BURSA MidS

JF APEX SECURITIES BERHAD

(47680-X)

Initiating Coverage

28 July 2017

Titijaya Land Berhad

BUY

Revitalise and regenerate

Target Price: RM2.06

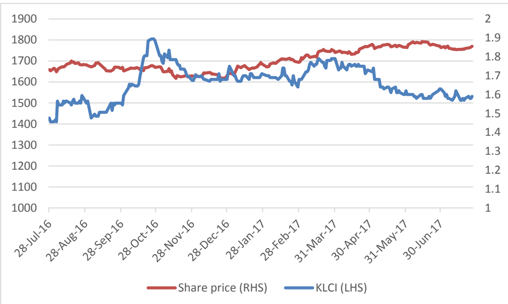
KLCI	**1770 points**
Share Price	**RM1.59**
Target Price	**RM2.06**
Expected share price return	**29.5%**
Expected dividend return	**0.6%**
Expected total return	**31.1%**

Stock Data	
Bursa / Bloomberg code	5239 / TTJ MK
Market / Board	Main / Industrial
Syariah Compliant status	Yes
Issued shares (m)	410.00
Market cap	RM651.90m
Par value	RM0.50
52-week price Range	RM1.44 – 1.93
Beta (against KLCI)	0.39
3-m Average Daily Volume	0.87m
3-m Average Daily Value^	RM1.43m

Share Performance	1m	3m	12m
Absolute (%)	-1.9	-2.5	7.4
Relative (%-pts)	-1.8	-8.2	0.7

Major Shareholders	**%**
TITIJAYA GROUP SDN BHD	59.06
AIA BHD	7.82
LEMBAGA TABUNG HAJI	4.26
Estimated free float	25.93

Financial Info	FY16	FY17F	FY18F
Debt/Equity ratio	0.387	0.546	0.507
ROA	6.3%	6.1%	6.3%
ROE	12.9%	12.2%	12.1%
NTA per share	1.29	1.43	1.59
Price to NTA	1.2	1.1	1.0



Source: Bloomberg

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Investment Highlights

- **We initiate coverage on Titijaya Land Berhad (Titijaya) with a target price of RM2.06, based on 35% discount to its fully-diluted RNAV/share of RM3.17**. Our fair value for Titijaya renders a 31% upside to its current share price. Titijaya is a niche developer which focuses on development of lucrative landbank pockets in matured areas. The Group is a financially sound company, enjoying an impressive 5-year compounded annual growth rate (CAGR) of 25% for its net earnings from FY2011 to FY2016.

- **Innovative business model**. The Group adopts a unique business model in landbanking by focusing on synergistic alliances with reputable government agencies and private developers or landowners in respect of joint venture and land swap as opposed to conventional landbanking. This allows the Group to have zero or minimal holding costs of land and hence strengthens its balance sheet. Also, this enables the Group to save on the sizeable upfront land costs and free up its cash flow for other strategic acquisitions and investment.

- **More strategic tie-ups in the making on the back of monetisation of prime land by government agencies**. The Group foresees finalising its earlier plans of land swap deals and development of two property projects strategically located in KL city centre by FY18 or CY6/18. Should the deals materialise, Ttitijaya will require to help the Ministry of Education to construct six school buildings in exchange for a 3.7-acre land in Bukit Bintang as well as the development of a 4.8-acre land in Jalan Stonor which originally belonged to Lembaga Getah Malaysia. Furthermore, we believe the Group is in the midst of concluding more strategic tie-ups in the likes of transit-oriented developments (TOD) in the vicinities of mass rapid transit (MRT) stations.

- **Flexibility in projects roll out and swift change of product offerings**. As compared to township developers, we opine that Titijaya is able to fine-tune its product offerings swiftly to align with prevailing market condition, demand trend and buyers' affordability. Furthermore, the Group could ride on its fast turnaround strategy in developing small parcel of landbanks to have greater flexibility on timing of projects launches. This is critical for Titijaya to ride out the current property downcycle.

- **Exemplary margins**. The Group has managed to chalk up impressive operating margin of 23-40% during the period from FY2011 to FY2016. Apart from the reason of industrial properties/land sales which command higher margin, its relatively low land costs also play a crucial role. Titijaya's land cost of below 12% to GDV for most of its projects (78% of the projects GDV and 64% in terms of number of projects) and average land cost of 7%, which is well below the 15-20% in the industry. Moving forward, we reckon that the operating margin of the Group will stabilise around 30-31% for FY17-19F with more land acquisitions in the pipeline coupled with launching of more affordable housing. Still, we deem the operating margin as commendable against sector range of 15-35%.

- **Sustainable growth underpinned by sizeable GDV and unbilled sales**. Titijaya boasts a GDV of RM14.2b in its on-going and future property projects which will keep the company busy till 2027. The Group's immediate earnings will be underpinned by RM471m unbilled sales (as of 3QFY17), sustaining its topline visibility for more than a year or equivalent to 1.2x FY16 topline. During 9MFY17, the Group achieved RM180m new sales and is on track to meet its sales target of RM300m for FY17.
- **Gearing up more launches of projects with GDV of RM1.8b in the pipeline, targeting mass market segment**. In CY2017, Titijaya will re-embark aggressive launches of more property projects to capitalise on current gradual recovery of property market after deferring new projects launches in CY2015/16. The Group will focus on its five upcoming projects, with four to be launched in the Klang Valley (i.e. 3rdNvenue @ Jln Ampang Phase 1 with GDV of RM493m; Damansara West Phase 1 with GDV of RM361m; Riveria @ KL Sentral Phase 1 with GDV of RM317m; and Park Residensi @ Cheras with GDV of RM75m) and one (The Shore with GDV of RM575m) in Kota Kinabalu. We understand that 70% of the new launches will be priced below RM600k/unit in order to cater for affordable housing which is more prevalent, while the remaining of 30% will be priced above RM700k/unit.
- **Geographical diversity**. Over the years since its listing in 2013, the Group has strived to diversify its geographical exposure from a Klang Valley-based developer to a renowned nationwide developer. The Group has successfully ventured into Penang with an estimated RM2.6b GDV project strategically located at Batu Maung, which is nearby the 2nd Penang Bridge, and Sabah, a JV project with state-owned enterprise China Railway Engineering Corporation (CREC) in Kota Kinabalu.

Earnings Outlook

- **Earnings to recover from FY18F onwards.** We envisage the Group's net earnings to resume its growth trajectory from FY18F onwards after witnessing a decline of 15.6% to RM68.3m in FY16 and shall remain flat, +4.5% yoy in FY17F. To recap, the Group has enjoyed strong net profit growth in the past few financial years, i.e. FY12: +51.6% yoy; FY13: +63.0% yoy; FY14: +28.2% yoy; FY15: +13.5% yoy. Moving forward, we expect Titijaya's bottomline to grow by respective +4.5% yoy to RM71.4m, +10.6% yoy to RM78.9m and +14.6% yoy to RM90.4m for FY17F, FY18F and FY19F on the back of rising topline and steady margins. Our new sales assumptions for FY17/18/19F are RM300m/RM500m/RM600m.

Valuation/Recommendation

- **We initiate coverage on Titijaya with a target price of RM2.06**, **based on 35% discount to its fully-diluted RNAV/share of RM3.17.** Our fair value also implies 20x FY18F fully-diluted PE. We believe the worst is over for the Group and advise investors to accumulate the stock as the Group is able to fast track its projects execution to ride on the property recovery, backed by its innovative business model, landbanking strategy and marketing efforts in targeting mass market segment.

Company Background

Titijaya's history began with the incorporation of NPO Development in 1997. NPO Development was founded by Group Managing Director, Tan Sri Dato' Lim Soon Peng. Tan Sri Dato' Lim began his journey in property development back in the 1980s, when he undertook the construction of holiday bungalows in Fraser's Hill and subsequently went on to develop Silverpark Apartments in Fraser's Hill. Thereafter, he moved on to develop double-storey terrace houses, three-storey and three and a half-storey shop offices in Taman Bukit Cheras, KL in 1996.

NPO Development undertook its first property development in 2001 with the launch of the Mutiara Bukit Raja project comprising 298 units of double-storey terrace houses, residential lots and low-cost apartments in Klang, Selangor. The said project with a total gross development value (GDV) of RM55.5m was completed in 2005. In 2004, the company launched its first high rise development project named E-Tiara Serviced Apartments located in Subang Jaya, Selangor, comprising 315 units of serviced apartments and 24 retail lots. The total GDV was RM65.9m and was completed in 2007. Thereafter, during 2004 till 2012, the company aggressively launched its subsequent projects, ranging from residential, commercial to industrial projects in Klang Valley such as Klang Sentral, Casa Tiara Serviced Suites, Tiara Square Business Centre, First Subang, One SOHO, Subang Parkhomes, Seri Alam Industrial Park, Zone Innovation Park, The Galleria and 3Elements.

Ttijaya was incorporated as a private limited company under the name of Meridian Flagship Sdn Bhd in 2012. Subsequently, the Group converted into a public limited company and change its name to Titijaya Land Berhad for the ease of listing exercise. In 2013, the Group was successfully listed on the Main Market of Bursa Malaysia.

Figure 1: On-going Projects with GDV of RM1.4b

Projects Launched (2012 – 2016)	Type	No. of Units	Est. GDV (RM' mil)	Take-up Rate	Price Range (RM)	Progress	Expected Completion Date
Mutiara Residence	• 2 ½ Storey (20 x 75) • 2 ½ Storey (20 x 65)	24 15	30.3	100%	680k – 890k	68.0% 57.4%	2017
3 Elements	• SoFo Suites • Serviced Apartments	850 342	400	98.6% 100%	370k – 526k	95% (April 2017)	2017
H20 Block A H20 Block B H20 Block C H20 Block D	• Serviced Apartment • Serviced Apartment • SoHo Suits	240 300 337 480	794	99.17% Newly-launched 81.01% 59.58%	414k – 541k	46.2% (April 2017)	2019
Seri Alam Residences	• Phase 1 : Cluster houses (Fennel) • Phase 2A : Semi Detached (Primrose)	48 76	102.1	100% 55.26%	600k – 750k	52.59% 23.10%	2018
Others			50.7				
	Subtotal		RM1.38 billion				

Source: Company

Figure 2: Future Projects with Total GDV of RM12.8b

Upcoming Projects	Type	No. of Units	Est. GDV (RM' mil)	Commencement Year	Expected Completion Date
Klang Sentral Serviced Apartment	• Serviced Apartment	TBA	700	TBA	TBA
Seri Alam Residence	• Phase 2B – Single Storey • Phase 3 – Semi Detached • Phase 4 – Semi Detached	60 76 136	237.9	2017	2019
3rdNvenue	• Office Suites • Serviced Apartments • Retail	2,535	1,800	2017	2024
Riveria	• Office Suites • Serviced Apartment 1 • Serviced Apartment 2 • Shop Lots	860 768 658 18	1,451	2017	2023
The Shore @ Kota Kinabalu	• Retail • Serviced Residences • Hotel	63 561 269	575	2017	2022
Odeon	• Retail • Serviced Apartment – Block 1 • Serviced Apartment – Block 2	 TBA TBA	1,500	2018	2023
Batu Maung, Penang	• Condominium • SoHo • Commercial	TBA TBA TBA	2,520	TBA	TBA
Trio Monfort	• Mixed Development	TBA	1,500	TBA	TBA
Damansara West	• Serviced Apartment • Strata Shop • Project Perumahan Rakyat • Serviced Apartment	2,024 66 1,242 4,000	2,400	2017	2027
Others			75.3		

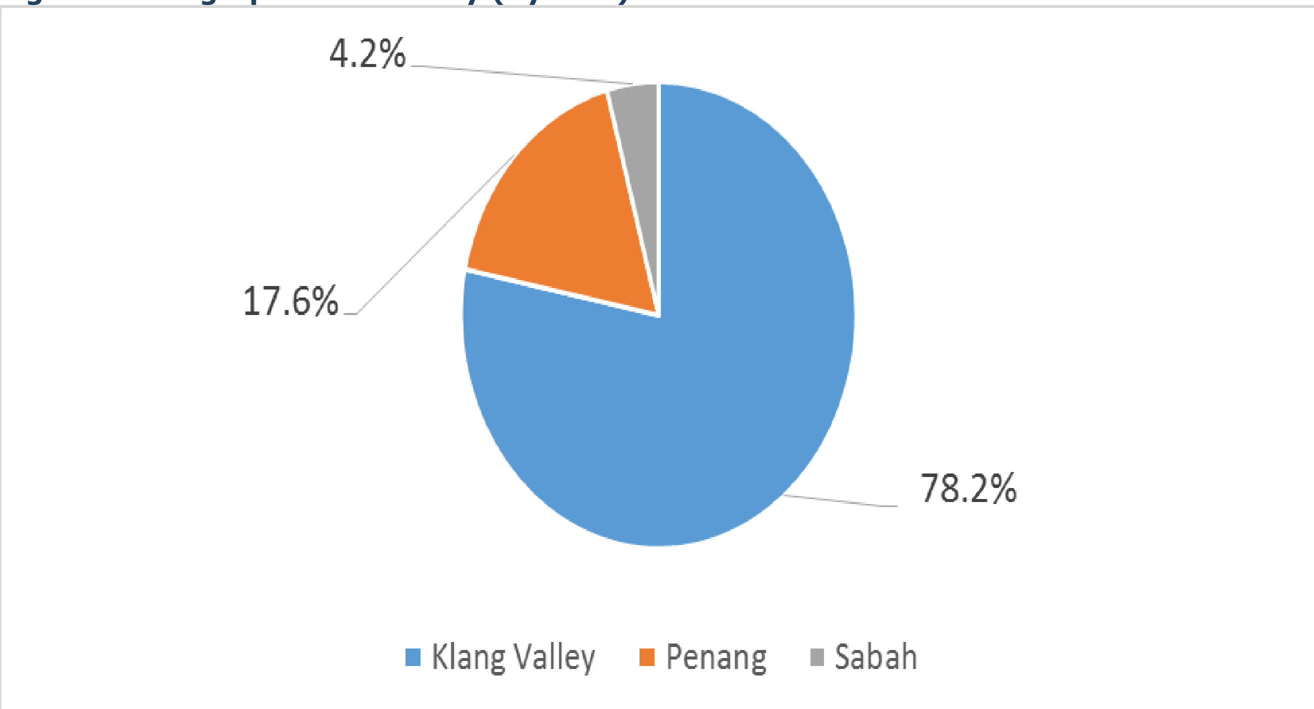
Source: Company

Figure 3: Planned Launches for CY2017

Projects	Location	Type of Property	GDV (RM'm)
Park Residensi @ Cheras	Klang Valley	Landed Residences	75.0
Riveria Phase 1 *	Klang Valley	Serviced Apartments	317.0
3rdNvenue Phase 1 **	Klang Valley	Serviced Apartments	493.0
Damansara West Phase 1	Klang Valley	Serviced Apartments	361.0
The Shore @ KK **	Sabah	Serviced Apartments	575.0
Total GDV			**1821.0**
Total GDV (effective stake)			**1405.5**

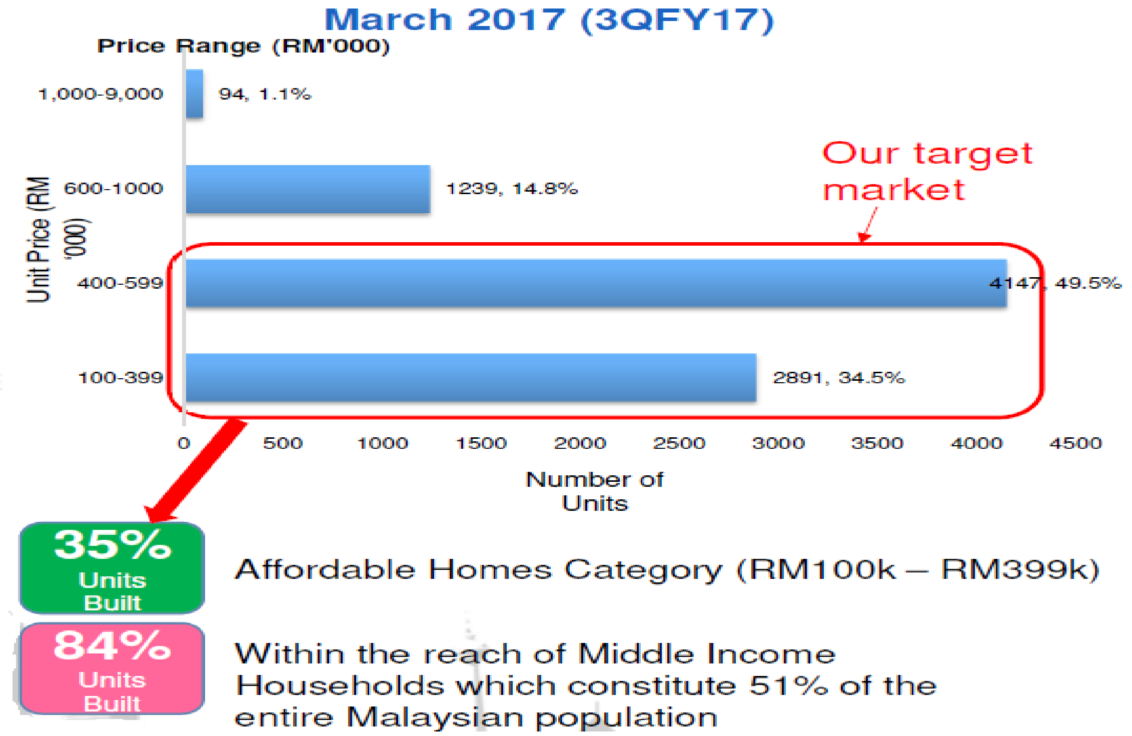
**Effective stake of 56% as 20% development profit to Prasarana and 70%:30% JV with Bina Puri*
***70%:30% JV with CREC*
Source: Company, JF Apex

Figure 4: Geographical Diversity (By GDV)



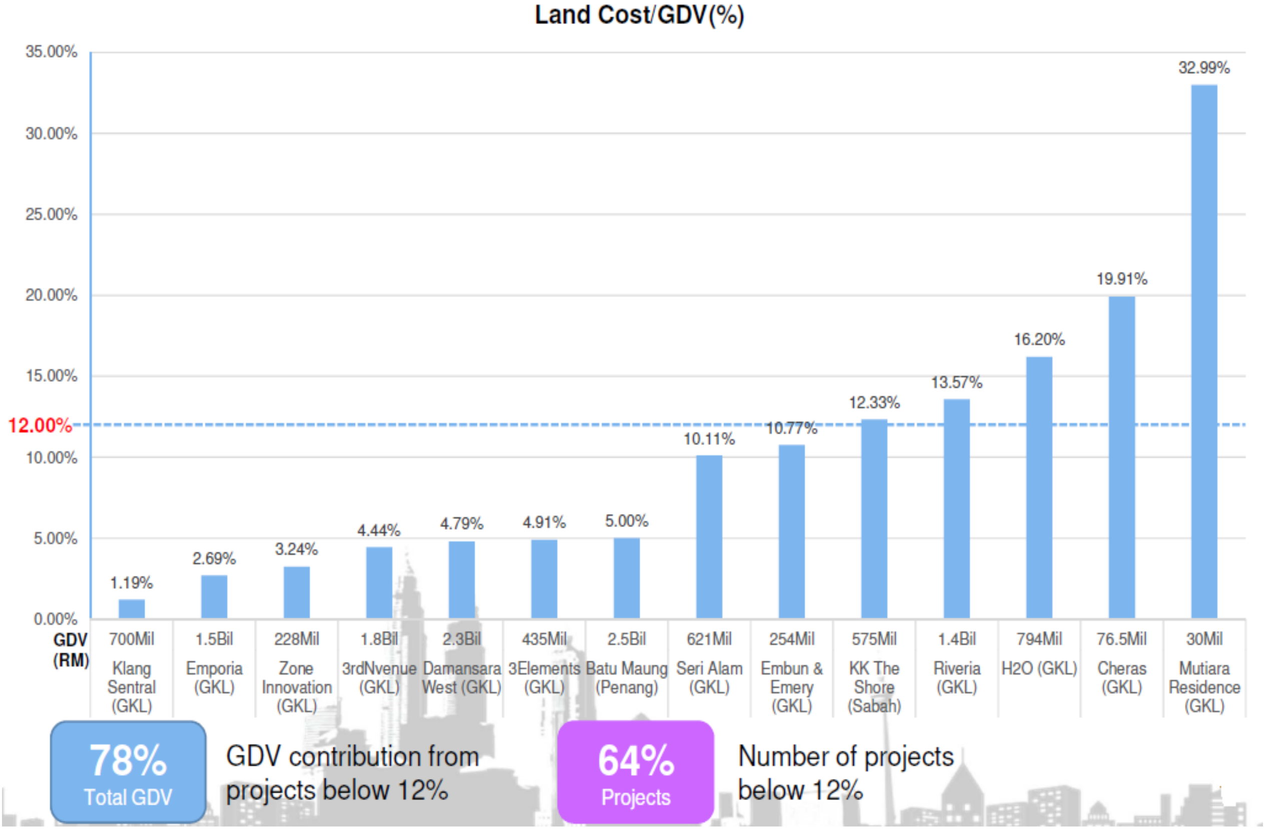
Source: Company

Figure 5: Average Product Price Range



Source: Company

Figure 6: Significantly Lower Land Cost

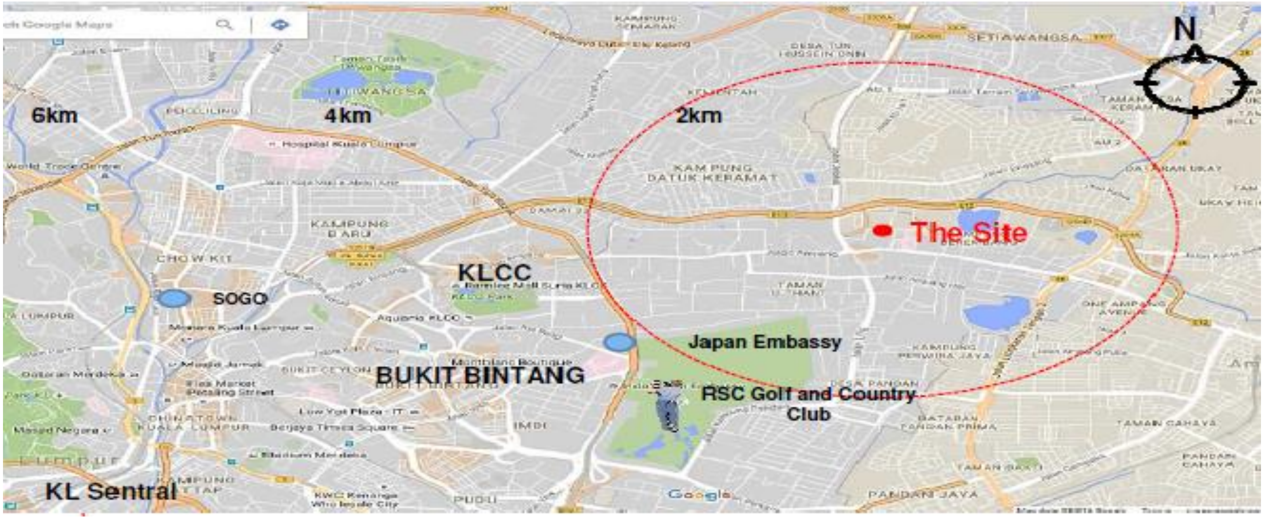


Source: Company

Highlights of Upcoming Key Projects

3rdNvenue @ Jln Ampang

This project marks a major milestone for the Group as it is the first collaboration with CREC, one of the largest global EPCC players. The project is a mixed development comprising office suites, serviced apartments and retail units (total of 4 blocks). Its total estimated GDV is RM1.8b, to be developed on a 6.06-acre land, with the overall expected completion in 2024. Price range is from RM450k to RM1m. Notably, 40% of sales secured through in-kind payment to contractor and hence minimises demand risk. Thus, progressive revenue and PBT recognition of respective RM720m and RM180m will be booked over next 7 years with GDV margin of 25%. For 2017, the Group plans to launch Phase 1 of the project with an estimated GDV of RM493m. Thus far, Titijaya has launched one block of the serviced apartment and we understand that all of the 300 units have been fully booked.

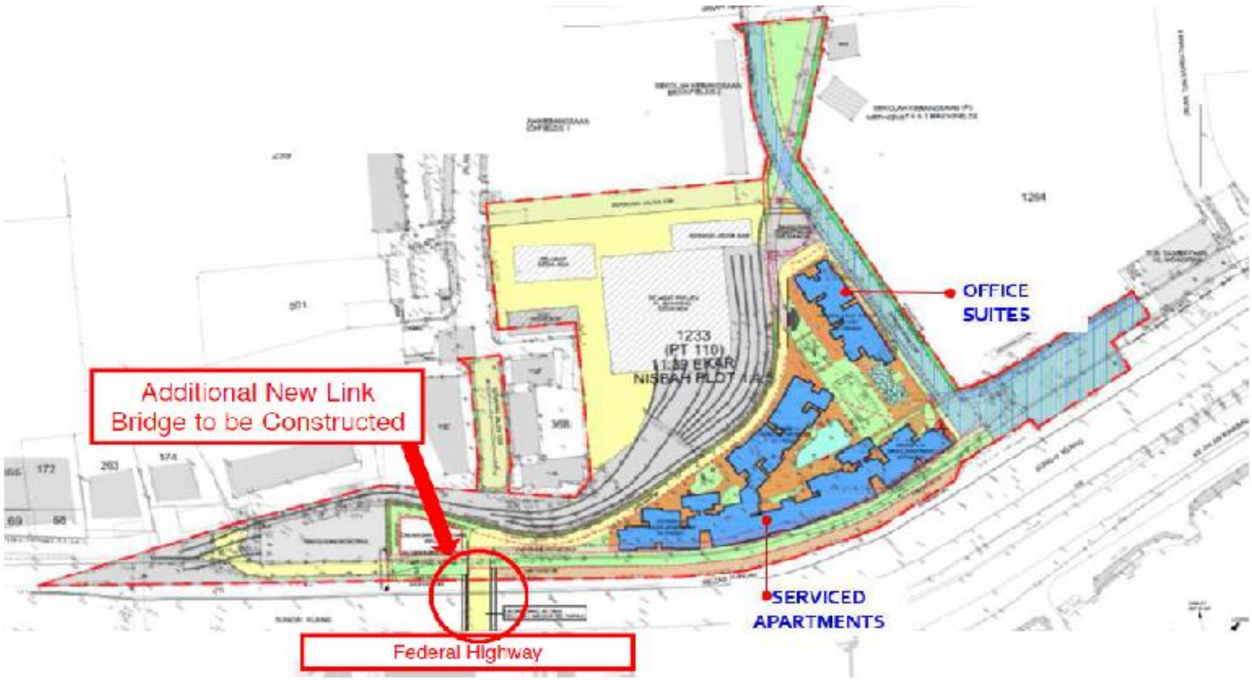


The Shore @ KK

This project carries an estimated GDV of RM575m. It is a mixed development, comprising 561-unit serviced residences (2 blocks), retail units and a hotel, located on 1.8 acres of land in Kota Kinabalu's CBD and an attractive tourist destination in Sabah. Titijaya is partnering The Ascott for the serviced residence management, tapping into Ascot's brand name and expertise in the hospitality industry. It is Titijaya's second collaboration with CREC after 3rdNvenue. The project is scheduled to be completed in 2022. Price ranges from RM453k onwards with built-up sizes of 409-541sf. The Group has recently launched this project in mid July 17 and we gather that response of the project is encouraging with 40% bookings.

Riveria @ KL Sentral

This is a mixed development located on a 4.6-acre land within the KL Sentral vicinity, with an estimated GDV of RM1.0b (revised down from initial plan of RM1.45b). The development consists of 1 office suite and 2 serviced apartments. For 2017, Titijaya aims to launch Phase 1 of the development with an estimated GDV of RM317m. The price range is from RM336k to RM780k with built-up from 255 till 990sf. The whole development is expected to be completed in 2023.



Source: Company

Damansara West
This is a residential/township development with a total estimated GDV of RM2.4b on a land size of 46.2 acres nearby Denai Alam. In 2017, Titijaya is launching Phase 1 of the development with an estimated GDV of RM361mil. Phase 1 consists of 4 blocks of serviced apartments. Price ranges from RM300k to RM450k with built up from 750 to 1000sf. The overall development is expected to be completed in 2027.

Unique Business Model

The Group adopts a unique business model in landbanking by focusing on strategic alliances with reputable government agencies and private developers or landowners in respect of joint venture and land swap as opposed to conventional landbanking. This allows the Group to have zero or minimal holding costs of land and hence strengthens its balance sheet. Also, this enables the Group to save on the sizeable upfront land costs and free up its cash flow for other strategic acquisitions and investment.

Figure 7: Landbanking – Synergistic Strategic Alliance

Project Name	Alliances	Nature
• Riveria @ KL Sentral	BinaPuri SINCE 1975; prasarana	• Joint Venture
• 3rdNvenue @ Embassy Row & The Shore @ KK	CREC 中国中铁	• Joint Venture
• Areca @ Batu Maung, Penang	LKIM	• Land Acquisition
• Jalan Stonor Project	LGM	• Land Swap
• Bukit Bintang Project	MINISTRY OF EDUCATION MALAYSIA	• Land Swap

Source: Company

Collaboration with CREC

The high-profile tie-up between Titijaya and CREC has been attracting limelight from the investment community. According to the management, the strategic tie-up is a win-win situation for both parties as CREC will assist the Group in engineering, procurement, construction and commissioning (EPCC) contract awards related to Titijay's property development. Thus, this will mitigate project cost overruns, lower project delay risks and open up new marketing channels in China. On the other hand, Titijaya will assist CREC in expanding its local footprint via the Group's strength and customer base in the local property front as well as bridging local culture gaps.

We opine that the strategic alliance will help to ease up Titijaya's cash flow as the Group can now easily tap on CREC's strong balance sheet to undertake its property development projects. Also, this will pave the way for Titijaya to participate in large-scale projects, particularly the federal land developments or transit oriented developments (TOD) in the future. However, project margins for the JV projects will be lower at 25% for the Group against its normalised margins of 30% in view of imputation of borrowing costs.

Financial Review & Outlook

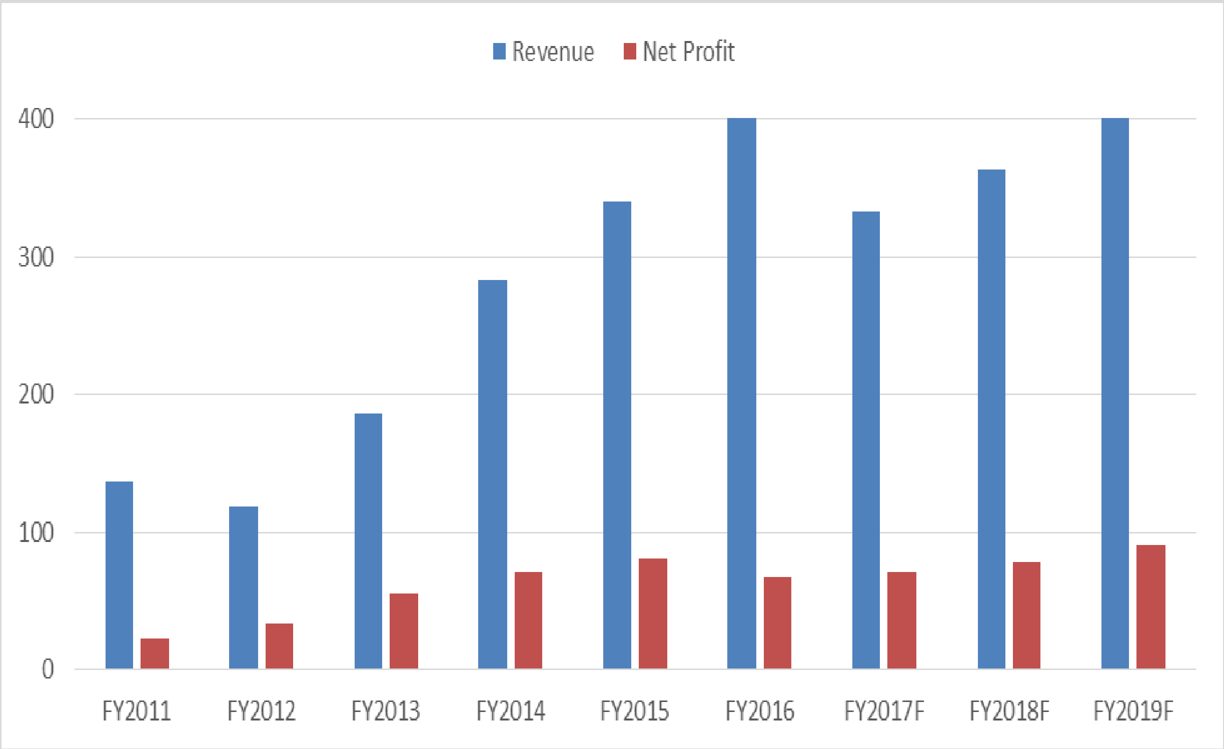
Titijaya is a fundamentally sound company, enjoying a 5-year Compounded Annual Growth Rate (CAGR) of 25% on its net profit from FY2011 till FY2016. The impressive track record was mainly attributable to rising revenue and steady margins. To recap, the Group has enjoyed strong net profit growths in the past few financial years, i.e. FY12: +51.6% yoy; FY13: +63.0% yoy; FY14: +28.2% yoy; FY15: +13.5% yoy However, in FY16, we witnessed the Group's net profit tumbling 15.6% yoy mainly due to impairment loss on trade receivables and investment property of RM4.6m coupled with provision for liquidated ascertained damages (LAD) of RM2.7m for the 3Elements project amid higher revenue achieved at 17.4% yoy. For 9MFY17 results, the Group chalked up higher net profit of RM59.7m, up 11.8% yoy despite lower revenue of RM258.7m, down 11.9% yoy. The better 9M results in this financial year were mainly due to effective cost management and higher recognition of development projects, namely H2O and 3Elements which reached their tail-end of construction progress.

We envisage the Group's net earnings to resume its growth trajectory from FY18F onwards. Moving forward, Titijaya's bottomlines are expected to grow by respective +4.5% yoy to RM71.4m, +10.6% yoy to RM78.9m and +14.6% yoy to RM90.4m for FY17F, FY18F and FY19F on the back of more new launches and sales clinched. Toplines wise, we expect FY17F revenue to decline by 16.8% yoy to RM332.7m before picking up +9.0% yoy to RM362.8m in FY18F and +14.9% yoy to RM416.9m in FY19F. Our new sales assumption for FY17F, FY18F and FY19F are RM300m, RM500m and RM600m respectively.

The Group has managed to chalk up impressive gross margin of 32-47% during the period from FY2011 to FY2016. This was mainly attributable to its relatively low land costs besides industrial properties and land sales. Titijaya's average land cost to GDV is around 7%, which is below the 15-20% in the industry. Moving forward, we reckon that the gross margin of the Group will slightly trend downwards to 40-41% for FY17-19F from the peak of 44-47% during FY13-15 with more land acquisitions in the pipeline and embarking JV projects with CREC coupled with launching of more affordable housing.

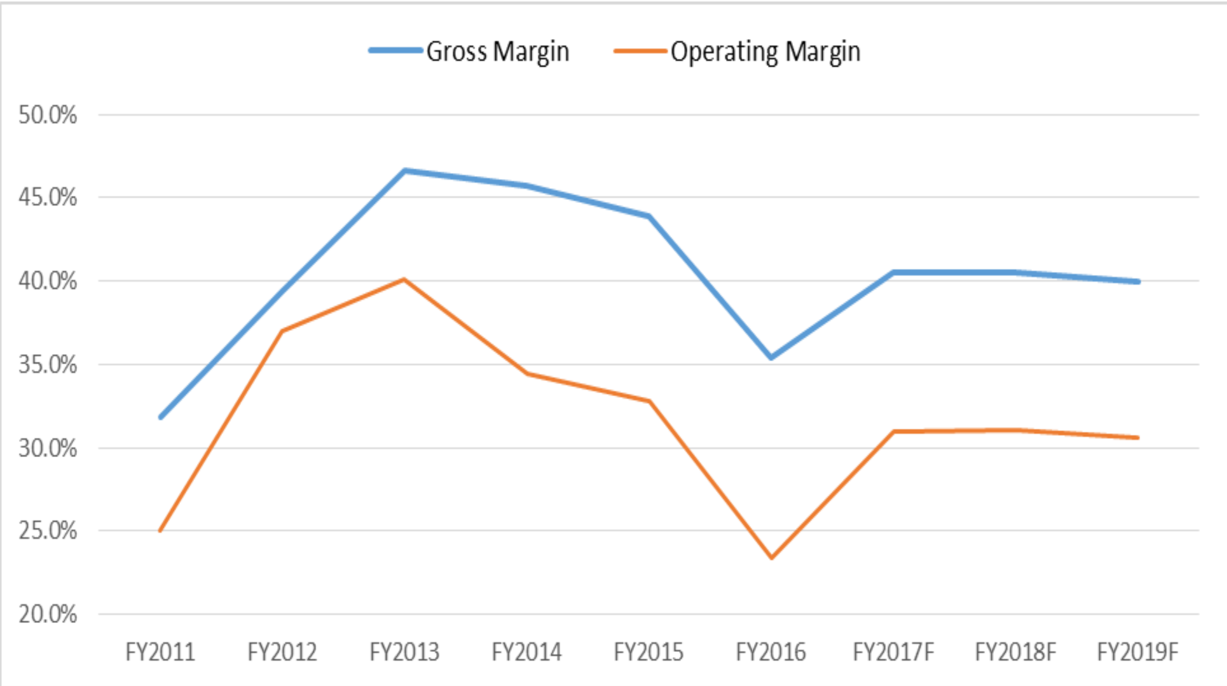
Balance sheet wise, Titijaya has a net gearing of 42% as of 3QFY17, which is below the sector threshold limit of 50%. Cash flow wise, the Group boasts a healthy liquidity position, having positive net operating cash flows of RM8.4m.

Figure 7: Overall Uptrends for both Topline and Bottomline



Source: Company, JF Apex

Figure 8: Stabilisation of Gross and Operating Profit Margins



Source: Company, JF Apex

Titijaya's proposed rights issue has been approved by shareholders recently during its EGM. To recap, the Group plans for a rights issue of up to 615m new irredeemable convertible preference shares (ICPS) on the basis of 3 ICPS for every 2 existing shares held. The indicative issue price of ICPS is at RM0.165/unit. The option of conversion is based on either: 1) 1 ICPS converted to 1 Titijaya share for cash payment of RM1.65/share, or 2) 10 ICPS to 1 Titijaya share for zero payment. The corporate exercise is expected to be completed by 3QCY2017.

We expect the Group's EPS for FY18F will be diluted by 47.4% to 10 sen from 19 sen (assuming a maximum scenario of 615m ICPS and 1 ICPS to 1 Share, and the issuance of consideration shares of 79.7m) after factoring in interest savings. However, the conversion of ICPS is over a period of 5 years, hence a gradual impact to the earnings.

Dividend Policy

The Group does not have any stated dividend policy. However, we expect the shareholders will be rewarded 1.0 sen/share and 2.0 sen/share for FY17F and FY18F respectively, translating into a dividend yield of 0.6-1.3%.

Figure 9: Yearly Financial Summary

Year to 30 June (RMm)	FY2013	FY2014	FY2015	FY2016	FY2017F	FY2018F	FY2019F
Revenue	186.2	283.8	340.7	400.1	332.7	362.8	416.9
Gross profit	86.9	129.8	149.4	141.5	134.7	146.9	166.8
Operating profit	74.7	97.8	111.8	93.5	103.0	112.8	127.8
Profit before tax	73.5	96.4	111.1	91.6	99.8	108.8	123.0
Net profit	55.6	71.3	80.9	68.3	71.4	78.9	90.4
Core net profit	55.6	71.3	80.9	68.3	71.4	78.9	90.4
EPS (sen)	13.6	17.4	19.7	16.7	17.4	19.2	22.0
DPS (sen)	0.0	4.0	4.5	0.5	1.0	2.0	3.0
P/E (x)	11.7	9.1	8.0	9.5	9.1	8.2	7.2
P/BV (x)	3.2	1.7	1.4	1.2	1.1	1.0	0.9
Diluted EPS (sen)	8.1	9.6	10.4	9.3	9.6	10.3	11.3
FD P/E	19.4	16.5	15.1	17.0	16.5	15.4	14.0
Revenue growth (%)	0.0	52.4	20.0	17.4	-16.8	9.0	14.9
Net profit growth (%)	0.0	28.2	13.5	-15.6	4.5	10.6	14.6
Core net profit growth (%)	0.0	28.2	13.5	-15.6	4.5	10.6	14.6
Gross margin (%)	46.7	45.7	43.9	35.4	40.5	40.5	40.0
Operating margin (%)	40.1	34.5	32.8	23.4	31.0	31.1	30.7
PBT margin (%)	39.5	34.0	32.6	22.9	30.0	30.0	29.5
Dividend yield (%)	0.0	2.5	2.8	0.3	0.6	1.3	1.9
Net gearing (%)	30.4	-1.9	-2.2	32.1	38.3	29.8	29.7
ROE (%)	27.6	18.2	17.0	12.9	12.2	12.1	12.5
ROA (%)	9.4	8.8	7.7	6.3	6.1	6.3	6.8

Source: Company, JF Apex

Figure 9: Yearly Financial Summary (….cont'd)

(RM'm)	FY2013	FY2014	FY2015	FY2016	FY2017F	FY2018F	FY2019F
Balance Sheet							
Cash	*12.1*	*133.5*	*168.5*	34.9	95.9	135.9	125.9
Current assets	346.3	617.1	837.2	788	843.2	902.2	965.3
Non-current assets	247.6	196.8	219.7	304.3	325.6	348.4	372.8
Total assets	**593.9**	**813.9**	**1056.9**	**1092.3**	**1168.8**	**1250.6**	**1338.1**
Short term debt	*29.3*	*21.3*	*54.5*	98.1	127.5	131.4	135.3
Current liabilities	275.5	241.8	418.3	402.3	414.4	426.8	439.6
Long term debt	*43.9*	*104.6*	*103.4*	107.2	193.0	198.7	204.7
Non-current liabilities	117.2	179.9	163.1	158.7	163.5	168.4	173.4
Total liabilities	392.7	421.7	581.4	561	577.8	595.2	613.0
Shareholders' equity	*201.1*	*392.1*	*474.9*	530.8	586.9	651.4	721.1
MI	0.1	0.1	0.6	0.5	4.0	4.0	4.0
Total equity	201.2	392.2	475.5	531.3	590.9	655.4	725.1
Total liabilities & equity	**593.9**	**813.9**	**1056.9**	**1092.3**	**1168.8**	**1250.6**	**1338.1**

Source: Company, JF Apex

(RM'm)	FY2013	FY2014	FY2015	FY2016	FY2017F	FY2018F	FY2019F
Cash Flow							
Cash flow from operations	-11.1	-27.8	159.9	-49.9	11	20	40
Cash flow from investing	-2	-20.2	-28.9	-85	-150	-120	-150
Cash flow from financing	18.7	169.4	-95.4	1.3	200	140	100
Cash generated	5.6	121.4	35.6	-133.6	61	40	-10
Cash at beginning	6.5	12.1	132.9	168.5	34.9	95.9	135.9
Cash at end of period	**12.1**	**133.5**	**168.5**	**34.9**	**95.9**	**135.9**	**125.9**

Source: Company, JF Apex

Peer Comparison

Company	Ticker	Stock	Price @	Target price	Market Cap.	P/E (x)			ROE	P/B	Dividend
		Recommendation	26-Jul-17	(RM)	RMm	2016	2017	2018	(%)		Yield (%)
Titijaya Land	TTJ MK	BUY	1.58	2.06	647.8	9.1	8.2	7.2	12.9	1.2	0.3
Tambun Indah	TILB MK	HOLD	1.35	1.64	572.9	5.1	5.6	5.6	20.9	1.1	7.4
LBS Bina	LBS MK	BUY	1.97	2.27	1086.3	12.7	10.3	8.8	7.4	2.2	5.1
Mah Sing	MSGB MK	Non-Rated	1.54	N.A.	3710.5	11.4	11.1	11.1	10.9	1.1	4.2
Matrix Concepts	MCH MK	Non-Rated	2.71	N.A.	1578.2	8.3	7.2	6.4	19.4	1.5	5.1
Glomac	GLMC MK	Non-Rated	0.645	N.A.	466.3	4.2	8.8	7.2	10.7	0.4	6.2
Hua Yang	HYB MK	Non-Rated	0.86	N.A.	302.7	5.0	8.0	6.7	6.6	0.5	2.3
E&O	EAST MK	Non-Rated	1.65	N.A.	2178.3	23.7	24.3	22.0	1.4	1.3	1.2
UOA Development	UOAD MK	Non-Rated	2.65	N.A.	4592.8	6.2	11.6	10.7	17.6	1.1	5.7

Source: Bloomberg, JF Apex

Challenges / Risks

- Prolonged sluggishness in the property market.
- Rising land costs over a longer run which result in margin erosion as the Group requires to replenish its landbank from time to time.
- Liquidated and ascertained damages (LAD) as a result of delay in handover of houses or breach of contract.
- Intense competition among developers in mass market segment as developers jump on the bandwagon in marketing affordable housing projects.
- Oversupply of small built-up units of serviced apartments in the Klang Valley.

Valuation & Recommendation

We initiate coverage on Titijaya with a target price of RM2.06, **based on 35% discount to its fully-diluted RNAV/share of RM3.17.** Our fair value also implies 20x FY18F fully-diluted PE. We believe the worst is over for the Group and advise investors to accumulate the stock as the Group is able to fast track its projects execution to ride on the property recovery, backed by its innovative business model, landbanking strategy and marketing efforts in targeting mass market segment.

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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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Published & Printed By:
JF Apex Securities Berhad (47680-X)
(A Participating Organisation of Bursa Malaysia Securities Berhad)