

29 February 2024

Property | Real Estate

Tambun Indah (TILB MK)

Neutral (Maintained)

Earnings Missed From Lower Margins

- **Maintain NEUTRAL and TP of MYR0.91, 1% upside.** Tambun Indah's 4Q23 results came in below with expectations from lower-than-expected margins. New sales of MYR98.8m in the quarter led to a full-year property sales of MYR246m, exceeding management's initial target of MYR150m. We keep our call on the stock as management's conservative launch plans should limit the upside to earnings.
- **4Q23 results review.** Revenue increased by 19.7% QoQ (+7% YoY) mainly due to the higher property sales as TILB launched a new project, Vila Botani, in the quarter. QoQ growth in PBT was lower at 5.5% as recently launched projects were still at the initial stage of construction. Core net profit dropped by 13% QoQ (-7.7% YoY) from a higher effective tax rate of 36.6% in 4Q23 due to certain non-tax deductible expenses.
- **New launch driving up sales.** 4Q23 new property sales of MYR98.8m accounted for 40% of FY23 sales of MYR246m. The sharp rise in 4Q was due to the launch of Vila Botani (take-up rate: 28%), which has an expected GDV of MYR301m. The take-up rate for its ongoing projects dropped to 62% from 80% in 3Q23 following the aforementioned launch. On specific projects, the take-up rate for Mutiara Indah saw the biggest jump QoQ to 64% from 46%, Aster Villa's ticked up to 95% (3Q23: 94.6%) while Pearl Impiana increased to 77% (3Q23: 75%).
- **FY24 sales target at MYR150m.** Despite widely beating its sales target in FY23, management is keeping its sales target at a conservative MYR150m for FY24. Nevertheless, the six ongoing projects with a total GDV of MYR499.8m and unbilled sales of MYR122.9m should support earnings in the next 2-3 years. Having just launched Vila Botani in end-2023, its sales should continue to flow to FY24, management is conservative on its pipeline launches in this FY, providing a rough guidance of >MYR100m GDV planned for the year.
- **Forecasts.** We lower our FY24F-25F earnings by 4-7% after adjusting our cost assumptions, and we introduce our FY26F earnings of MYR52m. We expect gross margin to gradually improve, as FY23 margins were impacted from the provisions made for a low-cost housing project.
- **Valuation.** Our TP is based on a 70% discount to RNAV, with a parity ESG premium or discount inked in, as TILB's ESG score of 3.0 is in line with the country median.

Target Price (Return): MYR0.91 (+1%)
Price (Market Cap): MYR0.91 (USD83.3m)
ESG score: 3.0 (out of 4)
Avg Daily Turnover (MYR/USD) 0.12m/0.03m

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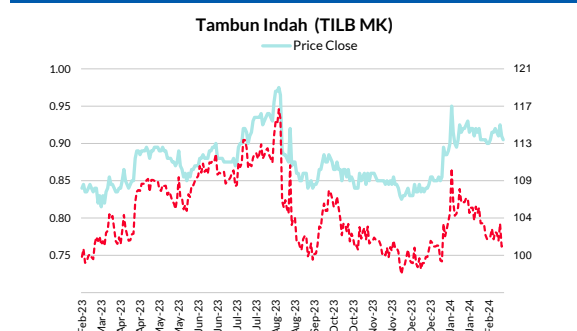


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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	6.5	(2.2)	7.1	(1.6)	7.7
Relative	0.2	(4.8)	0.4	(8.6)	1.4
52-wk Price low/high (MYR)				0.82	-0.98



Source: Bloomberg

Forecasts and Valuation	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Total turnover (MYRm)	227	204	219	229	237
Recurring net profit (MYRm)	61	41	48	50	52
Recurring net profit growth (%)	0.7	(33.0)	18.0	3.3	4.2
Recurring EPS (MYR)	0.14	0.09	0.11	0.11	0.12
DPS (MYR)	0.06	0.05	0.05	0.05	0.05
Recurring P/E (x)	6.48	9.71	8.25	8.01	7.71
P/B (x)	0.53	0.53	0.51	0.50	0.48
Dividend Yield (%)	6.6	5.5	5.5	5.6	5.8
Return on average equity (%)	8.4	5.5	6.3	6.3	6.3
Net debt to equity (%)	net cash	net cash	net cash	net cash	net cash

Source: Company data, RHB

Overall ESG Score: 3.0 (out of 4)

E: GOOD

TILB incorporates environmental friendly initiatives into its projects, including rain water harvesting systems and the installation of motion sensors for electricity conservation in its investment properties. The company also collaborates with contractors for waste management at project sites.

S: GOOD

TILB provides learning and training for employees to foster a conducive working culture. During the pandemic, the company also provides 3-ply face masks and hand sanitisers to all employees.

G: EXCELLENT

42% of TILB's board members are independent, complying with the requirements of Bursa Securities. The company's management is easily accessible for regular updates, embodying good transparency and disclosure practices.

Note:

Small cap stocks are defined as companies with a market capitalisation of less than USD0.5bn.

Financial Exhibits

Asia	Financial summary (MYR)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Malaysia	Recurring EPS	0.14	0.09	0.11	0.11	0.12
Property	EPS	0.14	0.09	0.11	0.11	0.12
Tambun Indah	DPS	0.06	0.05	0.05	0.05	0.05
TILB MK	BVPS	1.70	1.71	1.77	1.83	1.89
Neutral	Return on average equity (%)	8.4	5.5	6.3	6.3	6.3
	Return on average assets (%)	7.1	4.6	5.2	5.1	5.1
Valuation basis	Valuation metrics	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
70% discount to RNAV	Recurring P/E (x)	6.48	9.71	8.25	8.01	7.71
	P/B (x)	0.5	0.5	0.5	0.5	0.5
Key drivers	Dividend Yield (%)	6.6	5.5	5.5	5.6	5.8
i. New property sales;	EV/EBITDA (x)	3.55	5.22	4.42	4.39	4.32
ii. Strategic landbank acquisitions.						
Key risks	Income statement (MYRm)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Weaker-than-expected market conditions.	Total turnover	227	204	219	229	237
	Gross profit	104	74	86	91	95
	EBITDA	86	61	76	79	82
	Depreciation and amortisation	(0)	(1)	(4)	(4)	(4)
	Operating profit	86	61	72	75	78
	Net interest	(4)	(4)	(4)	(5)	(5)
	Pre-tax profit	83	56	68	69	72
	Taxation	(23)	(16)	(20)	(19)	(20)
	Reported net profit	61	41	48	50	52
	Recurring net profit	61	41	48	50	52
Company Profile	Cash flow (MYRm)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Tambun Indah is a developer based in Mainland Penang. Its flagship township Pearl City is located at Simpang Ampat, 15 minutes away from Penang Second Bridge.	Change in working capital	45	(39)	5	9	10
	Cash flow from operations	102	(1)	56	64	66
	Capex	(26)	0	(50)	(50)	(50)
	Cash flow from investing activities	(20)	17	(42)	(41)	(41)
	Dividends paid	(26)	(22)	(22)	(22)	(23)
	Cash flow from financing activities	(13)	(30)	(3)	(3)	(4)
	Cash at beginning of period	142	186	163	203	196
	Net change in cash	69	(14)	11	20	21
	Ending balance cash	211	172	174	223	217
	Balance sheet (MYRm)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
	Total cash and equivalents	186	163	203	196	189
	Tangible fixed assets	431	419	466	512	557
	Total investments	3	4	4	4	4
	Total other assets	37	32	32	32	32
	Total assets	885	884	968	999	1,029
	Short-term debt	24	24	46	47	47
	Total long-term debt	78	62	95	96	96
	Total liabilities	146	130	187	191	193
	Shareholders' equity	743	753	780	807	836
	Minority interests	(4)	0	0	0	0
	Total equity	739	754	780	808	836
	Total liabilities & equity	885	884	968	999	1,029
	Key metrics	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
	Revenue growth (%)	(11.1)	(10.1)	7.2	4.3	3.5
	Recurring net profit growth (%)	0.7	(33.0)	18.0	3.3	4.2
	Recurrent EPS growth (%)	0.1	(33.2)	17.7	3.0	3.9
	Gross margin (%)	45.7	36.0	39.2	39.8	40.1
	Recurring net profit margin (%)	26.9	20.0	22.1	21.8	22.0
	Dividend payout ratio (%)	43.0	53.6	45.0	45.0	45.0

Source: Company data, RHB

Results At a Glance

Figure 1: Quarterly results

FYE Dec (MYRm)	4Q22	3Q23	4Q23	QoQ (%)	YoY (%)	FY22	FY23	YoY (%)	Comments
Turnover	53.9	48.2	57.7	19.7	7.0	227.5	204.4	(10.1)	Revenue saw a strong pickup in 4Q following the launch of Vila Botani in the quarter. FY23 EBIT margin was lower due to >MYR10m of provision for foreseeable loss for a low-cost housing project in 2Q23 and the launch of an affordable low-cost housing project in 3Q23.
EBIT	18.2	17.3	19.2	11.0	5.6	86.0	60.5	(29.6)	
EBIT margin (%)	33.7	35.9	33.2			37.8	29.6		
Net interest	(1.1)	(1.1)	(1.0)	(4.0)	(9.4)	(3.6)	(4.2)	15.7	
Pretax profit	17.2	16.4	17.3	5.5	0.5	82.8	55.8	(32.6)	
Pretax margin (%)	31.9	34.0	30.0			36.4	27.3		
Taxation	(5.4)	(3.9)	(6.3)	63.5	17.7	(22.7)	(16.1)	(28.9)	Higher effective tax rate in the quarter due to certain non-tax deductible expenses recorded in 4Q.
Tax rate (%)	31.3	23.6	36.6			27.4	28.9		
Minority interest	0.3	0.4	0.3	(31.8)	(22.3)	1.0	1.3	25.1	
Net profit	12.1	12.9	11.2	(13.0)	(7.7)	61.2	41.0	(33.0)	Below expectations.
Core net profit	12.1	12.9	11.2	(13.0)	(7.7)	61.2	41.0	(33.0)	
Core net margin (%)	22.5	26.7	19.4			26.9	20.0		
EPS (sen)	2.8	2.9	2.6	(13.0)	(7.6)	14.0	9.3	(33.2)	
Gross DPS (sen)	5.6	0.0	0.0			5.6	0.0		
NTA/share (MYR)	1.7	1.7	1.7			1.7	1.7		

Source: Company data, RHB

Figure 2: RNAV estimate

New projects	Total GDV (MYR m)	Land size (acres)	Equity stake	NPV @ 10%
<u>Ongoing projects</u>				
Palma Residensi	52.0	n.a.	100%	9.9
Palm Garden	124.8	n.a.	100%	23.9
Permai Residensi	59.1		100%	11.3
Ambay Park	120.9		100%	25.2
<u>Remaining projects</u>				
Aster Villa @ Pearl City	151.0	n.a.	100%	26.7
Ambay Garden @ Pearl City	93.0	n.a.	100%	18.6
Kota permai - other phases	150.0	n.a.	100%	20.7
Pearl City - other phases	3,268.2	420.1	100%	430.0
Total				567.04
Shareholders' fund				748.07
Total RNAV				1,315.11
Shares base				433.60
FD RNAV per share (MYR)				3.03
Discount				70%
Intrinsic value (MYR)				0.91
ESG discount / premium				0%
Target price (MYR)				0.91

Source: RHB

Emissions And ESG

Trend analysis

Increasing emissions in FY22 in line with the economic reopening - thus increased operations at Tambun Indah's project sites. As of FY22, Scope 3 emissions only include employee business travel.

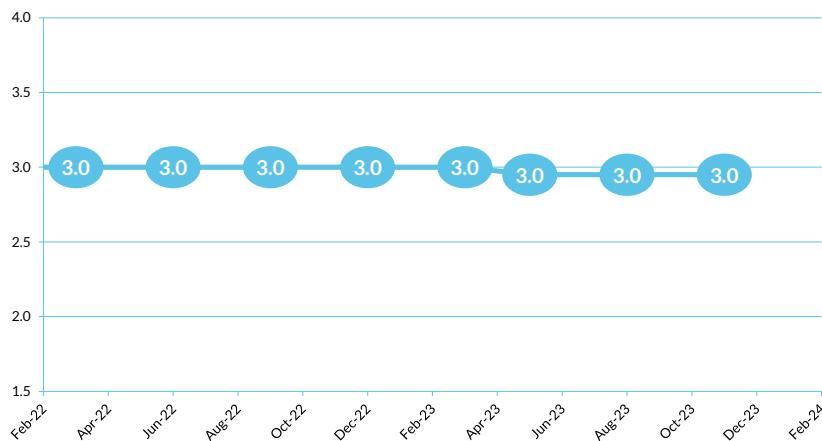
Emissions (tCO2e)	Dec-21	Dec-22	Dec-23
Scope 1	25,549	33,127	-
Scope 2	148,833	185,127	-
Scope 3	31,541	39,079	-
Total emissions	205,923	257,333	na

Source: Company data, RHB

Latest ESG-Related Developments

- TILB undergoes various campaigns to reduce energy consumption such as using alternate looping, solar panel compound lighting, and promoting natural lighting through architectural designs.

ESG Rating History



Source: RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2023-11-23	Neutral	0.91	0.85
2023-08-28	Neutral	1.03	0.92
2023-05-25	Neutral	0.90	0.87
2022-11-24	Buy	0.90	0.73
2022-05-26	Neutral	0.90	0.98
2022-02-25	Buy	0.87	0.79
2021-11-25	Buy	0.87	0.78
2021-08-26	Neutral	0.70	0.68
2021-05-27	Neutral	0.70	0.66
2021-02-26	Neutral	0.70	0.64
2020-11-27	Neutral	0.67	0.60
2020-06-25	Neutral	0.59	0.53
2020-02-27	Neutral	0.74	0.68
2019-11-27	Neutral	0.80	0.76
2019-08-23	Neutral	0.80	0.77

Source: RHB, Bloomberg

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Buy:	Share price may exceed 10% over the next 12 months
Trading Buy:	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
Neutral:	Share price may fall within the range of +/- 10% over the next 12 months
Take Profit:	Target price has been attained. Look to accumulate at lower levels
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Not Rated:	Stock is not within regular research coverage

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