



AmInvestment Bank

Company report

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TITIJAYA LAND

(TTJ MK EQUITY, TITI.KL)

PROPERTY



29 Mar 2018

Acquiring 6.8-acre land in Jalan Ampang area

BUY

(Maintained)

Rationale for report: Company update

Price	RM0.53
Fair Value	RM0.95
52-week High/Low	RM0.90/RM0.52

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	98.2	112.2
DPS (sen)	0.1	0.1	0.3	0.3
PE (x)	5.5	10.4	9.0	8.2
EV/EBITDA (x)	8.3	3.7	2.6	1.6
Div yield (%)	0.2	0.3	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)	705.8
Book Value (RM/share)	0.86
P/BV (x)	0.6
ROE (%)	12.5
Net Gearing (%)	37.7

Major Shareholders	Titijaya Group Sdn Bhd (53.6%) AIA Bhd (5.0%)
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Free Float	41.5
Avg Daily Value (RMmil)	0.4

Price performance	3mth	6mth	12mth
Absolute (%)	(25.0)	(25.0)	(41.3)
Relative (%)	(28.2)	(29.0)	(44.6)



Investment Highlights

- We maintain our forecasts, BUY call and FV of RM0.95 (Exhibit 2).
- Titijaya has proposed to subscribe to a 99% equity interest in BJ Properties Sdn Bhd (BJ) for RM9.9mil cash. BJ owns a piece of 6.8-acre leasehold residential land along Jalan Nipah, off Jalan Ampang, Ampang (behind private hospital Gleneagles KL) (Exhibit 1). Titijaya intends to develop a residential project with some commercial elements with a total GDV of RM1.5bil on the land.
- We understand that BJ has about RM100mil in net debt which means Titijaya is effectively paying about RM370 psf for the land. Our research shows that the land has been on the market since 2014 (if not earlier), with an asking price that has been sliding from RM1,400 psf then, to RM1,000 psf at present. A 70:30 JV between Titijaya and China's CREC is developing a RM1.8bil residential/office project called 3rdNvenue on a 6.1-acre land just right opposite this piece of land (see Exhibit 1 again). The 6.1-acre land was valued at about RM1,500 psf in 2016, pursuant to the JV agreement.
- We believe Titijaya has struck a good deal for itself in its latest land acquisition. However, we are mindful that it is unrealistic to expect launches from the land over the short to medium term given: (1) the oversupply situation in the high-rise residential segment in the Klang Valley at present; and (2) the potential "cannibalisation" on Titijaya's 3rdNvenue project just across the road, if both projects are carried out concurrently (Titijaya has thus far only launched Phase 1 of 3rdNvenue (residential units with a GDV of RM580mil), with a take-up rate of only 22% as at Jan 2018). As such, we believe it is premature to factor in any future earnings from the project in our valuations for Titijaya.
- We estimate that the acquisition will increase Titijaya's net debt and gearing from RM218.3mil and 0.18x as at end-Dec 2017 to RM328.3mil and 0.27x respectively which are still highly manageable.
- We continue to like Titijaya for: (1) its focus in 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 for the temporary occupation and usage of its 16-acre land in Shah Alam by LRT3 contractors; and (3) its ability to secure new landbank at attractive prices via JVs with landowners, from both the public and private sectors.

EXHIBIT 1: LOCATIONAL MAP



Source: Google, AmInvestment Bank

EXHIBIT 2: 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
Total	1,817.3
Shareholders equity	1,049.3
Proceeds from ICPS conversion	642.3
SOP	3,508.9
Fully-diluted share base (mil shares)	2,209.5
SOP per share (RM)	1.59
FV per share (RM) (40% discount to SOP)	0.95

Source: AmInvestment Bank

EXHIBIT 3: PB BAND CHART

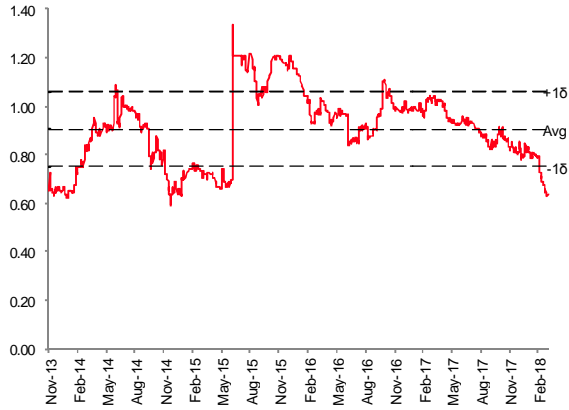


EXHIBIT 4: PE BAND CHART

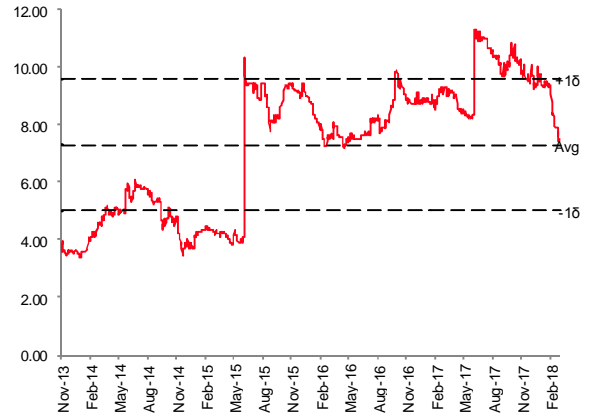


EXHIBIT 5: FINANCIAL DATA

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	-	-	-	-	-
Pretax profit	91.6	110.1	129.0	152.9	169.3
Taxation	(23.3)	(34.3)	(32.2)	(38.2)	(42.3)
Minorities/pref dividends	(0.1)	(0.2)	-	-	-
Net profit	68.2	75.6	96.7	114.7	127.0
Core net profit	68.2	75.6	96.7	114.7	127.0
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
Total non-current assets	278.8	419.5	419.5	419.5	419.5
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
Total current assets	813.5	1,063.5	1,529.3	1,640.6	1,764.3
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
Total current liabilities	408.9	488.8	488.8	488.8	488.8
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
Total long-term liabilities	152.2	313.4	313.4	313.4	313.4
Shareholders' funds	530.8	676.9	1,142.7	1,254.0	1,377.7
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
Cash Flow (RMmil, YE 30 Jun)	FY16	FY17	FY18F	FY19F	FY20F
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)	(14.8)	(31.0)	(46.3)	(53.9)
Cash flow from operations	(66.4)	33.8	101.0	109.6	118.4
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)	-	-	-
Cash flow from investing	(50.5)	(147.5)	(3.0)	(3.0)	(3.0)
Debt raised/(repaid)	10.6	99.9	-	-	-
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
Cash flow from financing	(5.5)	147.3	367.9	4.7	8.2
Net cash flow	(122.4)	33.6	465.8	111.3	123.6
Net cash/(debt) b/f	168.5	46.1	79.7	545.5	656.8
Net cash/(debt) c/f	46.1	79.7	545.5	656.8	780.5
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	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 estimates

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