



AmInvestment Bank

## Company report

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# TITIJAYA LAND

(TTJ MK EQUITY, TITI.KL)



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*Much larger share base after corporate exercises*

## BUY

(Maintained)

*Rationale for report: Company update*

Price	RM1.49
Fair Value	RM1.91
52-week High/Low	RM1.90/RM1.38

### Key Changes

Fair value	⬇️
EPS	⬇️

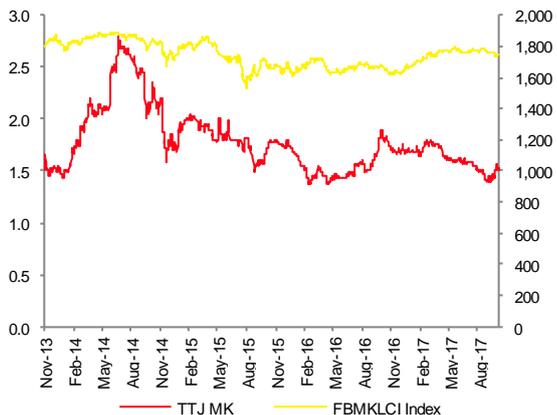
YE to Jun	FY17	FY18F	FY19F	FY20F
Revenue (RM mil)	381.5	373.8	403.0	443.3
Core net profit (RM mil)	75.6	91.6	110.3	125.1
FD Core EPS (sen)	19.2	8.3	10.0	11.3
FD Core EPS growth (%)	0.4	(56.7)	20.5	13.4
Consensus Net Profit (RM mil)	-	86.5	90.0	218.2
DPS (sen)	0.5	0.8	0.8	0.8
PE (x)	7.8	18.0	14.9	13.2
EV/EBITDA (x)	8.9	6.0	4.7	3.5
Div yield (%)	0.3	0.5	0.5	0.5
ROE (%)	12.5	11.5	11.4	11.6
Net Gearing (%)	37.7	1.9	nm	nm

### Stock and Financial Data

Shares Outstanding (million)	522.7
Market Cap (RMmil)	778.9
Book Value (RM/share)	1.72
P/BV (x)	0.9
ROE (%)	12.5
Net Gearing (%)	37.7

Major Shareholders	Titijaya Group Bhd (59.1%) AIA Bhd (7.8%) Lembaga Tabung haji (4.3%)
Free Float	25.9
Avg Daily Value (RMmil)	0.6

Price performance	3mth	6mth	12mth
Absolute (%)	(5.7)	(13.9)	(17.7)
Relative (%)	(4.6)	(12.7)	(21.1)



### Investment Highlights

- We raise our FY18-19F net profit forecasts by 14.4% and 22.1% respectively, but cut our FY18-19F FD EPS forecasts by about 60% each. We trim our FV by 5% to RM1.91 (from RM2.01) but maintain our BUY call.
- The upgrade in our net profit forecasts is largely to reflect some RM65.3mil government compensation, particularly, the half-yearly rental of RM7.95mil for three years from Nov 2017. The compensation arises from the temporary occupation and usage of Titijaya's 16-acre land in Shah Alam by contractors during the construction of LRT3.
- On the other hand, the downgrade in our FD EPS forecasts is to reflect the almost tripling in Titijaya's FD share base from 410mil to 1.1bil following: (1) the issuance of 79.7mil new shares at an issue price of RM1.45/share for recent land acquisitions; and (2) the issuance of 615mil Irredeemable Convertible Preference Shares (ICPS) at an issue price of RM0.165/share.
- The ICPS is convertible into new Titijaya share either by way of: (1) the ICPS option, i.e. ten ICPS into one share; or (2) the cash option, i.e. one ICPS + RM1.485 cash for every one share. Thus far, we understand that 33mil ICPS have been converted into new shares by way of the cash option.
- Titijaya still has one outstanding corporate exercise, namely, the subdivision of its shares from one to two, which will increase its FD share base further to 2.2bil.
- We continue to like Titijaya for its focus and strength in the affordable segment. Its earnings visibility is strong backed by RM409mil unbilled sales and a FY18 sales target of RM500mil, vs. RM355mil it achieved in FY17.
- FY18 sales will be driven largely by RM1.75bil planned launches during the year comprising The Shore @ Kota Kinabalu (mixed development) (GDV: RM575mil), 3rdNvenue @ Jalan Ampang (Phase 1) (mixed development) (GDV: RM493mil), Riveria KL Sentral (Phase 1) (mixed development) (GDV: RM317mil), and Damansara West, Bukit Subang (Phase 1) (township) (GDV: RM361mil).

## EXHIBIT 1: SOP VALUATION

Property development RNAV	Value (RM m)	Stake (%)
Mutiara Residence	4.5	100%
Seri Alam Residences	64.4	100%
Embun & Emery @ Kemensah	9.2	100%
H2O Ara Damansara	127.7	100%
3rdNvenue @ Jalan Ampang	188.9	70%
The Shore @ Kota Kinabalu	94.1	100%
Park Residensi @ Cheras	13.7	100%
Riveria KL Sentral	111.0	70%
Damansara West, Bukit Subang	334.4	100%
Klang Sentral Service Apartment	105.7	100%
Odeon @ Jalan TAR, KL	217.8	100%
Batu Maung, Penang	352.0	100%
Trio Monfort, Glenmarie	193.9	100%
<b>Total</b>	<b>1,817.3</b>	
Shareholders equity	827.4	
Proceeds from ICPS conversion	864.3	
<b>SOP</b>	<b>3,508.9</b>	
Fully-diluted share base (mil shares)	1,104.7	
SOP per share (RM)	3.18	
<b>FV per share (RM) (at a 40% discount to SOP)</b>	<b>1.91</b>	

Source: Company, AmlInvestment Bank Bhd

## EXHIBIT 2: PB BAND CHART



## EXHIBIT 3: PE BAND CHART



## EXHIBIT 4: FINANCIAL DATA

Income Statement (RMmil, YE 30 Jun)	FY16	FY17	FY18F	FY19F	FY20F
Revenue	400.1	381.5	373.8	403.0	443.3
EBITDA	96.6	116.3	133.2	147.9	160.8
Depreciation/Amortisation	(3.1)	(2.6)	(3.0)	(3.0)	(3.0)
Operating income (EBIT)	93.5	113.7	130.2	144.9	157.8
Other income & associates	-	-	-	-	-
Net interest	(1.9)	(3.6)	(8.1)	2.3	9.1
Exceptional items	-	-	-	-	-
<b>Pretax profit</b>	<b>91.6</b>	<b>110.1</b>	<b>122.1</b>	<b>147.1</b>	<b>166.8</b>
Taxation	(23.3)	(34.3)	(30.5)	(36.8)	(41.7)
Minorities/pref dividends	(0.1)	(0.2)	-	-	-
<b>Net profit</b>	<b>68.2</b>	<b>75.6</b>	<b>91.6</b>	<b>110.3</b>	<b>125.1</b>
Core net profit	68.2	75.6	91.6	110.3	125.1
Balance Sheet (RMmil, YE 30 Jun)	FY16	FY17	FY18F	FY19F	FY20F
Fixed assets	11.3	12.1	12.1	12.1	12.1
Intangible assets	3.7	3.7	3.7	3.7	3.7
Other long-term assets	263.8	403.7	403.7	403.7	403.7
<b>Total non-current assets</b>	<b>278.8</b>	<b>419.5</b>	<b>419.5</b>	<b>419.5</b>	<b>419.5</b>
Cash & equivalent	94.9	136.8	374.8	481.0	602.0
Stock	21.0	174.6	174.6	174.6	174.6
Trade debtors	213.4	262.4	262.4	262.4	262.4
Other current assets	484.2	489.6	489.6	489.6	489.6
<b>Total current assets</b>	<b>813.5</b>	<b>1,063.5</b>	<b>1,301.5</b>	<b>1,407.7</b>	<b>1,528.8</b>
Trade creditors	194.7	319.3	319.3	319.3	319.3
Short-term borrowings	104.7	110.5	110.5	110.5	110.5
Other current liabilities	109.5	59.0	59.0	59.0	59.0
<b>Total current liabilities</b>	<b>408.9</b>	<b>488.8</b>	<b>488.8</b>	<b>488.8</b>	<b>488.8</b>
Long-term borrowings	101.1	281.3	281.3	281.3	281.3
Other long-term liabilities	51.1	32.0	32.0	32.0	32.0
<b>Total long-term liabilities</b>	<b>152.2</b>	<b>313.4</b>	<b>313.4</b>	<b>313.4</b>	<b>313.4</b>
<b>Shareholders' funds</b>	<b>530.8</b>	<b>676.9</b>	<b>914.9</b>	<b>1,021.1</b>	<b>1,142.1</b>
Minority interests	0.5	4.0	4.0	4.0	4.0
BV/share (RM)	1.49	1.72	1.75	1.95	2.18
Cash Flow (RMmil, YE 30 Jun)	FY16	FY17	FY18F	FY19F	FY20F
Pretax profit	91.6	110.1	122.1	147.1	166.8
Depreciation/Amortisation	3.1	2.6	3.0	3.0	3.0
Net change in working capital	(138.3)	(64.1)	-	-	-
Others	(22.8)	(14.6)	(22.5)	(39.1)	(50.8)
<b>Cash flow from operations</b>	<b>(66.4)</b>	<b>34.0</b>	<b>102.7</b>	<b>111.1</b>	<b>119.0</b>
Capital expenditure	(7.3)	(0.1)	(3.0)	(3.0)	(3.0)
Net investments & sale of fixed assets	2.3	(4.8)	-	-	-
Others	(45.6)	(142.6)	-	-	-
<b>Cash flow from investing</b>	<b>(50.5)</b>	<b>(147.5)</b>	<b>(3.0)</b>	<b>(3.0)</b>	<b>(3.0)</b>
Debt raised/(repaid)	10.6	105.1	-	-	-
Equity raised/(repaid)	-	49.5	150.5	-	-
Dividends paid	(16.1)	(2.0)	(4.1)	(4.1)	(4.1)
Others	-	-	(8.1)	2.3	9.1
<b>Cash flow from financing</b>	<b>(5.5)</b>	<b>152.6</b>	<b>138.3</b>	<b>(1.8)</b>	<b>5.0</b>
<b>Net cash flow</b>	<b>(122.4)</b>	<b>39.2</b>	<b>238.0</b>	<b>106.2</b>	<b>121.0</b>
<b>Net cash/(debt) b/f</b>	<b>168.5</b>	<b>46.1</b>	<b>79.7</b>	<b>317.7</b>	<b>423.9</b>
<b>Net cash/(debt) c/f</b>	<b>46.1</b>	<b>85.2</b>	<b>317.7</b>	<b>423.9</b>	<b>545.0</b>
Key Ratios (YE 30 Jun)	FY16	FY17	FY18F	FY19F	FY20F
Revenue growth (%)	17.4	(4.6)	(2.0)	7.8	10.0
EBITDA growth (%)	(14.1)	20.3	14.5	11.0	8.7
Pretax margin (%)	22.9	28.9	32.7	36.5	37.6
Net profit margin (%)	17.1	19.8	24.5	27.4	28.2
Interest cover (x)	48.8	31.7	16.2	nm	nm
Effective tax rate (%)	25.4	31.1	25.0	25.0	25.0
Dividend payout (%)	23.6	2.4	4.5	3.7	3.3
Debtors turnover (days)	195	251	256	238	216
Stock turnover (days)	20	94	171	158	144
Creditors turnover (days)	163	246	312	289	263

Source: Company, AmlInvestment Bank Bhd estimates

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