

9MFY18 net profit grows 4% YoY

**BUY**

(Maintained)

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Rationale for report: Company results

Price	RM0.40
Fair Value	RM0.73
52-week High/Low	RM0.84/RM0.40

### 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	82.4	99.1	109.5
FD Core EPS (sen)	9.6	4.4	5.1	5.6
FD Core EPS growth (%)	0.4	(54.3)	17.2	9.2
Consensus Net Profit (RM mil)	-	91.0	98.2	112.2
DPS (sen)	0.3	0.3	0.3	0.3
PE (x)	4.2	9.1	7.8	7.1
EV/EBITDA (x)	6.8	3.0	1.9	1.0
Div yield (%)	0.1	0.1	0.1	0.1
ROE (%)	12.5	9.1	8.4	8.6
Net Gearing (%)	37.7	nm	nm	nm

### Stock and Financial Data

Shares Outstanding (million)	1,344.4
Market Cap (RMmil)	537.8
Book Value (RM/share)	0.86
P/BV (x)	0.5
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 (%)	(40.7)	(43.3)	(50.6)
Relative (%)	(38.6)	(45.8)	(51.3)



— TTJ MK — FBMKLCI Index

### Investment Highlights

- We cut our FY18-20F forecasts by 15%, 18% and 20% respectively, reduced our FV by 23% to RM0.73 (from RM0.95) (Exhibit 2), but maintain our BUY call.
- Titijaya's 9MFY18 net profit came in below expectations at 64% and 68% of our full-year forecast and full-year consensus estimates respectively. We believe the variance against our forecast came largely from lower-than-expected margins arising from Titijaya's reduced pricing power for its products amidst the prolonged slowdown in the local property market.
- The downgrade in earnings and FV is largely to reflect the lower margins for its existing and future launches.
- We estimate that Titijaya in 9MFY18 (Jul 2017 – Mar 2018) managed to register about RM280-290mil sales, which helped to sustain its unbilled sales at about RM360-370mil. We believe the bulk of the sales in 9MFY18 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 encouraging, we believe, as it 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 RM873mil new launches (high-rise residential) over the immediate term, with the key selling points being: (1) affordability for units in Phase 1 of Damansara West (Bukit Subang) @ RM300K-450K (RM208mil); and (2) premium locations for units in Riveria @ KL Sentral @ RM336K-780K (RM320mil) and units in Phase 2 of 3rdNvenue @ Embassy Row, KL @ RM450K-RM1mil (RM345mil).
- 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 is holding consumers back from committing themselves to the purchase of 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 in the affordable high-rise residential segment in the Klang Valley; (2) its strong earnings visibility backed by unbilled sales of close to RM400mil, and the RM8mil half-yearly rental for three years from Nov 2017 it is receiving from Prasarana for the temporary occupation and usage of its 16-acre land in Shah Alam by LRT3 contractors; and (3) its ability to consistently 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	FY18 3Q	QoQ Chg	FY17 9M	FY18 9M	YoY Chg
<b>Turnover</b>	<b>103.1</b>	<b>143.5</b>	<b>80.0</b>	<b>(44%)</b>	<b>258.7</b>	<b>326.5</b>	<b>26%</b>
<b>EBIT</b>	<b>29.3</b>	<b>29.4</b>	<b>29.2</b>	<b>(1%)</b>	<b>85.5</b>	<b>87.9</b>	<b>3%</b>
Net inc/(exp)	(1.1)	(1.5)	(2.0)	33%	(2.4)	(4.6)	89%
Associates	0.0	(0.0)	(0.0)	nm	0.0	(0.0)	nm
<b>Pre-tax profit</b>	<b>28.3</b>	<b>27.9</b>	<b>27.2</b>	<b>(3%)</b>	<b>83.1</b>	<b>83.3</b>	<b>0%</b>
Taxation	(8.0)	(8.4)	(6.0)	(28%)	(23.4)	(22.4)	(4%)
Minority interest	0.3	0.5	0.6	nm	0.0	1.4	nm
<b>Net profit</b>	<b>20.6</b>	<b>20.0</b>	<b>21.7</b>	<b>8%</b>	<b>59.7</b>	<b>62.3</b>	<b>4%</b>
<b>EPS (sen)</b>	<b>5.0</b>	<b>1.8</b>	<b>1.6</b>	<b>(9%)</b>	<b>15.3</b>	<b>5.1</b>	<b>nm</b>
EBIT margin	28%	20%	36%	16%	33%	27%	(6%)
Pretax margin	27%	19%	34%	15%	32%	26%	(7%)
Effective tax rate	28%	30%	22%	(8%)	28%	27%	(1%)

Source: Company, AmInvestment Bank Bhd

## EXHIBIT 2: VALUATIONS

	RNAV (RMmil)
Seri Alam Residences	56.3
H2O Ara Damansara	114.8
3rdNvenue @ Jalan Ampang	159.4
The Shore @ Kota Kinabalu	79.4
Riveria KL Sentral	93.6
Damansara West, Bukit Subang	282.1
Klang Sentral Service Apartment	89.2
Odeon @ Jalan TAR, KL	183.7
Batu Maung, Penang	297.0
Trio Monfort, Glenmarie	163.6
Others	24.0
<b>Total</b>	<b>1,543.2</b>
Shareholders equity	1,049.3
Proceeds from ICPS conversion	642.3
<b>SOP</b>	<b>3,234.8</b>
Fully-diluted share base (mil shares)	2,209.5
SOP per share (RM)	1.46
<b>FV per share (RM) (50% discount to SOP)</b>	<b>0.73</b>

Source: AmInvestment Bank

## EXHIBIT 3: FINANCIAL DATA

Income Statement (RMmil, YE 30 Jun)	FY16	FY17	FY18F	FY19F	FY20F
Click here to enter text.					
Revenue	400.1	381.5	373.8	403.0	443.3
EBITDA	96.6	116.3	114.5	127.7	138.6
Depreciation/Amortisation	(3.1)	(2.6)	(3.0)	(3.0)	(3.0)
Operating income (EBIT)	93.5	113.7	111.5	124.7	135.6
Other income & associates	-	-	-	-	-
Net interest	(1.9)	(3.6)	(1.7)	7.4	10.4
Exceptional items	-	-	-	-	-
<b>Pretax profit</b>	<b>91.6</b>	<b>110.1</b>	<b>109.9</b>	<b>132.1</b>	<b>146.0</b>
Taxation	(23.3)	(34.3)	(27.5)	(33.0)	(36.5)
Minorities/pref dividends	(0.1)	(0.2)	-	-	-
<b>Net profit</b>	<b>68.2</b>	<b>75.6</b>	<b>82.4</b>	<b>99.1</b>	<b>109.5</b>
Core net profit	68.2	75.6	82.4	99.1	109.5
<b>Balance Sheet (RMmil, YE 30 Jun)</b>					
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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	588.3	684.0	790.1
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>1,515.0</b>	<b>1,610.7</b>	<b>1,716.8</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>1,128.4</b>	<b>1,224.1</b>	<b>1,330.2</b>
Minority interests	0.5	4.0	4.0	4.0	4.0
BV/share (RM)	0.74	0.86	0.84	0.91	0.99
<b>Cash Flow (RMmil, YE 30 Jun)</b>					
Click here to enter text.					
Pretax profit	91.6	110.1	109.9	132.1	146.0
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)	(25.8)	(40.4)	(46.9)
<b>Cash flow from operations</b>	<b>(66.4)</b>	<b>33.8</b>	<b>87.1</b>	<b>94.7</b>	<b>102.1</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	99.9	-	-	-
Equity raised/(repaid)	-	49.5	372.5	-	-
Dividends paid	(16.1)	(2.0)	(3.4)	(3.4)	(3.4)
Others	-	-	(1.7)	7.4	10.4
<b>Cash flow from financing</b>	<b>(5.5)</b>	<b>147.3</b>	<b>367.4</b>	<b>4.0</b>	<b>7.0</b>
<b>Net cash flow</b>	<b>(122.4)</b>	<b>33.6</b>	<b>451.5</b>	<b>95.7</b>	<b>106.1</b>
<b>Net cash/(debt) b/f</b>	<b>168.5</b>	<b>46.1</b>	<b>79.7</b>	<b>531.2</b>	<b>626.9</b>
<b>Net cash/(debt) c/f</b>	<b>46.1</b>	<b>79.7</b>	<b>531.2</b>	<b>626.9</b>	<b>733.0</b>
<b>Key Ratios (YE30 Jun)</b>					
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Revenue growth (%)	17.4	(4.6)	(2.0)	7.8	10.0
EBITDA growth (%)	(14.1)	20.3	(1.5)	11.5	8.5
Pretax margin (%)	22.9	28.9	29.4	32.8	32.9
Net profit margin (%)	17.1	19.8	22.0	24.6	24.7
Interest cover (x)	48.8	31.7	67.5	nm	nm
Effective tax rate (%)	25.4	31.1	25.0	25.0	25.0
Dividend payout (%)	23.6	4.4	4.1	3.4	3.1
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 4: PB BAND CHART [CLICK HERE TO ENTER TEXT.](#)

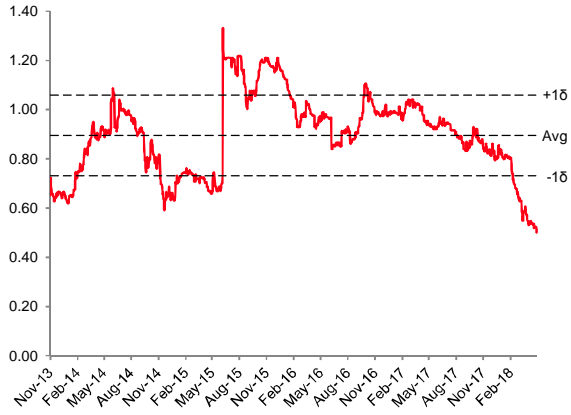


EXHIBIT 5: PE BAND CHART [CLICK HERE TO ENTER TEXT.](#)



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