



AmInvestment Bank

## Company report

AmInvestment Bank

www.amesecurities.com.my

03-2036 2025

# TITIJAYA LAND

(TTJ MK EQUITY, TITI.KL)

*Slew of new launches*

PROPERTY



25 June 2018

## BUY

(Maintained)

*Rationale for report: Company update*

Price	RM0.385
Fair Value	RM0.500
52-week High/Low	RM0.84/RM0.37

### Key Changes

Fair value	⬇️
EPS	⬇️

YE to Jun	FY17	FY18F	FY19F	FY20F
<a href="#">Click here to enter text.</a>				
Revenue (RM mil)	381.5	428.4	448.0	468.8
Core net profit (RM mil)	76.0	80.3	83.6	88.5
FD Core EPS (sen)	5.7	6.0	6.2	6.6
FD Core EPS growth (%)	11.2	5.6	4.1	5.9
Consensus Net Profit (RM mil)	-	83.9	95.2	110.0
DPS (sen)	1.1	2.4	1.5	1.5
PE (x)	6.8	6.4	6.2	5.8
EV/EBITDA (x)	7.4	7.9	7.2	6.9
Div yield (%)	0.0	0.0	0.0	0.0
ROE (%)	0.1	0.1	0.1	0.1
Net Gearing (%)	0.3	0.2	0.2	0.2

### Stock and Financial Data

Shares Outstanding (million)	1,344.2
Market Cap (RMmil)	517.5
Book Value (RM/share)	0.91
P/BV (x)	0.4
ROE (%)	8.4
Net Gearing (%)	0.3

Major Shareholders	Titijaya Group Sdn B	53.6%
	Titi Kaya Sdn. Bhd	5.2%
	AIA Bhd	4.8%
Free Float	41.5	
Avg Daily Value (RMmil)	0.3	

Price performance	3mth	6mth	12mth
Absolute (%)	(30.0)	(44.2)	(51.4)
Relative (%)	(4.7)	(22.5)	(49.2)

[Click here to enter text.](#)



### Investment Highlights

- We revised our FY18-20F forecasts downwards by 2.6%, 15.7% and 19.2% respectively and reduced our FV by 31% to RM0.50 (from RM0.73) based on a 40% discount to its RNAV (Exhibit 3). At present, Titijaya is trading at an undemanding forward FY18-20F PER of below 7x. Despite a lower FV, the stock offers potential upside of more than 30%, hence, maintaining our BUY recommendation.
- We are imputing a lower revenue growth due to a higher loan rejection rate and weaker take-up rates amidst the prolonged slowdown in the local property market.
- We expect Titijaya to register net earnings of RM80.3mil, RM83.6mil and RM88.5mil for FY18-20F respectively.
- At present, Titijaya has 5 ongoing projects, namely H20 @ Ara Damansara (mixed development – GDV RM916mil), 3rdNvenue Phase 1 @ Embassy Row, KL (Service suite – GDV RM514mil), The Shore @ KK, Sabah (mixed development – GDV RM534mil), Taman Seri Residensi Phase 2B @ Klang (landed residential – GDV RM41mil) and Park Residency Phase 1 @ Cheras (landed residential – GDV RM85mil).
- Meanwhile, the unbilled sales of RM360mil-370mil together with a slew of new launches in FY18-FY19 will boost its revenue in the near term.
- Overall, Titijaya has lined up RM826mil of new launches (high-rise residential) over the immediate term, with the key selling points being: (1) affordability for units in phase 1 of Damai Suria @ Bukit Subang @RM300K-450K – GDV RM168mil); and (2) premium locations for units in Riviera, KL Sentral @ RM300K-500K – GDV RM320mil; and phase 2 of 3rdNvenue @ RM450K-RM1mil – GDV RM338mil.
- Currently, Titijaya has a total landbank of 208 acres, located mainly in Klang Valley with GDV of RM12.4bil, provides good earnings visibility and will drive the company's growth going forward.
- Nonetheless, we remained 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.

## OUTLOOK

### □ *RM826mil of new launches in CY2018*

#### Riveria City @ KL Sentral

Strategically located in KL Sentral, Riveria City is a mixed development consists of one tower of office suites & two towers of serviced apartments. Developed on a land size measuring 4.61 acres, the project has an estimated total GDV of RM1.45bil. The entire development is expected to be completed by 2025.

Titijaya is planning to launch phase 1 of Riveria City comprising 784 units of service suites in July 2018 with GDV of RM320mil. The prices for the units will range between RM336K and RM780K, with built-ups from 255 to 825 sq ft.

#### 3rdNvenue @ Jalan Ampang Phase 2

3rdNvenue is an integrated mixed development consisting of office suites, serviced apartments and retail lots. With a land size of 6.06 acres, this development has an estimated total GDV of RM1.94bil. The project is expected to be completed by 2024.

Phase 2 of 3rdNvenue will be launched in 3QCY 2018, comprising 422 units of serviced apartments with GDV of 338mil. These serviced apartments have built-ups between 600 and 700 sq ft and will be priced above RM1mil per unit targeting foreign/Chinese buyers.

#### Damai Suria @ Bukit Subang

This is a township residential development project consisting of serviced apartments, shop offices and retail lots located at Bukit Subang, Selangor. The whole development has a total land size of 46.2 acres, with an estimated total GDV of RM1.7bil. The development is expected to be completed by 2027.

Phase 1 of Damai Suria will be launched in 4QCY2018, comprising 548 units of serviced apartments. Priced around RM300-400k, Damai Suria is affordable compared to neighbouring developments with built-ups around 750 sq ft.

### □ *Strategic tie-ups for further growth*

Strategic alliances have been one of the key factors that Titijaya was able to develop huge projects despite being a small scale developer. The company has several JV projects with reputable companies and organisations such as Tokyu Land Corporation, Bina Puri, CREC and Prasarana.

We expect more tie-ups going forward, as these JVs will bring synergies, reduce land holding costs and improves cash cycle.

Titijaya is finalising land swap deals with the Ministry of Education and Lembaga Getah Malaysia for the development of two property projects in KL city centre. Should these deals materialised, they will provide better earnings visibility and enhance the company's GDV.

## FINANCIALS

### □ *Still decent revenue and earnings growth*

New projects such as Taman Residensi, The Shore, Park Residency and 3rdNvenue are still in early stages of construction; therefore progress billings will likely be slower. Nonetheless, the unbilled sales of RM360mil-370mil together with a slew of new launches in FY18-FY19 will boost its revenue going forward.

We cut our FY18-20F forecasts downwards by 2.6%, 15.7% and 19.2% to RM80.3mil, RM83.6mil and RM88.5mil respectively by imputing a lower revenue growth due to a higher loan rejection rate and weaker take-up rates amidst the prolonged slowdown in the local property market. Nevertheless, earnings are still on uptrend with growth of 5.6%, 4.1% and 5.9% respectively.

### □ *Healthy balance sheet*

Titijaya's financial leverage is manageable with net gearing of 0.3x as at 9MFY18 while interest coverage is strong at 19x. The company's gearing level has been kept at below 0.4x in the past 4 years.

## RECOMMENDATION AND VALUATION

### □ *Maintain BUY*

Following the earnings revision, our FV is reduced to RM0.50 from RM0.73 based on based on a conservative 40% discount to RNAV. At current price, Titijaya is trading at an undemanding forward FY18-20F PER of below 7x. Despite a lower FV, the stock offers a potential upside of more than 30%, hence, we are maintaining our BUY recommendation.

**EXHIBIT 1: ONGOING PROJECTS**

Projects Launched	Type	No of units	Estimated GDV (RM'mil)	Take up rate (%)	Price range (RM)	Progress (%)	Expected completion date
H20 Block A	Serviced Apartment	240	916.0	100	414k-541k	96.0	2018/2019
H20 Block B (Mizu)	Serviced Apartment	300		90			
H20 Block C	Serviced Apartment	337		70			
H20 Block D	SoHo Units	480					
Taman Seri Residensi	Phase 2B- Semi Detached	60	41.0	32	600k-750k	18.0	2020
3rdNvenue	Phase 1 - Service suites	1,110	513.0	25	431k-610k	5.0	2020
The Shore	Retail	100	534.0	-			
	Service Residence	627		20	536k-978k	3.0	2022
	Hotel	288		-			
Park Residency	3-storey Linked Villa	62	85	8	1,030k-1,080k	11.0	2020

Source: Company

**EXHIBIT 2: UPCOMING PROJECTS CY2018**

Upcoming Projects	Type	No of units	Estimated GDV (RM'mil)	Commencement year	Price range (RM)	Expected completion date
Riveria City	Serviced Suites	784	320.0	2018	300k-500k	2025
3rdNvenue	Phase 2 - Serviced Apartments	422	338.0	2018	>1.0mil	2024
Damai Suria	Serviced Apartments	548	338.0	2018	300k-400k	2027

Source: Company

**EXHIBIT 3: RNAV VALUATIONS**

Projects	Outstanding GDV (RMmil)	RNAV (RMmil)	Stake
<b>Current</b>			
H20 Ara Damansara- Block A, B, C, D	586.2	97.5	100.0%
Taman Seri Residensi (Klang) - Phase 2B: Semi D	41.0	6.3	100.0%
3rdNvenue Phase 1: Service suite	513.0	53.4	70.0%
The Shore - Retail, Serviced Residence, Hotel	534.0	74.2	100.0%
Park Residency - 3-storey linked villa	85.0	12.4	100.0%
<b>Future</b>			
3rdNvenue	1,427.0	115.0	70.0%
Riveria City	1,450.0	158.4	70.0%
Damai Suria	1,298.0	132.4	100.0%
<b>Total NPV</b>		<b>649.6</b>	
Shareholders' equity		782.8	
Proceeds from ICPS & preferences shares conversion		423.3	
<b>SOP</b>		<b>1,855.8</b>	
Fully-diluted share base (mil shares)		2,209.5	
SOP per share (RM)		0.84	
<b>FV per share (RM) (40% discount to SOP)</b>		<b>0.50</b>	

Source: AmInvestment Bank Bhd

## EXHIBIT 4: FINANCIAL DATA

Income Statement (RMmil, YE 30 Jun)	FY16	FY17	FY18F	FY19F	FY20F
<a href="#">Click here to enter text.</a>					
Revenue	400.1	381.5	428.4	448.0	468.8
EBITDA	93.9	115.3	115.8	120.6	127.6
Depreciation/Amortisation	(0.6)	(1.6)	(1.8)	(1.9)	(2.0)
Operating income (EBIT)	93.3	113.7	114.0	118.7	125.6
Other income & associates	0.0	0.0	0.0	0.0	0.0
Net interest	(1.9)	(3.6)	(4.0)	(4.2)	(4.4)
Exceptional items	0.0	0.0	0.0	0.0	0.0
<b>Pretax profit</b>	<b>91.4</b>	<b>110.1</b>	<b>109.9</b>	<b>114.5</b>	<b>121.2</b>
Taxation	(23.1)	(34.3)	(29.7)	(30.9)	(32.7)
Minorities/pref dividends	0.1	0.2	0.0	0.0	0.0
<b>Net profit</b>	<b>68.4</b>	<b>76.0</b>	<b>80.3</b>	<b>83.6</b>	<b>88.5</b>
Core net profit	68.4	76.0	80.3	83.6	88.5
<b>Balance Sheet (RMmil, YE 30 Jun)</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18F</b>	<b>FY19F</b>	<b>FY20F</b>
<a href="#">Click here to enter text.</a>					
Fixed assets	11.3	12.1	13.6	14.2	14.9
Intangible assets	3.7	3.7	3.7	3.7	3.7
Other long-term assets	263.8	403.7	723.7	773.7	823.7
<b>Total non-current assets</b>	<b>278.8</b>	<b>419.5</b>	<b>741.0</b>	<b>791.7</b>	<b>842.3</b>
Cash & equivalent	94.9	136.8	219.7	306.0	397.1
Stock	21.0	174.6	203.9	214.9	223.1
Trade debtors	213.4	262.4	531.3	518.2	561.8
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>1,444.6</b>	<b>1,528.7</b>	<b>1,671.7</b>
Trade creditors	194.7	319.3	221.8	233.8	242.7
Short-term borrowings	104.7	110.5	250.3	250.3	250.3
Other current liabilities	109.5	59.0	98.7	102.7	106.9
<b>Total current liabilities</b>	<b>408.9</b>	<b>488.8</b>	<b>570.9</b>	<b>586.8</b>	<b>599.9</b>
Long-term borrowings	101.1	281.3	290.3	328.3	423.0
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>322.4</b>	<b>360.3</b>	<b>455.0</b>
<b>Shareholders' funds</b>	<b>530.8</b>	<b>676.9</b>	<b>1,242.4</b>	<b>1,323.3</b>	<b>1,409.1</b>
Minority interests	0.5	4.0	50.0	50.0	50.0
BV/share (RM)	0.39	0.50	0.92	0.98	1.05
<b>Cash Flow (RMmil, YE 30 Jun)</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18F</b>	<b>FY19F</b>	<b>FY20F</b>
<a href="#">Click here to enter text.</a>					
Pretax profit	91.4	110.1	109.9	114.5	121.2
Depreciation/Amortisation	0.6	1.6	1.8	1.9	2.0
Net change in working capital	(138.3)	(64.2)	(355.9)	18.0	(38.7)
Others	(20.0)	(13.7)	4.0	1.7	1.8
<b>Cash flow from operations</b>	<b>(66.4)</b>	<b>33.8</b>	<b>(240.1)</b>	<b>136.1</b>	<b>86.3</b>
Capital expenditure	(7.3)	(0.1)	(0.1)	(0.1)	(0.1)
Net investments & sale of fixed assets	0.0	(0.8)	(70.0)	0.0	0.0
Others	(43.3)	(146.5)	0.0	0.0	0.0
<b>Cash flow from investing</b>	<b>(50.5)</b>	<b>(147.5)</b>	<b>(70.1)</b>	<b>(0.1)</b>	<b>(0.1)</b>
Debt raised/(repaid)	79.3	99.0	65.9	(48.3)	3.5
Equity raised/(repaid)	(4.7)	49.5	416.6	0.0	0.0
Dividends paid	(16.1)	(2.0)	(2.7)	(2.7)	(2.7)
Others	(64.0)	0.9	(29.5)	1.3	4.1
<b>Cash flow from financing</b>	<b>(5.5)</b>	<b>147.3</b>	<b>450.3</b>	<b>(49.7)</b>	<b>5.0</b>
<b>Net cash flow</b>	<b>(122.4)</b>	<b>33.6</b>	<b>140.0</b>	<b>86.3</b>	<b>91.2</b>
<b>Net cash/(debt) b/f</b>	<b>168.5</b>	<b>46.1</b>	<b>79.7</b>	<b>219.7</b>	<b>306.0</b>
<b>Net cash/(debt) c/f</b>	<b>46.1</b>	<b>79.7</b>	<b>219.7</b>	<b>306.0</b>	<b>397.1</b>
<b>Key Ratios (YE30 Jun)</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18F</b>	<b>FY19F</b>	<b>FY20F</b>
<a href="#">Click here to enter text.</a>					
Revenue growth (%)	17.4	(4.6)	12.3	4.6	4.6
EBITDA growth (%)	(16.5)	22.8	0.4	4.1	5.8
Pretax margin (%)	22.8	28.9	25.7	25.6	25.9
Net profit margin (%)	17.1	19.9	18.7	18.7	18.9
Interest cover (x)	72.4	146.6	49.2	31.7	28.3
Effective tax rate (%)	25.3	31.1	27.0	27.0	27.0
Dividend payout (%)	0.2	0.2	0.4	0.2	0.2
Debtors turnover (days)	194.7	251.1	452.7	422.3	437.5
Stock turnover (days)	20.2	93.6	161.3	170.6	170.5
Creditors turnover (days)	163.3	245.8	230.5	185.6	185.5

Source: Company, AmInvestment Bank Bhd estimates

**DISCLOSURE AND DISCLAIMER**

This report is prepared for information purposes only and it is issued by AmInvestment Bank Berhad (“AmInvestment”) without regard to your individual financial circumstances and objectives. Nothing in this report shall constitute an offer to sell, warranty, representation, recommendation, legal, accounting or tax advice, solicitation or expression of views to influence any one to buy or sell any real estate, securities, stocks, foreign exchange, futures or investment products. AmInvestment recommends that you evaluate a particular investment or strategy based on your individual circumstances and objectives and/or seek financial, legal or other advice on the appropriateness of the particular investment or strategy.

The information in this report was obtained or derived from sources that AmInvestment believes are reliable and correct at the time of issue. While all reasonable care has been taken to ensure that the stated facts are accurate and views are fair and reasonable, AmInvestment has not independently verified the information and does not warrant or represent that they are accurate, adequate, complete or up-to-date and they should not be relied upon as such. All information included in this report constitute AmInvestment’s views as of this date and are subject to change without notice. Notwithstanding that, AmInvestment has no obligation to update its opinion or information in this report. Facts and views presented in this report may not reflect the views of or information known to other business units of AmInvestment’s affiliates and/or related corporations (collectively, “AmBank Group”).

This report is prepared for the clients of AmBank Group and it cannot be altered, copied, reproduced, distributed or republished for any purpose without AmInvestment’s prior written consent. AmInvestment, AmBank Group and its respective directors, officers, employees and agents (“Relevant Person”) accept no liability whatsoever for any direct, indirect or consequential losses, loss of profits and/or damages arising from the use or reliance of this report and/or further communications given in relation to this report. Any such responsibility is hereby expressly disclaimed.

AmInvestment is not acting as your advisor and does not owe you any fiduciary duties in connection with this report. The Relevant Person may provide services to any company and affiliates of such companies in or related to the securities or products and/or may trade or otherwise effect transactions for their own account or the accounts of their customers which may give rise to real or potential conflicts of interest.

This report is not directed to or intended for distribution or publication outside Malaysia. If you are outside Malaysia, you should have regard to the laws of the jurisdiction in which you are located.

If any provision of this disclosure and disclaimer is held to be invalid in whole or in part, such provision will be deemed not to form part of this disclosure and disclaimer. The validity and enforceability of the remainder of this disclosure and disclaimer will not be affected.