.6	5.4
EPS (sen)	7	12	18.7	23	32
P/BV (x)	3.6	2.5	2.2	1.6	1.4
Dividend yield	8.3%	4.8%	4%	5%	7.4
ROE	17%	22%	28%	31%	35%

Source: Company, JF Apex

JF APEX SECURITIES BERHAD – CONTACT LIST
JF APEX SECURITIES BHD

Head Office:
 6th Floor, Menara Apex
 Off Jalan Semenyih
 Bukit Mewah
 43000 Kajang
 Selangor Darul Ehsan
 Malaysia

General Line: (603) 8736 1118
 Facsimile: (603) 8737 4532

PJ Office:

15th Floor, Menara Choy Fook On
 No. 1B, Jalan Yong Shook Lin
 46050 Petaling Jaya
 Selangor Darul Ehsan
 Malaysia

General Line: (603) 7620 1118
 Facsimile: (603) 7620 6388

DEALING TEAM
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Head Office:
 Kong Ming Ming (ext 3237)
 Shirley Chang (ext 3211)
 Norisam Bojo (ext 3233)
 Derrick Ng Wei Yee (ext 3239)
 Wong Wing Haur, Alvin (ext 3226)

Institutional Dealing Team:

Lim Teck Seng
 Sanusi Bin Mansor (ext 740)
 Fathul Rahman Buyong (ext 741)
 Ramlee Sulaiman (ext 742)
 Ahmad Mansor (ext 744)
 Lum Meng Chan (ext 743)

PJ Office:

Mervyn Wong (ext 363)
 Mohd Hanif Wan Said (ext 111)
 Fong Jia Wen (ext 822)
 Farriz Bin Ghazali (ext 812)
 Lai Yee Sam (ext 362)

RESEARCH TEAM
Head Office:

Lee Chung Cheng (ext 758)
 Lee Cherng Wee (ext 759)
 Jessica Low Jze Tieng (ext 756)
 Soong Wei Siang (ext 754)
 Gabriela Fang Minn Fern (ext 753)
 Elliya Harisna binti Junaedi (ext 752)

JF APEX SECURITIES - RESEARCH RECOMMENDATION FRAMEWORK
STOCK RECOMMENDATIONS

- BUY** : The stock's total returns* are expected to exceed 10% within the next 12 months.
- HOLD** : The stock's total returns* are expected to be within +10% to – 10% within the next 12 months.
- SELL** : The stock's total returns* are expected to be below -10% within the next 12 months.
- TRADING BUY** : The stock's total returns* are expected to exceed 10% within the next 3 months.
- TRADING SELL** : The stock's total returns* are expected to be below -10% within the next 3 months.

SECTOR RECOMMENDATIONS

- OVERWEIGHT** : The industry as defined by the analyst is expected to exceed 10% within the next 12 months.
- MARKETWEIGHT** : The industry as defined by the analyst is expected to be within +10% to – 10% within the next 12 months.
- UNDERWEIGHT** : The industry as defined by the analyst, is expected to be below -10% within the next 12 months.

*capital gain + dividend yield

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