



AmInvestment Bank

Company report

Azman Hussin

azman-hussin@ambankgroup.com

03-2036 2025

TITIJAYA LAND

(TTJ MK EQUITY, TITI.KL)

PROPERTY

29 May 2017

Getting aggressive on new launches

BUY

(Upgraded)

Rationale for report: Company results

Price	RM1.61
Fair Value	RM2.23
52-week High/Low	RM1.93/RM1.39

Key Changes

Fair value	↕
EPS	↔

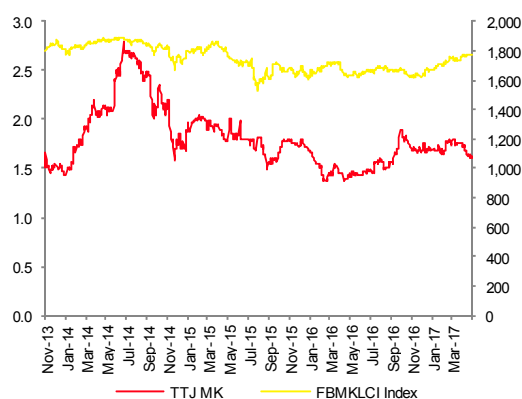
YE to Jun	FY16	FY17F	FY18F	FY19F
Revenue (RM mil)	400.1	369.0	392.3	608.2
Core net profit (RM mil)	68.3	72.0	76.9	116.5
FD Core EPS (sen)	18.3	17.3	18.8	27.8
FD Core EPS growth (%)	(15.6)	(5.6)	8.5	47.9
Consensus Net Profit (RM mil)	-	-	-	-
DPS (sen)	6.5	6.6	7.9	7.9
PE (x)	8.8	9.3	8.6	5.8
EV/EBITDA (x)	7.7	6.4	6.8	6.6
Div yield (%)	4.0	4.1	4.9	4.9
ROE (%)	13.6	13.0	12.8	17.5
Net Gearing (%)	27.0	8.9	8.1	30.5

Stock and Financial Data

Shares Outstanding (million)	353.0
Market Cap (RMmil)	568.3
Book Value (RM/share)	1.47
P/BV (x)	1.1
ROE (%)	13.6
Net Gearing (%)	27.0
Major Shareholders	Tan Sri Lim Soon Peng & family (61.4%)

Free Float	38.6
Avg Daily Value (RMmil)	2.0

Price performance	3mth	6mth	12mth
Absolute (%)	(4.2)	(4.2)	13.4
Relative (%)	(8.4)	(12.0)	4.7



Investment Highlights

- We upgrade our call on Titijaya Land (Titijaya) to **BUY** from **HOLD** with a higher fair value of RM2.23 per share (from RM1.72), based on a 30% discount to its RNAV. We have revised upwards our RNAV by 48% to reflect the full impact from its proposed renounceable rights issue.
- Titijaya's 9MFY17 core net profit grew 11.8% YoY to RM59.7mil. This accounted for 83% of our full-year forecast and consensus. However, we deem this to be broadly in line, as we expect a weaker 4QFY17. No dividend was declared, as expected.
- The positive performance was contributed mainly by higher recognition from its ongoing property development projects, namely H2O and 3Elements. Despite revenue contracting 11.8% YoY to RM258.7mil, the group still managed to grow its earnings, attributed to better costs management.
- Titijaya registered total new sales of RM143.6mil in 1HFY17, supported by its ongoing projects. We expect the company to hit its sales target of RM300mil for FY17, a flat growth compared to FY16, but still commendable in view of the challenging market condition.
- Titijaya's earnings visibility is anchored by its RM471mil unbilled sales as at end-1HFY17.
- Titijaya's proposed renounceable rights issue of up to 614.99mil irredeemable convertible preference shares (ICPS) on the basis of three ICPS for every two existing shares (3-for-2), with a conversion ratio at either 10 ICPS into one share, or a combination of 1 ICPS and cash payment of RM1.485 for one share, will provide Titijaya with a stronger cash pile to fund the projects that it has lined up and to source for future landbank.
- With a continued focus on its core market of affordable segment, which we expect to remain resilient in the challenging market condition, management has lined up in total RM2bil GDV of new launches in 2017. The biggest launch will be The Shore @ KK at Kota Kinabalu (GDV: RM575mil), followed by 3rdNvenue Phase 1 at Jalan Ampang (GDV: RM493mil), Damansara West Phase 1 (GDV: RM361mil), Riveria Phase 1 at KL Sentral (GDV: RM317mil), H2) Block B at Ara Damansara (GDV: RM191mil), and Park Residensi @ Cheras (GDV: RM75mil). As for the long term, it has around RM13bil GDV of projects expected to be launched in the next few years, which will keep it occupied until 2027 and provide a sustained earnings visibility to the group.

EXHIBIT 1: RESULTS SUMMARY

FYE Jun (RM m)	3QFY17	3QFY16	2QFY17	YoY (%)	QoQ (%)	9MFY17	9MFY16	YoY (%)
Revenue	70.5	103.6	80.7	-32.0%	-12.6%	258.7	293.5	-11.8%
Operating profit	30.2	21.2	27.2	42.6%	10.9%	85.5	72.3	18.2%
Finance costs	(1.0)	(0.5)	(0.5)	96.4%	109.0%	(2.4)	(1.1)	112.5%
Pretax profit	29.1	20.6	26.7	41.2%	9.1%	83.1	71.2	16.7%
Tax	(9.1)	(5.5)	(6.3)	66.6%	45.2%	(23.4)	(17.8)	31.6%
Minority Interest	(0.0)	(0.0)	(0.0)	200.0%	-25.0%	(0.0)	0.0	-366.7%
Net Profit	19.2	15.2	20.4	26.8%	-5.9%	59.7	53.4	11.8%
Core Profit	19.2	15.2	20.4	26.8%	-5.7%	59.7	53.4	11.8%
<i>EBIT Margin (%)</i>	42.8%	20.4%	33.7%			33.1%	24.7%	
<i>Pretax Margin (%)</i>	41.3%	19.9%	33.1%			32.1%	24.3%	
<i>Effective tax rate (%)</i>	31.2%	26.5%	23.5%			28.1%	24.9%	
<i>Net Margin (%)</i>	27.3%	14.6%	25.3%			23.1%	18.2%	

Source: Company, AmlInvestment Bank Bhd

EXHIBIT 2: RNAV CALCULATION

Development Projects	NPV (RM m)	Stake (%)	GDV (RM m)
Mutiara Residence	5.6	100%	30.3
3 Elements	29.5	100%	400.0
H2O	132.3	100%	794.0
Seri Alam Residences	53.3	100%	340.0
3rdNvenue	255.2	70%	1,800.0
Riveria	207.9	70%	1,451.0
The Shore @ Kota Kinabalu	88.4	70%	575.0
Odeon KL	230.6	100%	1,500.0
Batu Maung, Penang	373.3	100%	2,520.0
Trio Monfort	214.9	100%	1,500.0
Damansara West	147.8	100%	2,400.0
Others	9.0	100%	50.7
Total	1,747.8		13,361.0
Shareholders equity as at end-1HFY17	632.8		
Proceeds from RCPS	9.4		
Proceeds from ICPS	1,014.1		
Proceeds from consideration shares	115.3		
Total no of shares	403.3		
FD total no of shares	1,104.7		
RNAV per share (RM)	3.19		
Discount	30%		
Fair value (RM)	2.23		

Source: Company, AmlInvestment Bank Bhd

EXHIBIT 3: COST OF EQUITY CALCULATION

Risk free rate	4.1%
Beta	0.72
Expected market return	10.0%
Market risk premium	5.9%
Cost of equity	8.3%

Source: Company, AmInvestment Bank Bhd

EXHIBIT 4: PB BAND CHART

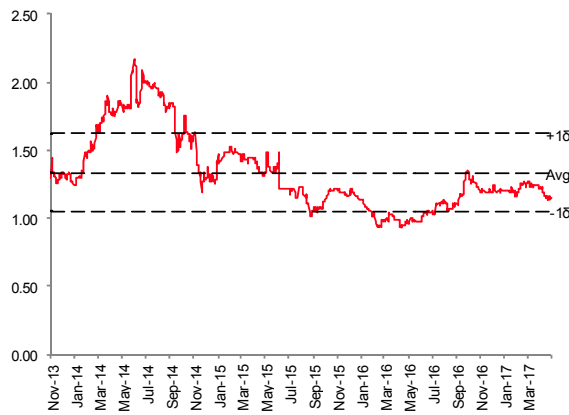


EXHIBIT 5: PE BAND CHART

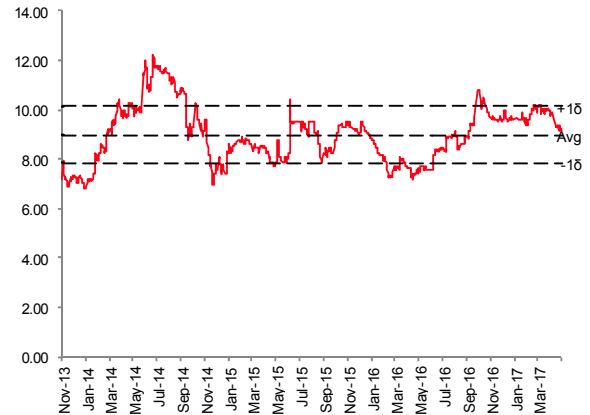


EXHIBIT 6: FINANCIAL DATA

Income Statement (RMmil, YE 30 Jun)	FY15	FY16	FY17F	FY18F	FY19F
Revenue	340.7	400.1	369.0	392.3	608.2
EBITDA	111.3	92.8	96.5	90.5	118.4
Depreciation/Amortisation	(2.4)	(1.9)	(2.3)	(2.2)	-
Operating income (EBIT)	108.9	90.9	94.2	88.3	118.4
Other income & associates	-	-	5.7	17.3	40.7
Net interest	2.2	0.7	(1.5)	(0.7)	(1.0)
Exceptional items	-	-	-	-	-
Pretax profit	111.1	91.6	98.3	104.9	158.1
Taxation	(30.3)	(23.3)	(26.3)	(28.0)	(41.6)
Minorities/pref dividends	0.2	0.1	-	-	-
Net profit	80.9	68.3	72.0	76.9	116.5
Core net profit	80.9	68.3	72.0	76.9	116.5
Balance Sheet (RMmil, YE 30 Jun)	FY15	FY16	FY17F	FY18F	FY19F
Fixed assets	4.5	11.3	16.8	23.1	28.7
Intangible assets	3.7	3.7	3.7	3.7	3.7
Other long-term assets	211.5	289.4	298.6	316.5	333.9
Total non-current assets	219.8	304.4	319.1	343.3	366.3
Cash & equivalent	128.0	62.4	127.0	138.7	(47.9)
Stock	23.4	21.0	36.6	29.4	47.8
Trade debtors	219.9	207.9	232.5	247.2	383.2
Other current assets	465.9	496.7	512.8	564.9	899.4
Total current assets	837.2	788.0	908.9	980.2	1,282.5
Trade creditors	354.3	295.3	418.7	463.7	752.4
Short-term borrowings	54.7	98.3	59.6	61.8	57.6
Other current liabilities	9.3	8.7	8.7	8.7	8.7
Total current liabilities	418.3	402.3	487.0	534.2	818.7
Long-term borrowings	103.8	107.6	118.7	127.5	110.5
Other long-term liabilities	59.4	51.1	43.3	34.1	34.1
Total long-term liabilities	163.1	158.7	162.0	161.6	144.6
Shareholders' funds	474.9	530.8	578.5	627.2	708.0
Minority interests	0.6	0.5	0.5	0.5	0.5
BV/share (RM)	1.34	1.47	1.41	1.53	1.73
Cash Flow (RMmil, YE 30 Jun)	FY15	FY16	FY17F	FY18F	FY19F
Pretax profit	111.1	91.6	98.3	104.9	158.1
Depreciation/Amortisation	2.4	1.9	2.3	2.2	-
Net change in working capital	(30.9)	(114.4)	67.0	(14.7)	(200.2)
Others	77.2	(28.9)	(64.1)	(55.2)	(81.3)
Cash flow from operations	159.9	(49.9)	103.6	37.1	(123.4)
Capital expenditure	(0.4)	(7.0)	(9.0)	(9.0)	(9.0)
Net investments & sale of fixed assets	-	-	-	-	-
Others	(28.4)	(78.0)	-	-	-
Cash flow from investing	(28.9)	(85.0)	(9.0)	(9.0)	(9.0)
Debt raised/(repaid)	34.3	47.4	(27.6)	11.1	(21.2)
Equity raised/(repaid)	-	3.3	48.5	-	-
Dividends paid	(14.1)	(16.1)	(23.4)	(27.5)	(33.0)
Others	(115.6)	(33.3)	-	-	-
Cash flow from financing	(95.4)	1.3	(2.5)	(16.4)	(54.2)
Net cash flow	35.6	(133.6)	92.1	11.7	(186.6)
Net cash/(debt) b/f	133.0	168.5	34.9	127.0	138.7
Net cash/(debt) c/f	168.5	34.9	127.0	138.7	(47.9)
Key Ratios (YE 30 Jun)	FY15	FY16	FY17F	FY18F	FY19F
Revenue growth (%)	20.0	17.4	(7.8)	6.3	55.0
EBITDA growth (%)	12.2	(16.6)	4.0	(6.2)	30.9
Pretax margin (%)	32.6	22.9	26.6	26.7	26.0
Net profit margin (%)	23.8	17.1	19.5	19.6	19.2
Interest cover (x)	nm	nm	61.2	131.2	121.8
Effective tax rate (%)	27.3	25.4	26.7	26.7	26.3
Dividend payout (%)	19.6	34.2	37.5	42.1	27.8
Debtors turnover (days)	236	190	230	230	230
Stock turnover (days)	45	30	55	40	40
Creditors turnover (days)	685	420	630	630	630

Source: Company, AmlInvestment Bank Bhd estimates

DISCLOSURE AND DISCLAIMER

This report is prepared for information purposes only and it is issued by AmInvestment Bank Berhad (“AmInvestment”) without regard to your individual financial circumstances and objectives. Nothing in this report shall constitute an offer to sell, warranty, representation, recommendation, legal, accounting or tax advice, solicitation or expression of views to influence any one to buy or sell any real estate, securities, stocks, foreign exchange, futures or investment products. AmInvestment recommends that you evaluate a particular investment or strategy based on your individual circumstances and objectives and/or seek financial, legal or other advice on the appropriateness of the particular investment or strategy.

The information in this report was obtained or derived from sources that AmInvestment believes are reliable and correct at the time of issue. While all reasonable care has been taken to ensure that the stated facts are accurate and views are fair and reasonable, AmInvestment has not independently verified the information and does not warrant or represent that they are accurate, adequate, complete or up-to-date and they should not be relied upon as such. All information included in this report constitute AmInvestment’s views as of this date and are subject to change without notice. Notwithstanding that, AmInvestment has no obligation to update its opinion or information in this report. Facts and views presented in this report may not reflect the views of or information known to other business units of AmInvestment’s affiliates and/or related corporations (collectively, “AmBank Group”).

This report is prepared for the clients of AmBank Group and it cannot be altered, copied, reproduced, distributed or republished for any purpose without AmInvestment’s prior written consent. AmInvestment, AmBank Group and its respective directors, officers, employees and agents (“Relevant Person”) accept no liability whatsoever for any direct, indirect or consequential losses, loss of profits and/or damages arising from the use or reliance of this report and/or further communications given in relation to this report. Any such responsibility is hereby expressly disclaimed.

AmInvestment is not acting as your advisor and does not owe you any fiduciary duties in connection with this report. The Relevant Person may provide services to any company and affiliates of such companies in or related to the securities or products and/or may trade or otherwise effect transactions for their own account or the accounts of their customers which may give rise to real or potential conflicts of interest.

This report is not directed to or intended for distribution or publication outside Malaysia. If you are outside Malaysia, you should have regard to the laws of the jurisdiction in which you are located.

If any provision of this disclosure and disclaimer is held to be invalid in whole or in part, such provision will be deemed not to form part of this disclosure and disclaimer. The validity and enforceability of the remainder of this disclosure and disclaimer will not be affected.