

Company Result

4 December 2017

Titijaya Land Berhad

BUY

1QFY18: No surprises

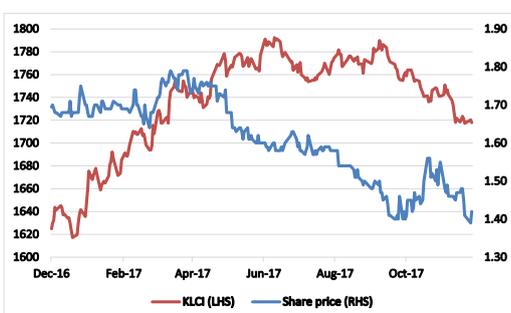
Maintained

KLCI	1717.86 points
Share Price	RM1.42
Target Price	RM2.06
Expected share price return	45.1%
Expected dividend return	0.6%
Expected total return	45.7%

Stock Data	
Bursa / Bloomberg code	5239 / TTJ MK
Market / Board	Main / Industrial
Syariah Compliant status	Yes
Issued shares (m)	637.85
Market cap	RM905.75m
Par value	RM0.50
52-week price Range	RM1.38 – 1.82
Beta (against KLCI)	0.68
3-m Average Daily Volume	0.43m
3-m Average Daily Value [^]	RM0.63m

Share Performance			
	1m	3m	12m
Absolute (%)	-8.4	-2.7	-16.5
Relative (%-pts)	-7.0	-2.3	-20.9

Major Shareholders		%
TITIJAYA GROUP SDN BHD		56.48
TITI KAYA SDN BHD		7.58
AIA BHD		5.02
Estimated free float		38.05



Source: Bloomberg

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Result

- **Results within expectation.** Titijaya Land Berhad (Titijaya) recorded a net profit of RM20.6m in its 1QFY18 results, up 3.0% yoy and 21.2% qoq. The result is line with our expectation and consensus as 1Q net earnings constitute 25% and 23% of our and the market's full year net earnings forecasts respectively.

Comment

- **Better yoy.....** Titijaya chalked up better bottom line in 1QFY18 thanks to stronger margins achieved (PBT margin: +2.2ppts yoy, +4.9ppts qoq) amid weaker top line (-4.2% yoy, -15.6% qoq). The resilient yoy performance was attributable to lower marketing expenses as the Group repositioned its property launches to address the changes in market demand coupled with lower administrative expenses in relation to untenanted investment property.
- **.....as well as qoq.** Also, Titijaya recorded a commendable qoq result thanks to an increase in GP margin (1QFY18: 34.1% vs 4QFY17: 29.4%) mainly resulted from project H2O with higher margin as compared to the completed project 3Elements in the previous immediate quarter. Furthermore, the Group posted a higher PAT qoq due to the project launches deferment in respect of prevailing soft market condition.
- **New sales target of RM500m on the back of RM1.8b new launches slated for FY18, mainly targeting mass market segment.** The Group aims for RM500m of new sales in FY18. We understand that 70% of the new launches will be priced below RM600k/unit in order to cater to affordable housing which is more prevalent, while the remaining 30% will be priced above RM700k/unit. Titijaya plans to launch four upcoming new projects in FY18, with three in the Klang Valley:
 - a) 3rdNvenue @ Jln Ampang Phase 1 with GDV of RM493m, which was officially launched in September 17;
 - b) Damansara West Phase 1 with GDV of RM361m which will be launched in CY18;
 - c) Riveria @ KL Sentral Phase 1 with GDV of RM317m which is targeted to be launched in end of CY17;
 - d) The Shore in Kota Kinabalu, Sabah with GDV of RM575m which was launched in mid July 17.

On top of that, the Group is also banking on its on-going projects, such as H2O (remaining one block),

Emery@Kemensah, Park Residensi@Cheras, and Seri Alam worth a total GDV of RM1.0b to further strengthen its sales.

- **Teams up with reputable Japanese developer to enhance value of existing project.** Earlier, Titijaya entered into a conditional share subscription agreement with Japan-based Tokyu Land Corp for a subscription consideration of RM47m. The proposed subscription is to enhance the development of an on-going project in H2O in Ara Damansara by co-developing and designing a serviced apartment named Mizu Residence (300 units with a total built-up area of 234,000sf) worth GDV of RM300m. We are positive with this latest development as the Group could capture more market share with its JV party's marketing efforts, aiming for more foreign buyers.

Earnings Outlook/Revision

- **We keep our net profit forecasts for FY18F and FY19F unchanged at respective RM83.0m (+8.4% yoy) and RM90.4m (+8.9% yoy).** Our new sales assumptions for FY18F/FY19F are RM500m/RM600m.

Valuation/Recommendation

- **Maintain BUY on Titijaya with an unchanged target price of RM2.06, based on 35% discount to its fully-diluted RNAV/share of RM3.17.**
- **We advise investors to accumulate the share** as we believe the Group is able to fast track its projects execution to ride on the recovery in property sector. This is backed by its unique business model and landbanking strategy of scouting for joint venture and land-swap project opportunities with reputable government agencies and other synergistic partners, coupled with its aggressive and innovative marketing efforts in targeting mass market housing segment.

Figure 1: Quarterly Figures

Year to 30 June (RMm)	1QFY18	4QFY17	1QFY17	qoq (%)	yoy (%)
Revenue	103.1	122.1	107.6	-15.6	-4.2
Gross profit	35.2	35.9	34.4	-1.9	2.3
Pre-tax profit	28.3	27.5	27.2	2.9	4.0
Net profit	20.6	17.0	20.0	21.2	3.0
Core net profit	20.6	17.0	20.0	21.2	3.0
Gross margin (%) / ppt	34.1	29.4	32.0	4.7	2.2
PBT margin (%) / ppt	27.4	22.5	25.3	4.9	2.2

Source: Company, JF Apex

Figure 2: Financial Summary

Year to 30 June (RMm)	FY2014	FY2015	FY2016	FY2017	FY2018F	FY2019F
Revenue	283.8	340.7	400.1	380.9	381.8	406.5
Gross profit	129.8	149.4	141.5	145.7	148.9	162.6
Operating profit	97.8	111.8	93.5	114.1	118.5	130.8
Profit before tax	96.4	111.1	91.6	110.5	114.5	126.0
Net profit	71.3	80.9	68.3	76.6	83.0	90.4
Core net profit	71.3	80.9	68.3	76.6	83.0	90.4
EPS (sen)	17.4	19.7	16.7	18.7	20.3	22.0
DPS (sen)	4.0	4.5	0.5	1.0	2.0	3.0
P/E (x)	8.2	7.2	8.5	7.6	7.0	6.4
P/BV (x)	1.5	1.2	1.1	0.9	0.9	0.8
Diluted EPS (sen)	9.6	10.4	9.3	10.0	10.6	11.3
FD P/E	14.8	13.6	15.3	14.1	13.4	12.6
Revenue growth (%)	52.4	20.0	17.4	-4.8	0.2	6.5
Net profit growth (%)	28.2	13.5	-15.6	12.2	8.4	8.9
Core net profit growth (%)	28.2	13.5	-15.6	12.2	8.4	8.9
Gross margin (%)	45.7	43.9	35.4	38.3	39.0	40.0
Operating margin (%)	34.5	32.8	23.4	30.0	31.0	32.2
PBT margin (%)	34.0	32.6	22.9	29.0	30.0	31.0
Dividend yield (%)	2.8	3.2	0.4	0.7	1.4	2.1
Net gearing (%)	-1.9	-2.2	32.1	37.4	29.8	29.7
ROE (%)	18.2	17.0	12.9	11.3	12.7	12.5
ROA (%)	8.8	7.7	6.3	5.1	6.6	6.8

Source: Company, JF Apex

Figure 3: Balance Sheet

(RM'm)	FY2014	FY2015	FY2016	FY2017	FY2018F	FY2019F
Balance Sheet						
Cash	133.5	168.5	34.9	136.7	135.9	125.9
Current assets	617.1	837.2	788	885.5	902.2	965.3
Non-current assets	196.8	219.7	304.3	606.4	348.4	372.8
Total assets	813.9	1056.9	1092.3	1491.9	1250.6	1338.1
Short term debt	21.3	54.5	98.1	151.3	131.4	135.3
Current liabilities	241.8	418.3	402.3	538.2	426.8	439.6
Long term debt	104.6	103.4	107.2	239.1	198.7	204.7
Non-current liabilities	179.9	163.1	158.7	272.5	168.4	173.4
Total liabilities	421.7	581.4	561	810.7	595.2	613.0
Shareholders' equity	392.1	474.9	530.8	678	651.4	721.1
MI	0.1	0.6	0.5	3.2	4.0	4.0
Total equity	392.2	475.5	531.3	681.2	655.4	725.1
Total liabilities & equity	813.9	1056.9	1092.3	1491.9	1250.6	1338.1

Source: Company, JF Apex

Figure 4: Cash Flow

(RM'm)	FY2014	FY2015	FY2016	FY2017	FY2018F	FY2019F
Cash Flow						
Cash flow from operations	-27.8	159.9	-49.9	46.8	20	40
Cash flow from investing	-20.2	-28.9	-85	-161	-120	-150
Cash flow from financing	169.4	-95.4	1.3	152.5	140	100
Cash generated	121.4	35.6	-133.6	38.3	40	-10
Cash at beginning	12.1	132.9	168.5	60.9	95.9	135.9
Cash at end of period	133.5	168.5	34.9	99.2	135.9	125.9

Source: Company, JF Apex

Figure 5: RNAV

On-going projects	Remaining GDV RM(m)	Stake (%)	DCF of development profits	Basis
H2O	794	100	135.3	Cost of equity: 9%
3 Elements	400	100	70.9	
Mutiara Residence	30.3	100	5.8	
Emery @ Kemensah	50.7	100	9.4	
Seri Alam Residence	340	100	60.3	
Park Residency Cheras	75.3	100	14.5	
Riveria @ KL Sentral	1000	56	84.1	
Klang Sentral	700	100	113.9	
3rdNvenue @ Jln Ampang	1800	70	151.7	
The Shore @ Kota Kinabalu	575	70	56.8	
Odeon KL	1500	100	191.3	
Trio Monfort	1500	100	191.3	
Areca @ Penang	2520	100	319.6	
Damansara West	2400	100	318.1	
Total	13685.3		1723.0	
Shareholders' equity			651.8	9MFY17
Proceeds from ICPS			1014.8	615m shares @ RM1.65
Proceeds from Consideration shares			115.6	79.7m shares @ RM1.45
RNAV			3505.1	
Enlarged no. of shares			1104.7	
FD RNAV/share			3.17	

Source: Company, JF Apex

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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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