

MONEY TALK

Titijaya Land (TTJ MK)

Focusing On Affordable Homes

Titijaya is a mid-tier property developer with outstanding GDV of about RM11.9b in key areas in Greater KL and Penang, focusing on affordably-priced homes. The group is envied for being able to acquire land at below market prices via direct acquisitions and joint ventures with landowners. It recently partnered China Railway Engineering Corp to acquire a Jalan Ampang site, a major milestone for the company. Titijaya trades at 9.3x FY16 PE and 11x FY17F consensus PE.

- Recent deal with CREC a big positive.** Last week, Titijaya entered into a 70:30 (with Titijaya holding the majority take) joint venture with China Railway Engineering Corp (CREC) to acquire a 6.06-acre land at Jalan Ampang for an implied price of RM315m (or RM1,193psf). The land is expected to generate RM2.1b GDV (ASP: RM900-1,100psf) seven years. Interestingly, about 40% of the 2,510 units to be built on the site would act as payment in kind for the construction of the residential towers, which would be undertaken by CREC. Management views this positively as: a) it frees up cash flow and upfront capital commitment, b) minimise take-up risk as a bulk of the units would be taken up by CREC (which could be sold to CREC's extensive network of buyers). From FY18, the company expects this project alone to contribute 20-25% of group PBT. Going forward, the company does not discount the possibility of embarking on new partnerships with CREC.
- Strong landbanking capability.** Historically, Titijaya has been able to acquire landbanks at attractive prices either by direct acquisitions or joint ventures with landowners. Its recent land cost-to-GDV ratios have been attractive, ranging from 1.2% to 16%. The bulk of the landbank acquired are situated in mature areas, hence acquiring them at such land cost-to-GDV ratios is commendable. As such, the company has been able to record significant pre-tax margins of 17.5-25.9% in the past three financial years, vs the industry's 20%. Management expects to record similar pre-tax margins going forward for its ongoing and future developments.
- Focusing largely on affordable housing space.** Close to 90% of Titijaya's projects are priced below RM599,000/unit, with properties ranging RM400,000-599,000/unit taking up about 60% of its total offerings. Products priced within this range consist mainly of serviced apartments, SOFO and shop office units. Presently, its flagship project is the H20 development in Ara Damansara, which has secured about 72% take-up.

KEY FINANCIALS

Year to 30 Jun (RMm)	2014	2015	2016
Net Turnover	283.8	340.7	400.1
EBITDA	96.4	109.4	93.1
Operating Profit	95.9	108.8	92.5
Net Profit (Reported/Actual)	71.3	80.9	68.4
Net Profit (Adjusted)	71.3	80.9	68.4
EPS (Adjusted) (sen)	23.0	23.0	19.0
PE (Adjusted) (x)	7.8	7.8	9.4
P/B (x)	1.6	1.4	1.2
EV/EBITDA (x)	9.1	6.8	7.1
Dividend Yield (%)	2.2	2.5	0.3
Net Margin (Adjusted) (%)	25.1	23.8	17.1
Net Debt/(Cash) to Equity (%)	8.3	6.0	27.2
Interest Cover (x)	n.a.	n.a.	n.a.
ROE (%)	25.1	19.1	13.8
Consensus Net Profit	-	-	-
UOBKH/Consensus (x)	-	-	-

Source: Titijaya, Bloomberg, UOB Kay Hian

NOT RATED

Share Price	RM1.79
Target Price	n.a.
Upside	n.a.

COMPANY DESCRIPTION

Property developer with key focus in developing affordable properties in Greater KL and Penang

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker	TTJ MK
Shares issued (m)	403.3
Market cap (RMm)	722.0
Market cap (US\$m)	165.0
3-mth avg turnover (US\$m)	0.6

PRICE CHART



Source: Bloomberg

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- Revenue cover to triple to RM1.3b upon completion of the CREC deal.** Presently, the company's unbilled sales stand at about RM512m. Upon completion of the CREC deal, the group expects unbilled sales to triple to RM1.3b as most of the units offered at the Jalan Ampang land would be taken up by CREC as payment in kind for construction costs for the project.
- Tapping on recent government-led initiatives.** During the Budget 2015 announcement, the government revealed that it would offer 100% margin for financing with mortgage loan rebates of RM200m per month for two years to first-time homebuyers buying properties below RM500,000. As most of its ongoing and future launches are within the RM500,000 range, the company expects to benefit from this scheme.
- Damansara West to be a significant earnings contributor.** In Oct 16, the company acquired a 46.2-acre land parcel in Sungai Buloh for RM115.6m (or RM57psf). This land parcel is being earmarked mostly for affordable homes that are expected to generate about RM2.3b in GDV for over 7,000 apartments. Management expects at least one-third of the units to be bought by government agencies as well as by first-time homebuyers taking advantage of the government's housing ownership schemes. The launch of this project is expected in 2H17.
- Still financially strong to embark on future acquisitions.** Titijaya's balance sheet is relatively strong, with a net gearing ratio at 0.27x as at end-FY16 and net cash of RM61m. However, the group expects gearing to rise to 0.38x post the JV with CREC.
- Sales and launch targets.** In FY16, the group recorded about RM260m in property sales, mostly from landed homes. For FY17, the group has a sales target of RM400m, excluding property sales from the CREC deal. Its key target launches in FY17 would be Block B of the H20 residences (RM191m), Park Residensi in Cheras (RM77m) and Riveria @ KL Sentral (RM379m).

EARNINGS REVISION/RISK

- The street expects the company to report net profits of RM63m, RM64m and RM109m for FY17-FY19, which represents a 3-year CAGR of 15.4%.
- The group recently announced a one-for-two share split and a 1-for-2 warrants (post share split).
- Key risks include: a) execution risks, b) rising interest rates, c) tighter lending policies by banks, and d) rising cost of raw materials that leads to margin erosion.

VALUATION/RECOMMENDATION

- Titijaya currently trades at PE of 9.3x, 11x and 12x for FY16-18F respectively. However, the street expects the company to trade at around 7x PE from FY19. The group also has a 20% dividend payout ratio. Assuming a similar payout, FY17 dividend based on consensus estimates implies a yield of 1.7%.

ONGOING PROJECTS

Project	Type	Est GDV (RMm)	Take-up (%)
Mutiara Residence	Landed homes	30	96
3 Elements	SOFO & apartments	435	99
Zone Innovation Park	Semi-D factories	223	86
Seri Alam Residences	Landed homes	102	59
Embun	Landed homes	149	64
H20	Service apartments	603	72
Total		1,542	

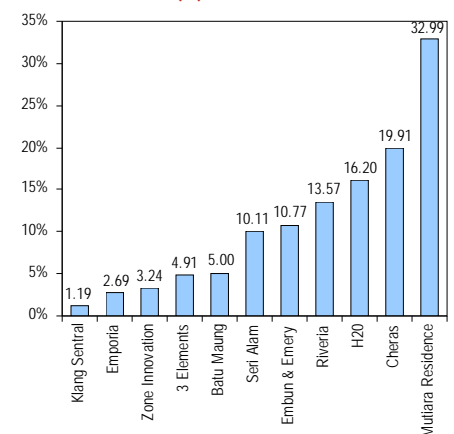
Source: Titijaya

UPCOMING PROJECTS

Project	Type	Est GDV (RMm)
H20 Block B	Apartments	300
Seri Residence	Landed homes	238
Park Residence	Apartments	76
Riveria	Office suits, apartments & shoplots	1,391
Batu Maung	Condominiums, SOHO, commercial	2,520
Odeon	Apartments & retail	1,268
Damansara West	Apartments & shops	2,338
Klang Sentral	Service apartment	700
Total		8,831

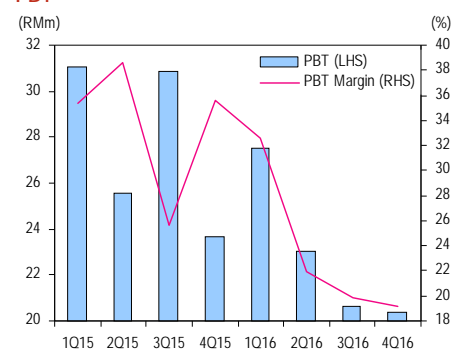
Source: Titijaya

LAND COST/GDV (%)



Source: Titijaya

PBT



Source: Titijaya

Bloomberg Consensus

Recommendation	Buy	Sell	Hold	Valuation Ratios	06/15	06/16	06/17E	06/18E	
10/11/2016	0%	0%	100%	P/E	8.7	7.6	11.9	11.2	
Target Price			1.56	EV/EBIT	6.8	7.2	10.1	9.9	
Upside			-	EV/EBITDA	6.8	7.1	9.7	9.7	
				P/S	2.1	1.3	2.1	2.1	
				P/B	1.5	1.0	1.3	1.2	
				Div Yield	2.3	0.3	3.7	4.4	
Income Statement	06/15	06/16	06/17E	06/18E	Profitability Ratios %	06/15	06/16	06/17E	06/18E
Revenue	341	400	339	338	Gross Margin	43.9	35.3	-	-
Gross Income	149	141	-	-	EBITDA Margin	32.1	23.3	26.5	26.7
Operating Income	109	93	88	88	Operating Margin	31.9	23.1	25.8	26.1
Pretax Income	111	91	86	88	Profit Margin	23.8	17.1	18.6	18.9
Net Income Adjusted	81	68	63	64	Return on Assets	8.7	6.4	-	-
EPS Adjusted (sen)	23	19	15	16	Return on Equity	19.1	13.8	11.5	10.9
Dividends Per Share (sen)	5	1	7	8					
Payout Ratio (%)	20	3	44	49					
EBITDA	109	93	90	90					

Peer Comparison	Ticker	Share Price 11 Nov 16 (RM)	Market Cap (RMm)	-----PE-----		-----P/B-----		Yield FY16 (%)
				FY16 (x)	FY17 (x)	FY16 (x)	FY17 (x)	
EcoWorld	ECW MK	1.32	3,630	20.6	19.2	1.5	1.4	0.0
MRCB	MRCB MK	1.35	2,894	29.7	17.9	1.0	0.9	1.5
Mah Sing Group	MSGB MK	1.55	3,735	10.4	10.2	0.9	0.9	4.2
SP Setia	SPSB MK	3.13	8,824	11.4	13.2	1.0	0.9	4.5
Sunsuria	SSR MK	0.95	759	9.5	6.9	1.0	0.9	0.0
Sunway Berhad	SWB MK	3.05	6,203	12.1	11.7	0.8	0.7	3.3
UEM Sunrise	UEMS MK	1.04	4,719	29.2	25.5	0.8	0.8	2.8
Average				17.6	15.0			
Titijaya Land	TTJ MK	1.79	722.0	9.4	11.9	1.3	1.2	3.7

Source: Bloomberg

Technical View



Source: Bursa Station Professional

Titijaya Land (TTJ MK)

Technical BUY on pullback with +14% potential return

Last price : RM1.79

Target price : RM1.99, RM2.04

Support : RM1.70

Stop-loss : RM1.69

BUY with a target price of RM2.04 and stop-loss at RM1.69. Based on the daily chart, the stock appears to have formed a firm base above the RM1.70 level after pulling back from the previous high of RM1.93. Selling pressure appears to have subsided as reaffirmed by the lower trading volumes. This bearish signal is reflected in the DMI and MACD that are currently on a bearish crossover. But we expect Titijaya to continue to form higher highs and higher lows when selling momentum diminishes.

Expected Timeframe: 2 weeks to 2 months

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