



AmInvestment Bank

## Company report

Joshua Ng

ng-chin-yuing@ambankgroup.com

03-2036 2293

# TITIJAYA LAND

(TTJ MK EQUITY, TITJ.KL)

PROPERTY



1 March 2018

*Flattish 1HFY18 YoY, but stronger earnings ahead*

**BUY**

(Maintained)

**Rationale for report: Company results**

Price RM0.65  
Fair Value RM0.95  
52-week High/Low RM0.91/RM0.65

### 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	96.7	114.7	127.0
FD Core EPS (sen)	9.6	5.0	5.8	6.4
FD Core EPS growth (%)	0.4	(47.5)	16.1	9.5
Consensus Net Profit (RM mil)	-	92.1	100.2	116.7
DPS (sen)	0.1	0.1	0.3	0.3
PE (x)	6.8	12.9	11.1	10.2
EV/EBITDA (x)	9.7	5.0	3.7	2.7
Div yield (%)	0.2	0.2	0.4	0.4
ROE (%)	12.5	10.6	9.6	9.7
Net Gearing (%)	37.7	nm	nm	nm

### Stock and Financial Data

Shares Outstanding (million)	1,344.4
Market Cap (RMmil)	873.9
Book Value (RM/share)	0.86
P/BV (x)	0.8
ROE (%)	12.5
Net Gearing (%)	37.7
Major Shareholders	Titijaya Group Sdn Bhd (53.6%) AIA Bhd (5.0%)
Free Float	41.5
Avg Daily Value (RMmil)	0.3

Price performance	3mth	6mth	12mth
Absolute (%)	(8.5)	(13.3)	(22.6)
Relative (%)	(15.3)	(17.2)	(29.4)



### Investment Highlights

- We maintain our BUY call, FV of RM0.95 (Exhibit 3) and FY18F forecast, but cut FY19-20F forecasts by 5% and 7% to moderate our estimation on interest income.
- Titijaya's 1HFY18 net profit came in at only 42% and 44% of our full-year forecast and full-year consensus estimates respectively. However, we consider the results within expectations as we expect stronger quarters ahead with the half-yearly rental of RM8mil for three years that Titijaya will receive from Nov 2017 from Prasarana for the temporary occupation and usage of its 16-acre land in Shah Alam by LRT3 contractors.
- Despite the overall still soft local property market, we estimate that Titijaya in 1HFY18 (Jul-Dec 2017) managed to register about RM200mil sales, which helped to sustain its unbilled sales at about RM400mil. We believe the bulk of the sales in 1HFY18 came from the RM916mil 4-block H2O Residences in Ara Damansara.
- At about RM835 per sq ft, we believe the high-rise residential project is being priced at a slight premium to similar products in the vicinity. However, the sales have been strong (Exhibit 2), we believe, as the project is able to differentiate itself from the others by branding itself as an aquatic-themed project. Given the compact sizes of 450-1,000 sq ft, the units are considered affordable in absolute terms.
- Overall, Titijaya has lined up RM1.45bil new launches in FY18, largely in the affordable segment such as high-rise residential units in Damansara West, Bukit Subang (RM300K-450K/unit) and The Shore @ Kota Kinabalu (RM455K-810K/unit), as well as compact serviced suites in Riviera @ KL Sentral (RM340K-780K/unit).
- We are cautious on the property sector due to: (1) the generally still elevated home prices; (2) the low loan-to-value (LTV) offered by banks; and (3) house buyers' inability to qualify for a home mortgage due to their already high debt service ratios (DSR). In addition, the still subdued consumer sentiment against a backdrop of rising cost of living and elevated household debts are holding consumers back from committing themselves to big-ticket items like a house. However, we do see a bright spot in the affordable segment.
- We continue to like Titijaya for: (1) its focus on the affordable high-rise residential segment in the Klang Valley; (2) its strong earnings visibility backed by unbilled sales of about RM400mil, and the RM8mil half-yearly rental from Prasarana; and (3) its ability to secure new landbank at attractive prices via JVs with landowners, from both the public and private sectors.

## EXHIBIT 1: RESULTS SUMMARY

YE Jun (RMmil)	FY18 1Q	FY18 2Q	QoQ Chg	FY17 6M	FY18 6M	YoY Chg
<b>Turnover</b>	<b>103.1</b>	<b>143.5</b>	<b>39%</b>	<b>188.2</b>	<b>246.6</b>	<b>31%</b>
<b>EBIT</b>	<b>29.3</b>	<b>29.4</b>	<b>0%</b>	<b>55.3</b>	<b>58.7</b>	<b>6%</b>
Net inc/(exp)	(1.1)	(1.5)	43%	(1.4)	(2.6)	86%
Associates	0.0	(0.0)	nm	0.0	(0.0)	nm
<b>Pretax profit</b>	<b>28.3</b>	<b>27.9</b>	<b>(1%)</b>	<b>54.0</b>	<b>56.2</b>	<b>4%</b>
Taxation	(8.0)	(8.4)	4%	(13.5)	(16.4)	22%
Minority interest	0.3	0.5	nm	0.0	0.8	nm
<b>Net profit</b>	<b>20.6</b>	<b>20.0</b>	<b>(3%)</b>	<b>40.5</b>	<b>40.6</b>	<b>0%</b>
<b>EPS (sen)</b>	<b>5.0</b>	<b>1.8</b>	<b>nm</b>	<b>10.5</b>	<b>4.1</b>	<b>nm</b>
EBIT margin	28%	20%	(8%)	29%	24%	(6%)
Pretax margin	27%	19%	(8%)	29%	23%	(6%)
Effective tax rate	28%	30%	2%	25%	29%	4%

Source: Company, AmInvestment Bank Bhd

## EXHIBIT 2: H2O'S SALES PERFORMANCE

Block	Type	Total (units)	Take-up (%)
A	Serviced apartment	240	100
B*	Serviced apartment	300	6
C	Serviced apartment	337	89
D	SOHO	480	64
<b>Total</b>		<b>1357</b>	
*Newly launched, also known as "Mizu"			

Source: AmInvestment Bank

## EXHIBIT 3: VALUATIONS

	RNAV (RMmil)
Seri Alam Residences	64.4
H2O Ara Damansara	127.7
3rdNvenue @ Jalan Ampang	188.9
The Shore @ Kota Kinabalu	94.1
Riveria KL Sentral	111.0
Damansara West, Bukit Subang	334.4
Klang Sentral Service Apartment	105.7
Odeon @ Jalan TAR, KL	217.8
Batu Maung, Penang	352.0
Trio Monfort, Glenmarie	193.9
Others	27.4
<b>Total</b>	<b>1,817.3</b>
Shareholders equity	1,049.3
Proceeds from ICPS conversion	642.3
<b>SOP</b>	<b>3,508.9</b>
Fully-diluted share base (mil shares)	2,209.5
SOP per share (RM)	1.59
<b>FV per share (RM) (40% discount to SOP)</b>	<b>0.95</b>

Source: AmInvestment Bank

## 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)	(1.2)	8.0	11.6
Exceptional items	-	-	-	-	-
<b>Pretax profit</b>	<b>91.6</b>	<b>110.1</b>	<b>129.0</b>	<b>152.9</b>	<b>169.3</b>
Taxation	(23.3)	(34.3)	(32.2)	(38.2)	(42.3)
Minorities/pref dividends	(0.1)	(0.2)	-	-	-
<b>Net profit</b>	<b>68.2</b>	<b>75.6</b>	<b>96.7</b>	<b>114.7</b>	<b>127.0</b>
Core net profit	68.2	75.6	96.7	114.7	127.0
<b>Balance Sheet (RMmil, YE 30 Jun)</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18F</b>	<b>FY19F</b>	<b>FY20F</b>
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	602.6	713.9	837.6
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>1,529.3</b>	<b>1,640.6</b>	<b>1,764.3</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>1,142.7</b>	<b>1,254.0</b>	<b>1,377.7</b>
Minority interests	0.5	4.0	4.0	4.0	4.0
BV/share (RM)	0.74	0.86	0.85	0.93	1.02
<b>Cash Flow (RMmil, YE 30 Jun)</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18F</b>	<b>FY19F</b>	<b>FY20F</b>
Pretax profit	91.6	110.1	129.0	152.9	169.3
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)	(31.0)	(46.3)	(53.9)
<b>Cash flow from operations</b>	<b>(66.4)</b>	<b>34.0</b>	<b>101.0</b>	<b>109.6</b>	<b>118.4</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	372.5	-	-
Dividends paid	(16.1)	(2.0)	(3.4)	(3.4)	(3.4)
Others	-	-	(1.2)	8.0	11.6
<b>Cash flow from financing</b>	<b>(5.5)</b>	<b>152.6</b>	<b>367.9</b>	<b>4.7</b>	<b>8.2</b>
<b>Net cash flow</b>	<b>(122.4)</b>	<b>39.2</b>	<b>465.8</b>	<b>111.3</b>	<b>123.6</b>
<b>Net cash/(debt) b/f</b>	<b>168.5</b>	<b>46.1</b>	<b>79.7</b>	<b>545.5</b>	<b>656.8</b>
<b>Net cash/(debt) c/f</b>	<b>46.1</b>	<b>85.2</b>	<b>545.5</b>	<b>656.8</b>	<b>780.5</b>
<b>Key Ratios (YE 30 Jun)</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18F</b>	<b>FY19F</b>	<b>FY20F</b>
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	34.5	37.9	38.2
Net profit margin (%)	17.1	19.8	25.9	28.5	28.6
Interest cover (x)	48.8	31.7	106.5	nm	nm
Effective tax rate (%)	25.4	31.1	25.0	25.0	25.0
Dividend payout (%)	23.6	1.2	2.0	2.9	2.6
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, AmInvestment Bank Bhd estimates

EXHIBIT 5: PB BAND CHART



EXHIBIT 6: PE BAND CHART



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