

Company Update

Titijaya Land Berhad

Challenging sales outlook

25 April 2018

BUY

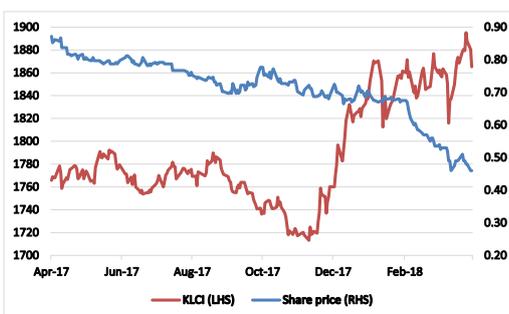
Maintained

KLCI	1856.20 points
Share Price	RM0.46
Target Price	RM0.76
Expected share price return	65.2%
Expected dividend return	4.3%
Expected total return	69.5%

Stock Data	
Bursa / Bloomberg code	5239 / TTJ MK
Market / Board	Main / Industrial
Syariah Compliant status	Yes
Issued shares (m)	1344.22
Market cap	RM618.34m
Par value	RM0.50
52-week price Range	RM0.45 – 0.89
Beta (against KLCI)	0.80
3-m Average Daily Volume	0.53m
3-m Average Daily Value [^]	RM0.31m

Share Performance			
	1m	3m	12m
Absolute (%)	-14.0	-13.2	-47.4
Relative (%-pts)	-14.0	-35.0	-50.2

Major Shareholders		%
TITIJAYA GROUP SDN BHD		53.61
TITI KAYA SDN BHD		7.20
AIA BHD		4.77
Estimated free float		41.20



Source: Bloomberg

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What's New

- **Company visit.** We met the management of Titijaya Land Berhad (Titijaya) recently and came back feeling neutral on the Group's prospects. We understand that its take-up rates for new launches, namely 3rdNveue and The Shore remain subdued due to high loan rejection rates amid overwhelming bookings received since its soft launch last year. The Group also delayed a few project launches to FY19 (2HCY18). Nevertheless, we keep our BUY call on Titijaya banking on better outlook in the longer term, underpinned by a slew of new launches in Klang Valley with product offerings fetching affordable pricings which are below RM500k.

Comment

- **1HFY18 new sales lag behind its target.** Titijaya achieved RM196m sales in 6MFY18 which accounts for 39% of its FY18 sales target of RM500m on the back of RM1.4b targeted GDV of launches. Majority of new sales were contributed by its on-going project, namely H2O (Block C & D). Moving forward, we expect the Group to book in new sales for 3rdNveue in KL and The Shore@KK (Sabah) which are currently having 20-30% take-up rates. Other on-going projects such as Taman Seri Residensi Phase 2B (Semi-D), Klang and Park Residency@Cheras (Vila) are also expected to contribute to new sales for this financial year. As of 1HFY18, Titijaya recorded RM380m unbilled sales, which underpins its topline visibility of a year or equivalent to 1.0x FY17 revenue.
- **New launches in the pipeline for FY19.** The Group targets to launch a few projects totalling RM826m GDV in FY19 (2HCY18) which include: a) Damai Suria Phase 1 serviced apartment (previously known as Damansara West) with an estimated GDV of RM168m, b) 3rdNveue@KL Phase 2 serviced apartment with an estimated GDV of RM338m, and c) Riveria City@KL Sentral Phase 1 serviced suite with an estimated GDV of RM320m. We gather that the Riveria City project (70% stake) has received encouraging response with 500 units out of 800 units being booked during pre-launch due to its strategic location in KL Sentral, easily accessible to public transportation (TOD development) and relatively affordable pricing of average RM300-400k/unit (built up of 250sf with over RM1kpsf).

Earnings Outlook/Revision

- **We increase our FY18F and FY19F net profit forecasts marginally by respective 2.8% and 0.9% to RM85.3m and RM91.2m** after factoring in the half-yearly rental of RM7.9m (booked in Nov 2017 and the next payment will be in May 2018 which will last for three years) from Prasarana for the temporary occupation and usage of its 16-acre land in Shah Alam by LRT3 contractor and at the same time lowering our new sales assumptions and progress billings.

Valuation/Recommendation

- **Maintain BUY on Titijaya with a lower target price of RM0.76 (RM0.94 previously)**, based on a wider discount of 70% (from 63%) to its fully-diluted RNAV/share of RM2.55 in view of current cautious market sentiment on property counters. Our revised target price also implies 12x FY19F PE.
- **Despite cut in fair value of the stock, we continue to favour the Group in the long run** 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: P&L and Financial Summary

Year to 30 June (RMm)	FY2015	FY2016	FY2017	FY2018F	FY2019F
Revenue	340.7	400.1	380.9	387.6	392.3
Gross profit	149.4	141.5	145.7	151.1	156.9
Operating profit	111.8	93.5	114.1	120.3	126.4
Profit before tax	111.1	91.6	110.5	116.3	121.6
Net profit	80.9	68.3	76.6	85.3	91.2
Core net profit	80.9	68.3	76.6	85.3	91.2
EPS (sen)	6.0	5.1	5.7	6.4	6.8
DPS (sen)	4.5	0.5	1.0	2.0	3.0
P/E (x)	7.6	9.0	8.0	7.2	6.8
P/BV (x)	1.3	1.2	0.9	0.8	0.7
Diluted EPS (sen)	5.7	4.8	5.4	6.0	6.4
FD P/E	8.1	9.6	8.6	7.7	7.2
Revenue growth (%)	20.0	17.4	-4.8	1.7	1.2
Net profit growth (%)	13.5	-15.6	12.2	11.3	6.9
Core net profit growth (%)	13.5	-15.6	12.2	11.3	6.9
Gross margin (%)	43.9	35.4	38.3	39.0	40.0
Operating margin (%)	32.8	23.4	30.0	31.0	32.2
PBT margin (%)	32.6	22.9	29.0	30.0	31.0
Dividend yield (%)	9.8	1.1	2.2	4.3	6.5
Net gearing (%)	-2.2	32.1	37.4	34.7	33.8
ROE (%)	17.0	12.9	11.3	11.3	10.8
ROA (%)	7.7	6.3	5.1	5.3	5.3

Source: Company, JF Apex

Figure 2: Balance Sheet

(RM'm)	FY2014	FY2015	FY2016	FY2017	FY2018F	FY2019F
Balance Sheet						
<i>Cash</i>	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 3: 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 4: 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	as of 2QFY18
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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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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