

Result Snapshot

TA Enterprise

Bloomberg: TAE MK EQUITY| Reuters: TAES.KL

Refer to important disclosures at the end of this report

Malaysia Equity Research

25 Sep 2014

BUY RM0.95 KLCI : 1,840.08

Price Target :12-Month RM1.20 (Prev RM1.20)

Shariah Compliant: No

Analyst

Lynette CHENG +603 2604 3907
lynettecheng@alliancedbs.com

HON Seow Mee +603 2604 3967
seowmee@alliancedbs.com

Result Summary

FY Jan (RM m)	2Q 2015	2Q 2014	1Q 2015	yoy % chg	qoq % chg
P&L Items					
Turnover	273.8	188.5	210.4	45.3	30.1
Opg Profit	71.2	51.4	114.1	38.5	(37.6)
EBITDA	90.6	71.0	133.4	27.5	(32.1)
Net Profit	40.6	31.9	57.7	27.3	(29.6)
Other Data					
Opg Margin (%)	26.0	27.3	54.2		
Net Margin (%)	14.8	16.9	27.4		

Financial Summary

FY Jan (RM m)	2014A	2015F	2016F	2017F
Turnover	871	1,116	1,382	1,726
Operating Profit	239	334	393	494
EBITDA	309	408	471	576
Net Pft (Pre Ex.)	137	175	177	224
EPS (sen)	8.0	10.2	10.3	13.1
EPS Pre Ex. (sen)	8.0	10.2	10.3	13.1
EPS Gth (%)	66	28	1	27
EPS Gth Pre Ex (%)	66	28	1	27
Net DPS (sen)	1.5	3.1	3.1	3.9
BV Per Share (sen)	104.7	113.4	120.7	130.7
PE (X)	11.8	9.2	9.2	7.2
PE Pre Ex. (X)	11.8	9.2	9.2	7.2
EV/EBITDA (X)	10.5	7.4	6.1	4.7
Net Div Yield (%)	1.6	3.2	3.3	4.1
P/Book Value (X)	0.9	0.8	0.8	0.7
Net Debt/Equity (X)	0.1	0.0	CASH	CASH
ROAE (%)	7.9	9.4	8.8	10.4

At A Glance

Issued Capital (m shrs)	1,712
Mkt. Cap (RMm/US\$m)	1,618 / 498
Avg. Daily Vol.('000)	4,890

Price Relative



Source: Company, AllianceDBS, Bloomberg Finance L.P.

1H15 core profit in line

- 1H15 core earnings was in line; reported net profit was led by forex gains
- Raised FY15F net profit by 15% after imputing higher than expected forex gains
- No dividend was declared in the quarter
- Maintain BUY and RM1.20 TP

Highlights

Excluding forex gains, 1H15 was in line. 1H15 reported net profit of RM98m made up 65% of our full year forecast. Key earnings drivers include stronger than expected forex gains and investment holding income. However, we think these may not be sustainable in the coming quarters. Property development income doubled q-o-q due to the completion of Phase 1 of The Garden project in Canada. As expected, broking income fell 20% q-o-q as a result of weaker average daily turnover value (-7% to RM2bn) and volume (-42% to 1.1bn shares) during the quarter (May-Jul).

Raised FY15F earnings by 15%. We raised our FY15F earnings by 15% to impute higher than expected forex gains and investment holding income. We have also moderated property development contribution on the back of a slower launch pipeline. We expect stronger growth in broking income for 2H15 compared to 1H15 as the average daily turnover value and volume has started to pick up after July.

Our View

Trump International Hotel acquisition. The acquisition was approved during the EGM on 11 Sept, and marks TAG's seventh hotel in its portfolio. The project is still under construction and is expected to complete in Feb 2016. Its hotel acquisitions in the last few years have strengthened TAG's visibility in the hospitality industry.

Recommendation

Maintain BUY and RM1.20 SOP-derived TP. The near term re-rating catalyst is the potential sale of TAE's broking unit while unlocking the value of its property and hotel business is a medium term driver. Datuk Tiah bought back 8,228,600 shares between July and Sept 2014, at an average price of RM0.962 per share. There were 61.8m shares issued during the latest rounds of ICPS conversions. As of 17 Sep 2014, TAE's effective interest in TA Global stands at 62.5%. We have assumed full ICPS conversion which implies effective interest of 61%.

SOP Valuation

TA Global (TAG)

Property Investment	NLA (sqft)	MV (RM psf)	(RMm)
Menara TA1	373,741	1,000	374
Terasen Centre	349,390	1,630	570
Subtotal (a)			943

Hotels	No of rooms	Value per room (RMm)	(RMm)
Radisson Plaza, Sydney	363	1.04	377
Westin, Melbourne	262	1.49	390
Whistler, Canada	180	1.12	202
Swissotel, Singapore	476	1.37	651
Swissotel, Kushan	387	0.48	185
Movenpick, Phuket	368	0.75	277
Subtotal (b)			2,081

Property Development

	(RMm)
Damansara Avenue	274
Bukit Bintang	198
TA3 & TA4 (opposite KLCC)	289
West Georgia, Canada	97
The Gardens, Canada	46
Little Bay, Sydney	186
NPV of development profits	1,089
Value of land held under development	415
Subtotal (c)	1,505
Less: Net debt (d)	(870)

RNAV (a)+(b)-(c)-(d)

Discount to RNAV	45%	2,012
TAG's no. of shares (m)		5,322
TAG's RNAV per share (RM)		0.69

TA Enterprise (TAE)

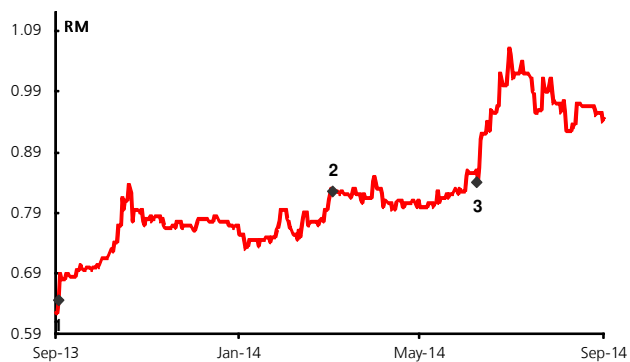
Stockbroking, credit and lending

	(RMm)
Book value of broking	327
Book value of credit and lending	491
Total	817
Target PBV (x)	1.0
Subtotal	817

TAE's stake in TAG @ 61%	61%	1,235
Total SOP		2,053
TAE's no. shares (m)		1,712
TAE's SOP per share (RM)		1.20

Sources: AllianceDBS

Target Price & Ratings History



S.No.	Date	Closing Price	Target Price	Rating
1:	25 Sep 13	0.65	1.00	Buy
2:	27 Mar 14	0.83	1.00	Buy
3:	01 Jul 14	0.84	1.20	Buy

Note: Share price and Target price are adjusted for corporate actions.

Source: AllianceDBS

DISCLOSURE

Stock rating definitions

STRONG BUY	-	> 20% total return over the next 3 months, with identifiable share price catalysts within this time frame
BUY	-	> 15% total return over the next 12 months for small caps, >10% for large caps
HOLD	-	-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps
FULLY VALUED	-	negative total return > -10% over the next 12 months
SELL	-	negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame

Commonly used abbreviations

Adex = advertising expenditure	EPS = earnings per share	PBT = profit before tax
bn = billion	EV = enterprise value	P/B = price / book ratio
BV = book value	FCF = free cash flow	P/E = price / earnings ratio
CF = cash flow	FV = fair value	PEG = P/E ratio to growth ratio
CAGR = compounded annual growth rate	FY = financial year	q-o-q = quarter-on-quarter
Capex = capital expenditure	m = million	RM = Ringgit
CY = calendar year	M-o-m = month-on-month	ROA = return on assets
Div yld = dividend yield	NAV = net assets value	ROE = return on equity
DCF = discounted cash flow	NM = not meaningful	TP = target price
DDM = dividend discount model	NTA = net tangible assets	trn = trillion
DPS = dividend per share	NR = not rated	WACC = weighted average cost of capital
EBIT = earnings before interest & tax	p.a. = per annum	y-o-y = year-on-year
EBITDA = EBIT before depreciation and amortisation	PAT = profit after tax	YTD = year-to-date

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Wong Ming Tek, Executive Director

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AllianceDBS Research Sdn Bhd (128540 U)
(formerly known as HWANGDBS Vickers Research Sdn Bhd)
19th Floor, Menara Multi-Purpose, Capital Square, 8 Jalan Munshi Abdullah, 50100 Kuala Lumpur, Malaysia.
Tel.: +603 2604 3333 Fax: +603 2604 3921 email : general@alliancedbs.com