

Result Note

Aug 22nd, 2013

TAMBUN INDAH LAND BERHAD

RM1.53

BUY

Period: 2QFY13

Target (RM)	1.84
Short Name / Code	TAMBUN / 5191
Bloomberg	TILB MK

Stock & Market Data

KLCI	1745.4
Listing	Main Market
Sector	Properties
Syariah Compliance	Yes
Par Value	RM0.50
Issued Shares	335.0m
Market Capitalisation	RM519.3m
YTD Performance	100%
52-week Hi/Lo	RM1.59 / RM0.575
3M Average Volume	3.1m shares
Estimated Free Float	43.5%
Major Shareholders: -	
Ir. The Kiak Seng	47.1%

Dividend: No dividend was paid during the quarter. Tambun, on 1st Aug 2013, declared a final dividend of 3.3sen (tax exempt) for FY12. This will go ex- on 27 Aug and payment will be made on the 12 Sep.

Actual versus Expectation: Tambun's 1HFY13 revenue of RM160.9m and net profit of RM25.7m make up 94% and 97% of our 1H expectation. The lower top line figure is due to lower revenue contribution in Q1FY13 as a result of slower development activities prior to the general elections in May this year.

Key Indicators @ FY13

PER (x)	10.7
PBV (x)	2.1
Net Debt/Equity	0.1
ROE	19.4

Result Highlights: 2QFY13 – y/y comparison.

Revenue for the quarter increase by 4.8% to RM82.6m due to higher contributions from all segments - property development, construction and project management. Pearl City, Simpang Empat maintained its position as the core contributor with 62.3% of total revenue in property development with an average take up rate of 73.3% on its ongoing projects. Profit before tax was higher by 47% at RM26.3m due to lower operating expense (-43.2%). Net profit increased 47.3% to RM14.0m. The improved profitability was due to higher gross profit margin that (+4% to 37%) as a result of higher selling prices. For the 1H Tambun recorded an unbilled sale of RM509.7m - an increase of 19.9%.

Outlook: FY13, Tambun will launch about RM256.4m worth of new projects following the RM800m worth of projects launched in 2012. Majority of the launches will come from projects at Pearl City. Tambun has set an internal target of a double-digit growth in net profit and revenue for the current financial year ending Dec 2013.

Current unbilled sales of RM509.7m will enable Tambun to sustain earnings over the next three years. In addition, Tambun has planned total new GDV of RM1.8bn that we reckon could keep them busy for another four years. Demand continues to be healthy as prices on the mainland are still affordable, vis-à-vis the island. For example, a two-storey terraced house measuring 22 ft by 70 ft located in a gated community at Pearl City is going for RM380k while a similar property on Penang Island would cost about RM800k.

Table 1. Quarterly results & comparisons

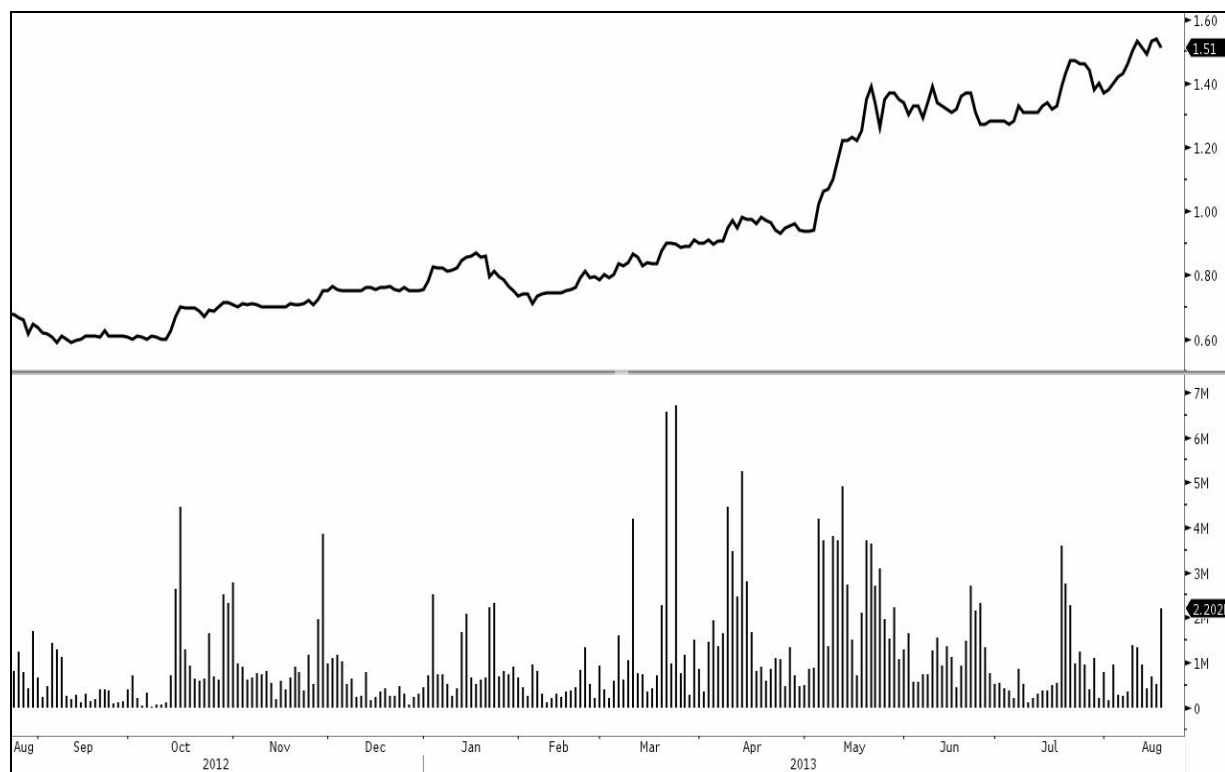
FYDec / RM'm	2Q13	2Q12	1Q13	y/y Chg %	q/q Chg %	1H13	1H12	y/y Chg %
Revenue	82.6	78.8	78.3	4.8	5.5	160.9	144.8	11.1
Cost of Revenue	(52.1)	(52.8)	(49.1)	-1.5	6.0	(101.2)	(96.3)	5.1
Gross Profit	30.5	26.0	29.2	17.4	4.6	59.7	48.6	23.0
Other Operating Rev	0.6	0.1	1.3	454.3	-50.5	1.9	0.1	1287.9
Operating Expenses	(4.5)	(8.0)	(6.2)	-43.2	-26.8	(10.7)	(12.0)	-10.7
Operating Income	26.6	18.1	24.3	46.9	9.7	50.9	36.7	38.9
Interest Expense	(0.8)	(0.4)	(0.7)	73.1	15.3	(1.4)	(0.9)	61.4
Net Non-Ops (Loss) Gains	0.4	0.2	0.3	120.4	19.5	0.8	0.2	215.1
Pretax Income	26.3	17.9	24.0	47.0	9.7	50.3	36.0	39.5
Income Tax Expense	(7.2)	(5.1)	(7.1)	40.8	2.1	(14.3)	(10.2)	40.0
Income Before XO Items	19.1	12.8	16.9	49.5	12.8	36.0	25.8	39.3
Minority Interests	(5.1)	(3.3)	(5.2)	55.9	-1.7	(10.3)	(7.2)	43.0
Net Income	14.0	9.5	11.7	47.3	19.3	25.7	18.7	37.8
Basis EPS (sen)	4.5	3.8	3.8	17.9	18.4	8.2	7.9	4.1
Gross Profit margin (%)	37.0	33.0	37.3	4.0 ppt	-0.3	37.1	33.5	3.6 ppt
PBT margin (%)	31.8	22.7	30.6	9.2 ppt	1.2	31.2	24.9	6.4 ppt
Net Profit margin (%)	16.9	12.0	15.0	4.9 ppt	2.0	16.0	12.9	3.1 ppt
Tax Rate (%)	27.4	28.7	29.5	-1.2 ppt	-2.0	28.4	28.3	0.1 ppt

Recommendation; We value Tambun at RM1.84, based on our RNAV computation. We like Tambun as the opening of Second Penang Bridge will increase the visibility of its property development and enhanced its' value. Tambun is committed to a dividend-payout policy of at least 40% of its earnings, which translates to dividend per share of 6.9 / 8.1 sen of FY13 / FY14 - an appealing dividend yield of 3.7% / 4.4%. Tambun's strategic development location, sustainable planned GDV, and supported by stable housing price and demand will ensure there will be continuous growth in business. Given potential capital appreciation of 21.1% and a dividend yield of 3.7% / 4.4% for FY13 / FY14, respectively, we maintained our **BUY recommendation**.

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Table 1. Financials Forecast

FYE Dec	FY11	FY12	FY13F	FY14F
Rev (RM m)	191.8	296.9	350.4	413.5
Gross Profit	61.2	103.5	122.3	144.3
EBITDA	47.4	81.7	96.4	113.7
EBIT	47.1	81.2	95.7	112.9
PBT	46.8	79.0	92.8	109.4
Profit to Shareholders	23.4	40.8	57.5	67.8
PAT Margin (%)	12.2	13.7	16.4	16.4
EPS (sen)	7.0	12.2	17.2	20.2
PER (x)	21.9	12.6	10.7	9.1
PBV (x)	2.7	2.0	2.1	1.8
DPS (sen)	3.8	5.2	6.9	8.1
Div Yield	2.5	3.4	3.7	4.4
Int Cover (x)	16.7	36.5	33.1	33.1
Net Debt/Equity	0.4	Net Cash	0.1	Net Cash
ROE	12.2	13.7	19.4	20.1
Consensus EPS	na	na	16.0	17.0
JupRSh/Con (x)	na	na	1.1	1.2



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Table 2:TAMBUN RNAV (Revalued Net Asset)

Developments	Location	GDV (RM'm)	NPV
<u>Futures Development</u>			
Pearl Residence 2 @Pearl City	Seberang Perai Selatan	201.0	28.1
Pearl Residence 3 @Pearl City	Seberang Perai Selatan	420.0	58.7
Pearl City - Other Phases	Seberang Perai Selatan	1,250.0	174.8
			261.6
<u>2013 Launches</u>			
Taman Bukit Residence	Seberang Perai Selatan	55.8	9.3
Camelia Park	Seberang Perai Selatan	40.0	0.0
Seri Permai	Seberang Perai Selatan	18.6	0.0
Pearl Avenue @Pearl City	Seberang Perai Selatan	142.0	23.6
			32.9
<u>On Going</u>			
Pearl Indah 1 & 2	Seberang Perai Selatan	79.4	13.6
Pearl Indah 3	Seberang Perai Selatan	96.5	16.5
Crissa Villa Shops	Seberang Perai Utara	22.6	3.9
BM - Residence	Seberang Perai Tengah	56.4	9.7
Carissa Villa Home	Seberang Perai Utara	31.6	5.4
Pearl Impian	Seberang Perai Selatan	84.4	14.5
Straits Garden	Penang Island	214.8	36.8
Pearl Residence	Seberang Perai Selatan	212.5	36.4
Total GDV		2,925.6	431.2
Unbilled sales		509.7	35.9
Total NPV			467.1
Investment Property + Associates			68.3
Shareholder's fund			243.1
Placement Proceed			19.5
Warrants Conversion			26.5
Total RNAV			824.6
Enlarge share based			423.6
Fully Diluted RNAV			1.95
Target RNAV			1.84
Discount			5%

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