



AmInvestment Bank

Company report

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TITIJAYA LAND

(TTJ MK EQUITY, TITI.KL)

A soft patch in 1QFY20

PROPERTY



2 Dec 2019

HOLD

(Maintained)

Rationale for report: Company results

Price	RM0.30
Fair Value	RM0.28
52-week High/Low	RM0.34/RM0.29

Key Changes

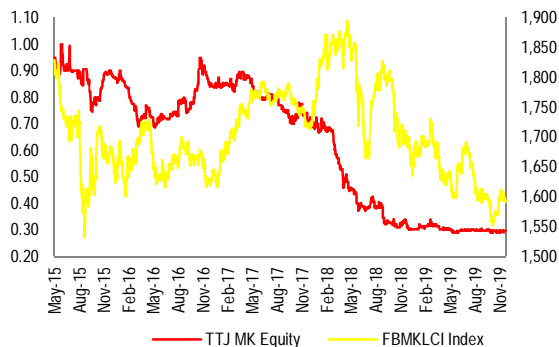
Fair value	⬇️
EPS	⬇️

YE to Jun (RM mil)	FY19	FY20F	FY21F	FY22F
Revenue (RM mil)	311.8	229.6	274.2	309.8
Core net profit (RM mil)	34.9	18.9	20.5	24.1
FD Core EPS (sen)	2.6	1.4	1.5	1.8
FD Core EPS growth (%)	-52.8	-45.9	8.7	17.5
Consensus Net Profit (RM mil)	-	42.8	52.0	54.7
DPS (sen)	50.0	25.0	25.0	25.0
PE (x)	11.5	21.4	19.7	16.7
EV/EBITDA (x)	10.9	15.7	14.5	13.0
Div yield (%)	1.7	0.8	0.8	0.8
ROE (%)	2.8	1.5	1.6	1.9
Net Gearing (%)	21.2	12.6	13.5	14.7

Stock and Financial Data

Shares Outstanding (million)	1,263.1
Market Cap (RM mil)	372.6
Book Value (RM/share)	0.81
P/BV (x)	0.4
ROE (%)	2.9
Net Gearing (%)	21.2
Major Shareholders	Titijaya Group Sdn B 58.3% Titi Kaya Sdn. Bhd 5.5% AIA Bhd 4.1%
Free Float	32.1%
Avg Daily Value (RM mil)	0.04

Price performance	3mth	6mth	12mth
Absolute (%)	0.0	1.7	(5.6)
Relative (%)	0.4	0.6	0.2



Investment Highlights

- We are maintaining our HOLD recommendation on Titijaya Land (Titijaya) with a lower fair value of RM0.28 (from RM0.30) based on a 45% discount to its RNAV (Exhibit 2).
- We cut our FY20, FY21 and FY22 forecasts by 57%, 60% and 56% to RM18.9mil, RM20.5mil and RM24.1mil respectively to reflect the timing of revenue recognition. Our downgrade in earnings and FV is largely to reflect the lower margins for its existing and future launches.
- Titijaya's 1QFY20 net profit of RM2.9mil came in below expectations at only 7% of both our and consensus full-year estimates.
- 1QFY20 revenue and net earnings declined by 31.3% and 75.1% YoY respectively due to the lower recognition and lower progress recognition from the completed H2O and Mizu. In addition, the lower earnings were also due to the absence of one-time reimbursement of costs from Prasarana on the temporary occupation of land for development the LRT.
- Financial leverage remained stable despite a higher net gearing of 28.4% as compared with 27% QoQ.
- Titijaya launched Seiring Residensi in August 2019, which is phase one of its Damaisuria township project. Consisting of four towers, Seiring Residensi offers a selection of units with sizes ranging from 668 sq ft to 972 sq ft, with up to four bedrooms. Developed over four phases, Damaisuria will have a GDV of RM1.59bil, while the first phase Seiring Residensi will have a GDV of RM677mil.
- Currently, Titijaya has a total landbank of 208 acres, located mainly in Klang Valley with a GDV of RM12.4bil which provides good earnings visibility and will drive the company's growth going forward.
- We expect the property market to remain subdued in the short to medium term with many potential buyers having difficulty in obtaining loans due to their already high debt service ratios.

EXHIBIT 1: EARNINGS SUMMARY

FY 30 Jun (RM mil)	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	QoQ %	YoY %	1QFY19	1QFY20	YTD %
Revenue	67.1	83.1	117.6	44.0	46.1	4.6%	-31.3%	67.1	46.1	-31.3%
Operating costs	(49.1)	(65.0)	(100.3)	(32.0)	(38.3)	19.6%	-22.0%	(49.1)	(38.3)	-22.0%
EBIT	18.0	18.0	17.3	12.1	7.8	-35.3%	-56.8%	18.0	7.8	-56.8%
Net interest	(1.0)	(1.8)	(1.6)	(8.5)	(1.7)	-79.4%	74.4%	(1.0)	(1.7)	74.4%
Associates/JV contribution	0.0	(0.0)	(0.0)	0.0	0.0	n.a.	n.a.	0.0	0.0	n.a.
PBT	17.0	16.3	15.6	3.6	6.1	68.6%	-64.5%	17.0	6.1	-64.5%
Tax	(4.5)	(5.0)	(4.4)	(1.3)	(2.0)	50.8%	-55.9%	(4.5)	(2.0)	-55.9%
MI	(0.8)	(0.9)	(0.4)	(0.2)	(1.1)	398.7%	46.1%	(0.8)	(1.1)	46.1%
Net Profit	11.7	10.3	10.8	2.0	2.9	43.4%	-75.1%	11.7	2.9	-75.1%
Core Net Profit	11.7	10.3	10.8	2.0	2.9	43.4%	-75.1%	11.7	2.9	-75.1%
EPS (sen)	0.9	0.8	0.8	0.2	0.2			0.9	0.2	
EBIT Margin (%)	26.9%	21.7%	14.7%	27.4%	16.9%			26.9%	16.9%	
CORE Net Profit Margin (%)	17.5%	12.4%	9.2%	4.6%	6.3%			17.5%	6.3%	

Source: Company

EXHIBIT 2: RNAV VALUATIONS

Projects	Outstanding GDV (RMmil)	RNAV (RMmil)	Stake
Current			
H20 Ara Damansara	586.2	11.0	100.0%
Taman Seri Residensi (Klang) - Phase 2B: Semi D	41.0	2.0	100.0%
3rdNvenue Phase 1: Service suite	513.0	19.9	70.0%
The Shore - Retail, Serviced Residence, Hotel	534.0	24.6	100.0%
Park Residency - 3-storey linked villa	85.0	5.2	100.0%
Future			
3rdNvenue	1,427.0	42.2	70.0%
Riveria City	1,450.0	60.8	70.0%
Damai Suria	1,298.0	52.1	100.0%
Total NPV		217.7	
NTA		1,247.9	
Cash/ (debt)		(338.0)	
SOP		1,127.6	
Fully-diluted share base (mil shares)		2,209.5	
SOP per share (RM)		0.51	
FV per share (RM) (45% discount to SOP)		0.28	

Source: AmInvestment Bank Bhd

EXHIBIT 3: FINANCIAL DATA

Income Statement (RMmil, YE 30 Jun)	FY18	FY19	FY20F	FY21F	FY22F
Revenue	381.4	311.8	229.6	274.2	309.8
EBITDA	121.6	67.1	37.0	41.3	48.0
Depreciation/Amortisation	(1.7)	(1.7)	(1.2)	(1.5)	(1.7)
Operating income (EBIT)	120.0	65.4	35.7	39.8	46.3
Other income & associates	0.0	0.0	0.0	0.0	0.0
Net interest	(11.2)	(12.9)	(9.5)	(11.3)	(12.8)
Exceptional items	0.0	0.0	0.0	0.0	0.0
Pretax profit	108.8	52.5	26.2	28.5	33.5
Taxation	(30.9)	(15.3)	(7.3)	(8.0)	(9.4)
Minorities/pref dividends	1.4	(2.3)	0.0	0.0	0.0
Net profit	79.3	34.9	18.9	20.5	24.1
Core net profit	79.3	34.9	18.9	20.5	24.1
Balance Sheet (RMmil, YE 30 Jun)	FY18	FY19	FY20F	FY21F	FY22F
Fixed assets	12.0	11.6	8.5	10.2	11.5
Intangible assets	635.1	957.8	1,007.8	1,057.8	1,107.8
Other long-term assets	2.9	1.1	1.1	1.1	1.1
Total non-current assets	650.0	970.5	1,017.5	1,069.1	1,120.5
Cash & equivalent	218.7	137.5	183.4	185.4	187.9
Stock	125.2	202.5	162.7	194.3	219.6
Trade debtors	515.7	549.6	275.1	322.9	368.1
Other current assets	695.4	525.2	525.2	525.2	525.2
Total current assets	1,555.1	1,414.8	1,146.4	1,227.8	1,300.8
Trade creditors	304.1	535.8	430.3	513.9	580.7
Short-term borrowings	148.0	97.7	97.7	97.7	97.7
Other current liabilities	73.6	87.2	64.2	76.7	86.6
Total current liabilities	525.6	720.7	592.2	688.3	765.1
Long-term borrowings	398.4	377.8	269.2	289.0	315.8
Other long-term liabilities	31.7	32.3	32.3	32.3	32.3
Total long-term liabilities	430.1	410.0	301.4	321.3	348.0
Shareholders' funds	1,246.1	1,249.9	1,265.5	1,282.6	1,303.4
Minority interests	3.3	4.7	4.7	4.7	4.7
BV/share (RM)	0.93	0.93	0.94	0.95	0.97
Cash Flow (RMmil, YE 30 Jun)	FY18	FY19	FY20F	FY21F	FY22F
Pretax profit	108.8	52.5	26.2	28.5	33.5
Depreciation/Amortisation	1.7	1.7	1.2	1.5	1.7
Net change in working capital	(437.6)	251.1	185.9	16.7	6.3
Others	(16.0)	(34.8)	(2.9)	1.5	1.2
Cash flow from operations	(343.1)	270.4	210.5	48.3	42.7
Capital expenditure	(0.8)	(0.5)	(0.4)	(0.4)	(0.5)
Net investments & sale of fixed assets	(70.9)	(35.4)	0.0	0.0	0.0
Others	(43.9)	(213.9)	(50.0)	(50.0)	(50.0)
Cash flow from investing	(115.6)	(249.8)	(50.4)	(50.4)	(50.5)
Debt raised/(repaid)	163.2	(70.5)	(154.5)	17.8	24.3
Equity raised/(repaid)	423.7	0.0	0.0	0.0	0.0
Dividends paid	(3.6)	(9.0)	(3.4)	(3.4)	(3.4)
Others	(64.3)	(5.1)	79.0	(10.2)	(10.6)
Cash flow from financing	518.9	(84.5)	(78.8)	4.2	10.3
Net cash flow	60.1	(63.9)	81.3	2.1	2.5
Net cash/(debt) b/f	79.7	134.4	70.5	151.9	153.9
Net cash/(debt) c/f	139.8	70.5	151.9	153.9	156.4
Key Ratios (YE30 Jun)	FY18	FY19	FY20F	FY21F	FY22F
Revenue growth (%)	0.2	(18.3)	(26.4)	19.4	13.0
EBITDA growth (%)	5.0	(44.8)	(44.9)	11.8	16.1
Pretax margin (%)	28.5	16.8	11.4	10.4	10.8
Net profit margin (%)	20.8	11.2	8.2	7.5	7.8
Interest cover (x)	49.2	31.9	10.7	5.1	3.8
Effective tax rate (%)	28.4	29.1	28.0	28.0	28.0
Dividend payout (%)	8.5	19.2	17.8	16.4	13.9
Debtors turnover (days)	493.5	643.4	437.5	429.9	433.7
Stock turnover (days)	143.5	191.8	290.4	237.6	243.8
Creditors turnover (days)	298.3	491.5	768.0	628.5	644.8

Source: Company, AmInvestment Bank Bhd estimates

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