



AmInvestment Bank

Company report

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TITIJAYA LAND

(TTJ MK EQUITY, TITI.KL)

PROPERTY



15 January 2018

Sales sustaining despite soft property market

BUY

(Maintained)

Rationale for report: Company update

Price	RM0.68
Fair Value	RM0.95
52-week High/Low	RM0.91/RM0.65

Key Changes

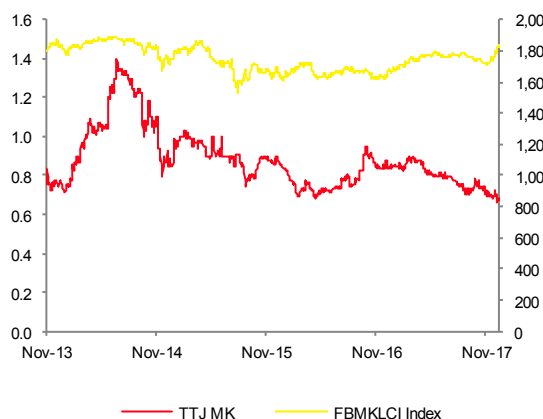
Fair value	⬇️
EPS	⬇️

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	120.8	136.1
FD Core EPS (sen)	19.2	5.0	6.3	7.1
FD Core EPS growth (%)	0.4	(73.8)	24.9	12.6
Consensus Net Profit (RM mil)	-	90.4	96.5	111.2
DPS (sen)	0.5	0.3	0.3	0.3
PE (x)	3.5	13.4	10.8	9.6
EV/EBITDA (x)	10.0	5.2	3.9	2.8
Div yield (%)	0.7	0.4	0.4	0.4
ROE (%)	12.5	10.6	10.1	10.3
Net Gearing (%)	37.7	nm	nm	nm

Stock and Financial Data

Shares Outstanding (million)	1,344.4
Market Cap (RMmil)	907.5
Book Value (RM/share)	1.72
P/BV (x)	0.4
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 (%)	(5.6)	(14.6)	(20.6)
Relative (%)	(8.7)	(17.5)	(26.8)



Investment Highlights

- We lower our FY18-20F FD EPS by 37-40% and adjust our FV down to RM0.95 (from of RM1.91) (Exhibit 4) largely to reflect the recent 1-for-1 share split. We maintain our BUY call.
- Despite the overall still soft local property market, we estimate that Titijaya in 2QFY18 (Oct-Dec 2017) has been able to match its sales of about RM100mil achieved in 1QFY18 (Jul-Sep 2017), which helps to sustain its unbilled sales at about RM400mil. Similar to 1QFY18, we believe the bulk of the sales in 2QFY18 has come from the RM916mil 4-block H2O Residences in Ara Damansara, one the most sought-after addresses in the Klang Valley.
- 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 strong (Exhibit 1), we believe, as it is able to differentiate itself from the others by branding itself as an aquatic themed project with, among others, a facade that resembles interlocking ice cubes (Exhibit 2), a swimming pool with LED display of marine life and a children water playground, and a posh glass-walled gym overlooking the swimming pool (Exhibit 3). Given the compact sizes of 450-1,000 sq ft, the units are considered affordable in absolute terms.
- Overall, Titijaya has lined up RM1.45bil new launches in FY18, largely in the affordable segment such as high-rise residential units in Damansara West, Bukit Subang (RM300K-450K/unit) and The Shore @ Kota Kinabalu (RM455K-810K/unit), as well as compact serviced suites in Riveria @ KL Sentral (RM340K-780K/unit).
- 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 about 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 secure new landbank at attractive prices via JVs with landowners, from both the public and private sectors.

EXHIBIT 1: H2O'S SALES PERFORMANCE

Block	Type	Total (units)	Take-up (%)
A	Serviced apartment	240	100
B*	Serviced apartment	300	6
C	Serviced apartment	337	89
D	SOHO	480	64
Total		1357	

*Newly launched, also known as "Mizu"

Source: AmlInvestment Bank

EXHIBIT 2: H2O'S FACADE

Source: Company

EXHIBIT 3: H2O'S GYM/MULTI-PURPOSE HALL

Source: Company

EXHIBIT 4: VALUATIONS

	RNAV (RMmil)
Seri Alam Residences	64.4
H2O Ara Damansara	127.7
3rdN venue @ 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: AmlInvestment Bank

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)	16.2	23.7
Exceptional items	-	-	-	-	-
Pretax profit	91.6	110.1	129.0	161.1	181.4
Taxation	(23.3)	(34.3)	(32.2)	(40.3)	(45.4)
Minorities/pref dividends	(0.1)	(0.2)	-	-	-
Net profit	68.2	75.6	96.7	120.8	136.1
Core net profit	68.2	75.6	96.7	120.8	136.1
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	601.9	718.6	850.5
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	1,528.6	1,645.3	1,777.2
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	1,141.9	1,258.7	1,390.6
Minority interests	0.5	4.0	4.0	4.0	4.0
BV/share (RM)	1.49	1.72	0.85	0.94	1.03
Cash Flow (RMmil, YE 30 Jun)	FY16	FY17	FY18F	FY19F	FY20F
Pretax profit	91.6	110.1	129.0	161.1	181.4
Depreciation/Amortisation	3.1	2.6	3.0	3.0	3.0
Net change in working capital	(138.3)	(64.1)	-	-	-
Others	(22.8)	(14.6)	(31.0)	(56.5)	(69.0)
Cash flow from operations	(66.4)	34.0	101.0	107.6	115.4
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	105.1	-	-	-
Equity raised/(repaid)	-	49.5	372.5	-	-
Dividends paid	(16.1)	(2.0)	(4.1)	(4.1)	(4.1)
Others	-	-	(1.2)	16.2	23.7
Cash flow from financing	(5.5)	152.6	367.1	12.1	19.6
Net cash flow	(122.4)	39.2	465.1	116.7	132.0
Net cash/(debt) b/f	168.5	46.1	79.7	544.8	661.5
Net cash/(debt) c/f	46.1	85.2	544.8	661.5	793.4
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	40.0	40.9
Net profit margin (%)	17.1	19.8	25.9	30.0	30.7
Interest cover (x)	48.8	31.7	104.6	nm	nm
Effective tax rate (%)	25.4	31.1	25.0	25.0	25.0
Dividend payout (%)	23.6	2.4	4.2	3.4	3.0
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, AmlInvestment Bank Bhd estimates

EXHIBIT 6: PB BAND CHART

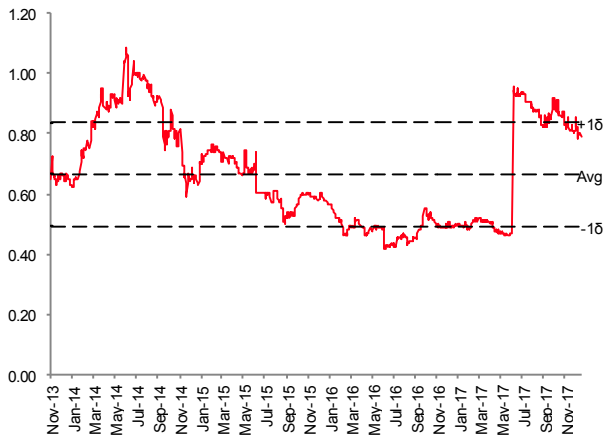
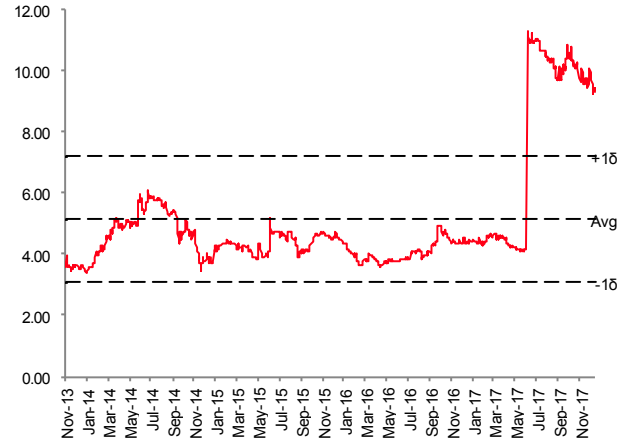


EXHIBIT 7: PE BAND CHART



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