

Company Result

1 March 2018

Titijaya Land Berhad

BUY

Earnings on track

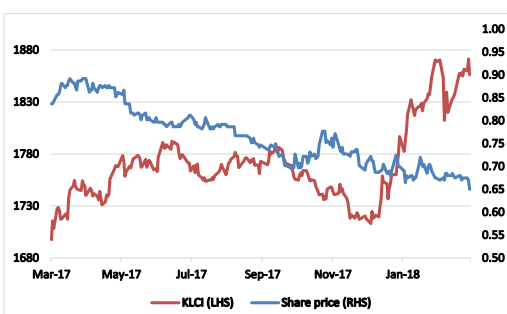
Maintained

KLCI	1856.20 points
Share Price	RM0.65
Target Price	RM0.94
Expected share price return	44.6%
Expected dividend return	3.1%
Expected total return	47.7%

Stock Data	
Bursa / Bloomberg code	5239 / TTJ MK
Market / Board	Main / Industrial
Syariah Compliant status	Yes
Issued shares (m)	1344.43
Market cap	RM873.88m
Par value	RM0.50
52-week price Range	RM0.65 – 0.91
Beta (against KLCI)	0.57
3-m Average Daily Volume	0.37m
3-m Average Daily Value [^]	RM0.26m

Share Performance			
	1m	3m	12m
Absolute (%)	-3.7	-7.1	-22.6
Relative (%-pts)	-3.1	-15.3	-29.2

Major Shareholders		%
TITIJAYA GROUP SDN BHD		53.61
TITI KAYA SDN BHD		7.19
AIA BHD		4.77
Estimated free float		41.20



Source: Bloomberg

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Result

- **Results in line with our expectation.** Titijaya Land Berhad (Titijaya) recorded a net profit of RM20.0m in its 2QFY18 results, marginally down by 2.0% yoy and 2.9% qoq. For 1HFY18, the Group achieved RM40.6m net earnings, which was flat yoy, +0.5%. The result is within our expectation, accounting for 49% of our full year net earnings estimate but below consensus (44%).

Comment

- **Lower margin dragged down bottom line.** Despite the Group recorded stronger top line for 2QFY18 (+77.8% yoy, +39.2% qoq), the lower margin from the project progress during the quarter as well as higher administrative expenses incurred for banking facilities and recently concluded corporate exercises weighed on its earnings, as evidenced by its drop in PBT margin, -13.6ppts yoy and -8.0ppts qoq. Also, the higher effective tax rate, resulted from the loss-making subsidiaries, further pulled down the Group's bottomline (2QFY18: 30.1% vs 2QFY17: 23.6% and 1QFY18: 28.3%). Likewise, the flattish performance for its 1H net earnings were also due to the abovementioned reasons.

- **New sales target of RM500m on the back of RM1.7b new launches slated for FY18, mainly targeting mass market segment.** The Group aims for RM500m of new sales in FY18 (achieved RM100m sales in 1QFY18). We understand that 70% of the new launches will be priced below RM600k/unit in order to cater to affordable housing which is more prevalent, while the remaining 30% will be priced above RM700k/unit. Titijaya plans to launch four upcoming new projects in FY18 (July 17-June 18), with three in the Klang Valley:

- 3rdNvenue @ Jln Ampang Phase 1 with GDV of RM493m, which was officially launched in September 17;
- Damansara West Phase 1 with GDV of RM361m which will be targeted for launching in CY18;
- Riveria @ KL Sentral Phase 1 with GDV of RM317m which will be launched in CY18;
- The Shore in Kota Kinabalu, Sabah with GDV of RM575m which was launched in mid July 17.

On top of that, the Group is also banking on its on-going projects, such as H20 (remaining one block), Emery@Kemensah, Park Residensi@Cheras, and Seri

Alam worth a total GDV of RM1.0b to further strengthen its sales.

Earnings Outlook/Revision

- **We keep our net profit forecasts for FY18F and FY19F unchanged at respective RM83.0m (+8.4% yoy) and RM90.4m (+8.9% yoy).** Our new sales assumptions for FY18F/FY19F are RM500m/RM600m.

Valuation/Recommendation

- **Maintain BUY on Titijaya with a lower target price of RM0.94 (from RM1.03),** based on a wider discount of 63% to its fully-diluted RNAV/share of RM2.55 in view of current cautious market sentiment on small-and-mid cap stocks. Our revised fair value also implies 15x FY19F FD PE.
- **We continue to favour the stock** as we believe the Group is able to fast track its projects execution to ride on the gradual recovery of property outlook. This is backed by its unique business model and landbanking strategy of scouting for joint venture and land-swap project opportunities with reputable government agencies and other synergistic partners, as well as its aggressive and innovative marketing efforts in targeting mass market housing segment.

Figure 1: Quarterly Figures

Year to 30 June (RMm)	2QFY18	1QFY18	2QFY17	qoq (%)	yoy (%)	1HFY18	1HFY17	yoy (%)
Revenue	143.5	103.1	80.7	39.2	77.8	246.6	188.3	31.0
Gross profit	43.0	35.2	38.3	22.2	12.3	78.2	72.7	7.6
Pre-tax profit	27.9	28.3	26.7	-1.4	4.5	56.2	53.9	4.3
Net profit	20.0	20.6	20.4	-2.9	-2.0	40.6	40.4	0.5
Core net profit	20.0	20.6	20.4	-2.9	-2.0	40.6	40.4	0.5
Gross margin (%) / ppt	30.0	34.1	47.5	-4.2	-17.5	31.7	38.6	-6.9
PBT margin (%) / ppt	19.4	27.4	33.1	-8.0	-13.6	22.8	28.6	-5.8

Source: Company, JF Apex

Figure 2: P&L and Financial Summary

Year to 30 June (RMm)	FY2014	FY2015	FY2016	FY2017	FY2018F	FY2019F
Revenue	283.8	340.7	400.1	380.9	381.8	406.5
Gross profit	129.8	149.4	141.5	145.7	148.9	162.6
Operating profit	97.8	111.8	93.5	114.1	118.5	130.8
Profit before tax	96.4	111.1	91.6	110.5	114.5	126.0
Net profit	71.3	80.9	68.3	76.6	83.0	90.4
Core net profit	71.3	80.9	68.3	76.6	83.0	90.4
EPS (sen)	5.3	6.0	5.1	5.7	6.2	6.7
DPS (sen)	4.0	4.5	0.5	1.0	2.0	3.0
P/E (x)	12.2	10.8	12.8	11.4	10.5	9.6
P/BV (x)	2.2	1.8	1.6	1.3	1.1	1.0
Diluted EPS (sen)	5.0	5.7	4.8	5.4	5.8	6.3
FD P/E	13.0	11.5	13.6	12.1	11.2	10.3
Revenue growth (%)	52.4	20.0	17.4	-4.8	0.2	6.5
Net profit growth (%)	28.2	13.5	-15.6	12.2	8.4	8.9
Core net profit growth (%)	28.2	13.5	-15.6	12.2	8.4	8.9
Gross margin (%)	45.7	43.9	35.4	38.3	39.0	40.0
Operating margin (%)	34.5	32.8	23.4	30.0	31.0	32.2
PBT margin (%)	34.0	32.6	22.9	29.0	30.0	31.0
Dividend yield (%)	6.2	6.9	0.8	1.5	3.1	4.6
Net gearing (%)	-1.9	-2.2	32.1	37.4	34.7	33.8
ROE (%)	18.2	17.0	12.9	11.3	11.0	10.7
ROA (%)	8.8	7.7	6.3	5.1	5.2	5.3

Source: Company, JF Apex

Figure 3: Balance Sheet

(RM'm)	FY2014	FY2015	FY2016	FY2017	FY2018F	FY2019F
Balance Sheet						
Cash	133.5	168.5	34.9	136.7	139.2	129.2
Current assets	617.1	837.2	788	885.5	947.5	1013.8
Non-current assets	196.8	219.7	304.3	606.4	648.8	694.3
Total assets	813.9	1056.9	1092.3	1491.9	1596.3	1708.1
<i>Short term debt</i>	21.3	54.5	98.1	151.3	155.8	160.5
Current liabilities	241.8	418.3	402.3	538.2	554.3	571.0
<i>Long term debt</i>	104.6	103.4	107.2	239.1	246.3	253.7
Non-current liabilities	179.9	163.1	158.7	272.5	280.7	289.1
Total liabilities	421.7	581.4	561	810.7	835.0	860.1
<i>Shareholders' equity</i>	392.1	474.9	530.8	678	757.3	844.0
MI	0.1	0.6	0.5	3.2	4.0	4.0
Total equity	392.2	475.5	531.3	681.2	761.3	848.0
Total liabilities & equity	813.9	1056.9	1092.3	1491.9	1596.3	1708.1

Source: Company, JF Apex

Figure 4: Cash Flow

(RM'm)	FY2014	FY2015	FY2016	FY2017	FY2018F	FY2019F
Cash Flow						
Cash flow from operations	-27.8	159.9	-49.9	46.8	20	40
Cash flow from investing	-20.2	-28.9	-85	-161	-120	-150
Cash flow from financing	169.4	-95.4	1.3	152.5	140	100
Cash generated	121.4	35.6	-133.6	38.3	40	-10
Cash at beginning	12.1	132.9	168.5	60.9	99.2	139.2
Cash at end of period	133.5	168.5	34.9	99.2	139.2	129.2

Source: Company, JF Apex

Figure 5: RNAV

On-going projects	Remaining GDV RM(m)	Stake (%)	DCF of development profits	Basis
H2O	794	100	135.3	Cost of equity: 9%
3 Elements	400	100	70.9	
Mutiara Residence	30.3	100	5.8	
Emery @ Kemensah	50.7	100	9.4	
Seri Alam Residence	340	100	60.3	
Park Residency Cheras	75.3	100	14.5	
Riveria @ KL Sentral	1000	56	84.1	
Klang Sentral	700	100	113.9	
3rdNvenue @ Jln Ampang	1800	70	151.7	
The Shore @ Kota Kinabalu	575	70	56.8	
Odeon KL	1500	100	191.3	
Trio Monfort	1500	100	191.3	
Areca @ Penang	2520	100	319.6	
Damansara West	2400	100	318.1	
Total	13685.3		1723.0	
Shareholders equity			1201.8	
Proceeds from ICPS			709.3	865m shares @ RM0.82
RNAV			3634.1	
Enlarged no. of shares			1426.5	
FD RNAV/share			2.55	

Source: Company, JF Apex

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JF APEX SECURITIES - RESEARCH RECOMMENDATION FRAMEWORK
STOCK RECOMMENDATIONS

BUY : The stock's total returns* are expected to exceed 10% within the next 12 months.

HOLD : The stock's total returns* are expected to be within +10% to – 10% within the next 12 months.

SELL : The stock's total returns* are expected to be below -10% within the next 12 months.

TRADING BUY : The stock's total returns* are expected to exceed 10% within the next 3 months.

TRADING SELL : The stock's total returns* are expected to be below -10% within the next 3 months.

SECTOR RECOMMENDATIONS

OVERWEIGHT : The industry as defined by the analyst is expected to exceed 10% within the next 12 months.

MARKETWEIGHT : The industry as defined by the analyst is expected to be within +10% to – 10% within the next 12 months.

UNDERWEIGHT : The industry as defined by the analyst, is expected to be below -10% within the next 12 months.

*capital gain + dividend yield

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