



AmInvestment Bank

## Company report

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2036 2025

# TITIJAYA LAND

(TTJ MK EQUITY, TITI.KL)

PROPERTY

06 Apr 2017

*Staying true to its affordable housing core*

**HOLD**

(Maintained)

**Rationale for report: Company update**

Price	RM1.74
Fair Value	RM1.72
52-week High/Low	RM1.93/RM1.36

### Key Changes

Fair value	ⓘ
EPS	ⓘ

YE to Jun	FY16	FY17F	FY18F	FY19F
Revenue (RM mil)	400.1	369.0	392.3	608.2
Core net profit (RM mil)	68.3	72.0	76.9	116.5
FD Core EPS (sen)	18.3	17.3	18.8	27.8
FD Core EPS growth (%)	(15.6)	(5.6)	8.5	47.9
Consensus Net Profit (RM mil)	-	-	90.0	131.0
DPS (sen)	6.5	6.6	7.9	7.9
PE (x)	9.5	10.1	9.3	6.3
EV/EBITDA (x)	8.2	6.9	7.3	7.0
Div yield (%)	3.7	3.8	4.5	4.5
ROE (%)	13.6	13.0	12.8	17.5
Net Gearing (%)	27.0	8.9	8.1	30.5

### Stock and Financial Data

Shares Outstanding (million)	353.0
Market Cap (RMmil)	614.2
Book Value (RM/share)	1.47
P/BV (x)	1.2
ROE (%)	13.6
Net Gearing (%)	27.0

Major Shareholders Tan Sri Lim Soon Peng & family (61.4%)

Free Float	38.6
Avg Daily Value (RMmil)	1.1

Price performance	3mth	6mth	12mth
Absolute (%)	3.6	4.8	20.8
Relative (%)	(1.5)	(0.1)	19.0



### Investment Highlights

- We resume coverage on Titijaya with a HOLD call with a higher fair value of RM1.72 per share, based on a 20% discount to its RNAV.
- We met with the management of Titijaya recently to get the latest updates on the company. We were encouraged by the management's commitment to continue focusing on the affordable segment, with the majority of its new launches in FY17 and FY18 catering to this particular segment. We believe the demand for products within this segment would remain resilient even during the current sector slowdown.
- Management has lined up new launches with a total of RM2bil GDV in 2017. The biggest launch is The Shore @ KK in Kota Kinabalu (GDV: RM575mil), followed by 3rdNvenue Phase 1 at Jalan Ampang (GDV: RM493mil), Damansara West Phase 1 (GDV: RM361mil), Riveria Phase 1 at KL Sentral (GDV: RM317mil), H2) Block B at Ara Damansara (GDV: RM191mil) and Park Residensi @ Cheras (GDV: RM75mil). As for the long term, it has projects valued at around RM13bil GDV expected to be launched in the next few years, which will keep it occupied until 2027 and provide a sustained earnings visibility to the group.
- One of the unique strengths of Titijaya is its ability to acquire landbank through joint ventures and land swap with strategic partners, which would minimise capital outlay and land holding cost.
- As at end-1HFY17, Titijaya's net gearing stood at 33%, which provides the company ample room to undertake land banking.
- Titijaya's total unbilled sales stood at RM471mil as at end-1HFY17, which would provide earnings visibility to the company for the next two years.
- Titijaya registered total new sales of RM143.6mil in 1HFY17, supported by its ongoing projects. We expect the company to hit its sales target of RM300mil for FY17, a flat growth compared to FY16, but still commendable in view of the challenging market condition.
- Titijaya's proposed renounceable rights issue of up to 614.99mil irredeemable convertible preference shares (ICPS) on the basis of three ICPS for every two existing shares of 50 sen each, with a conversion ratio of either 10 ICPS into one share or a combination of 1 IPS and cash payment of RM1.485 for one share. This will strengthen Titijaya's position to fund its ongoing projects and source for landbank.

## RM2B OF NEW LAUNCHES IN 2017

Titijaya has lined up new launches with a total of RM2bil GDV in 2017, with the majority of these in Greater Klang Valley and Kota Kinabalu, Sabah.

### □ *The Shore @ Kota Kinabalu, Sabah*

This will be Titijaya's biggest launch in 2017, with an estimated GDV of RM575mil. It is a mixed development, comprising a hotel, serviced residences and retail units, located on 1.8 acres of land in Kota Kinabalu, Sabah. It is Titijaya's second collaboration with CREC after 3rdNvenue. The project is scheduled to be completed in 2022. For the hotel, Titijaya is partnering The Ascott to manage the hotel, tapping into Ascot's brand name and expertise in the hospitality industry.

### □ *3rdNvenue @ Embassy Row, KL*

This project marks a major milestone to the group as it is the first collaboration with CREC, one of the largest global EPCC players. The project is a mixed development comprises office suites, serviced apartments and retail units. Its total estimated GDV is RM1.8bil, to be developed on a 6.06-acre land, with the overall expected completion in 2024. For 2017, Titijaya is expected to launch Phase 1 of the project with an estimated GDV of RM493mil.

### EXHIBIT 1: 3RDNVENUE PROJECT LOCATION



Source: Company, AmlInvestment Bank Bhd

### □ *Damansara West, Bukit Subang*

This is a township development with a total estimated GDV of RM2.4bil on a land size of 46.2 acres. The overall development is expected to be completed in 2027. For 2017, Titijaya is launching Phase 1 of the development with an estimated GDV of RM361mil.

### □ *Riveria KL Sentral*

This is a mixed development located on a 4.61-acre land within the KL Sentral vicinity, with an estimated GDV of RM1.45bil. For 2017, Titijaya is launching Phase 1 of the development with an estimated GDV of RM317mil. The whole development is expected to be completed in 2023.

EXHIBIT 2: PB BAND CHART



EXHIBIT 3: PE BAND CHART

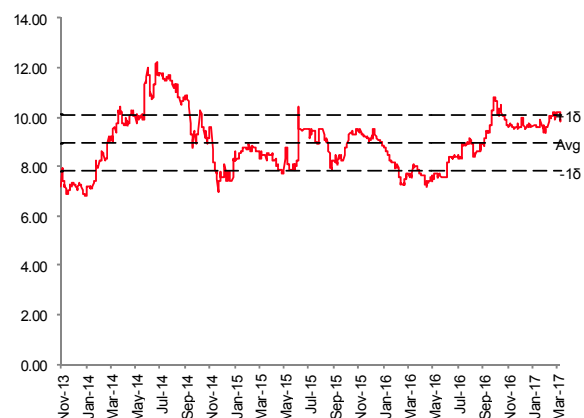


EXHIBIT 4: RNAV CALCULATION

<u>Development projects</u>	NPV (RM mil)	Stake (%)	GDV (RM mil)
Mutiara Residence, Klang	5.6	100%	30.3
3 Elements, Seri Kembangan	29.5	100%	400.0
H2O, Ara Damansara	132.3	100%	794.0
Seri Alam Residences, Klang	53.3	100%	340.0
3rdNvenue, Jalan Ampang	255.2	70%	1,800.0
Riveria, KL Sentral	207.9	70%	1,451.0
The Shore, Kota Kinabalu	88.4	70%	575.0
Odeon, Jalan Tunku Abdul Rahman KL	230.6	100%	1,500.0
Batu Maung, Penang	373.3	100%	2,520.0
Trio Monfort, Glenmarie	214.9	100%	1,500.0
Damansara West, Bukit Subang	147.8	100%	2,400.0
Others	9.0	100%	50.7
<b>Total</b>	<b>1,747.8</b>		<b>13,361.0</b>
Shareholders equity as at end-1HFY17	632.8		
Total no of shares (mil)	403.3		
FD total no of shares (mil)	1,104.7		
RNAV per share (RM)	2.15		
Discount	20%		
<b>Fair value (RM)</b>	<b>1.72</b>		

Source: Company, AmlInvestment Bank Bhd

EXHIBIT 5: COST OF EQUITY CALCULATION

<b>Cost of equity</b>	
Risk-free rate	4.1%
Beta	0.72
Expected market return	10.0%
Market risk premium	5.9%
<b>Cost of equity</b>	<b>8.3%</b>

Source: Company, AmlInvestment Bank Bhd

## EXHIBIT 6: FINANCIAL DATA

Income Statement (RMmil, YE 30 Jun)	FY15	FY16	FY17F	FY18F	FY19F
Revenue	340.7	400.1	369.0	392.3	608.2
EBITDA	111.3	92.8	96.5	90.5	118.4
Depreciation/Amortisation	(2.4)	(1.9)	(2.3)	(2.2)	-
Operating income (EBIT)	108.9	90.9	94.2	88.3	118.4
Other income & associates	-	-	5.7	17.3	40.7
Net interest	2.2	0.7	(1.5)	(0.7)	(1.0)
Exceptional items	-	-	-	-	-
<b>Pretax profit</b>	<b>111.1</b>	<b>91.6</b>	<b>98.3</b>	<b>104.9</b>	<b>158.1</b>
Taxation	(30.3)	(23.3)	(26.3)	(28.0)	(41.6)
Minorities/pref dividends	0.2	0.1	-	-	-
<b>Net profit</b>	<b>80.9</b>	<b>68.3</b>	<b>72.0</b>	<b>76.9</b>	<b>116.5</b>
Core net profit	80.9	68.3	72.0	76.9	116.5
Balance Sheet (RMmil, YE 30 Jun)	FY15	FY16	FY17F	FY18F	FY19F
Fixed assets	4.5	11.3	16.8	23.1	28.7
Intangible assets	3.7	3.7	3.7	3.7	3.7
Other long-term assets	211.5	289.4	298.6	316.5	333.9
<b>Total non-current assets</b>	<b>219.8</b>	<b>304.4</b>	<b>319.1</b>	<b>343.3</b>	<b>366.3</b>
Cash & equivalent	128.0	62.4	127.0	138.7	(47.9)
Stock	23.4	21.0	36.6	29.4	47.8
Trade debtors	219.9	207.9	232.5	247.2	383.2
Other current assets	465.9	496.7	512.8	564.9	899.4
<b>Total current assets</b>	<b>837.2</b>	<b>788.0</b>	<b>908.9</b>	<b>980.2</b>	<b>1,282.5</b>
Trade creditors	354.3	295.3	418.7	463.7	752.4
Short-term borrowings	54.7	98.3	59.6	61.8	57.6
Other current liabilities	9.3	8.7	8.7	8.7	8.7
<b>Total current liabilities</b>	<b>418.3</b>	<b>402.3</b>	<b>487.0</b>	<b>534.2</b>	<b>818.7</b>
Long-term borrowings	103.8	107.6	118.7	127.5	110.5
Other long-term liabilities	59.4	51.1	43.3	34.1	34.1
<b>Total long-term liabilities</b>	<b>163.1</b>	<b>158.7</b>	<b>162.0</b>	<b>161.6</b>	<b>144.6</b>
<b>Shareholders' funds</b>	<b>474.9</b>	<b>530.8</b>	<b>578.5</b>	<b>627.2</b>	<b>708.0</b>
Minority interests	0.6	0.5	0.5	0.5	0.5
BV/share (RM)	1.34	1.47	1.41	1.53	1.73
Cash Flow (RMmil, YE 30 Jun)	FY15	FY16	FY17F	FY18F	FY19F
Pretax profit	111.1	91.6	98.3	104.9	158.1
Depreciation/Amortisation	2.4	1.9	2.3	2.2	-
Net change in working capital	(30.9)	(114.4)	67.0	(14.7)	(200.2)
Others	77.2	(28.9)	(64.1)	(55.2)	(81.3)
<b>Cash flow from operations</b>	<b>159.9</b>	<b>(49.9)</b>	<b>103.6</b>	<b>37.1</b>	<b>(123.4)</b>
Capital expenditure	(0.4)	(7.0)	(9.0)	(9.0)	(9.0)
Net investments & sale of fixed assets	-	-	-	-	-
Others	(28.4)	(78.0)	-	-	-
<b>Cash flow from investing</b>	<b>(28.9)</b>	<b>(85.0)</b>	<b>(9.0)</b>	<b>(9.0)</b>	<b>(9.0)</b>
Debt raised/(repaid)	34.3	47.4	(27.6)	11.1	(21.2)
Equity raised/(repaid)	-	3.3	48.5	-	-
Dividends paid	(14.1)	(16.1)	(23.4)	(27.5)	(33.0)
Others	(115.6)	(33.3)	-	-	-
<b>Cash flow from financing</b>	<b>(95.4)</b>	<b>1.3</b>	<b>(2.5)</b>	<b>(16.4)</b>	<b>(54.2)</b>
<b>Net cash flow</b>	<b>35.6</b>	<b>(133.6)</b>	<b>92.1</b>	<b>11.7</b>	<b>(186.6)</b>
<b>Net cash/(debt) b/f</b>	<b>133.0</b>	<b>168.5</b>	<b>34.9</b>	<b>127.0</b>	<b>138.7</b>
<b>Net cash/(debt) c/f</b>	<b>168.5</b>	<b>34.9</b>	<b>127.0</b>	<b>138.7</b>	<b>(47.9)</b>
Key Ratios (YE 30 Jun)	FY15	FY16	FY17F	FY18F	FY19F
Revenue growth (%)	20.0	17.4	(7.8)	6.3	55.0
EBITDA growth (%)	12.2	(16.6)	4.0	(6.2)	30.9
Pretax margin (%)	32.6	22.9	26.6	26.7	26.0
Net profit margin (%)	23.8	17.1	19.5	19.6	19.2
Interest cover (x)	nm	nm	61.2	131.2	121.8
Effective tax rate (%)	27.3	25.4	26.7	26.7	26.3
Dividend payout (%)	19.6	34.2	37.5	42.1	27.8
Debtors turnover (days)	236	190	230	230	230
Stock turnover (days)	45	30	55	40	40
Creditors turnover (days)	685	420	630	630	630

Source: Company, AmlInvestment Bank Bhd estimates

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