

Company Update

20 March 2019

Titijaya Land Berhad

BUY

Looking beyond FY19

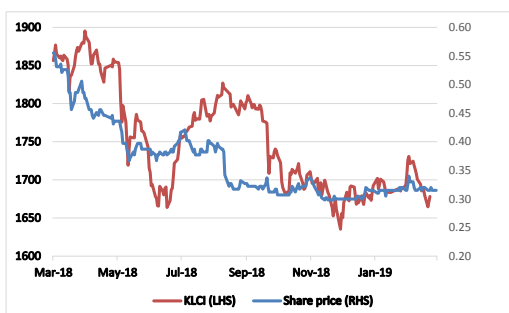
Maintained

KLCI	1687.68 points
Share Price	RM0.315
Target Price	RM0.36
Expected share price return	14.3%
Expected dividend return	1.6%
Expected total return	15.9%

Stock Data	
Bursa / Bloomberg code	5239 / TTJ MK
Market / Board	Main / Industrial
Syariah Compliant status	Yes
Issued shares (m)	1305.92
Market cap	RM411.36m
Par value	RM0.50
52-week price Range	RM0.29 – 0.57
Beta (against KLCI)	0.90
3-m Average Daily Volume	0.66m
3-m Average Daily Value [^]	RM0.20m

Share Performance			
	1m	3m	12m
Absolute (%)	-3.1	5.0	-43.8
Relative (%-pts)	-0.9	2.7	-38.1

Major Shareholders		%
TITIJAYA GROUP SDN BHD		56.38
TITI KAYA SDN BHD		5.3
AIA BHD		4.57
Estimated free float		19.58



Source: Bloomberg

Lee Chung Cheng
03-87361118, ext. 758
cclee@jfp Apex.com.my

This report is also accessible at
www.bursamids.com

What's New

- **Improving new sales.** We met the management of Titijaya Land Berhad (Titijaya) recently and came back feeling neutral on the Group's prospects. Take-up rates for its key projects, namely The Shore (KK), 3rdNvenue (KL) and Riveria City (KL Sentral) are improving. This is reflected by its latest sales figure of RM258m achieved during 6MFY19. We believe Titijaya is on track to meet its sale target of RM400-500m for FY19. The Group will continue focusing in Klang Valley with affordable product offerings fetching prices below RM500k, which constitutes 50% of its property sales.
- **Re-strategizing business plan by diversifying into industrial properties.** We understand that Titijaya may relook into development of industrial properties amid prevailing supply glut in residential properties especially in the high-rise segment. The Group is currently scouting for strategic industrial landbank for future development. We are positive with the move as booming e-commerce will yield greater demand for the logistics warehouse/factory.

Comment

- **On-going projects gaining traction.** Titijaya is confident that take-up rates for its few key projects, which were launched last year, will improve in the coming months as the Group is in the midst of converting the projects' bookings into S&P signings - 3rdNvenue (take-up rate: 50%; booking rate: 80%), Riveria City (take-up rate: 50%; booking rate: 80%) and The Shore (take-up rate: 30%; booking rate: 50%). Besides, the Group also strives to achieve better sales of its landed residential projects in Klang Valley such as Taman Seri Residensi@Klang and Park Residency@Cheras. Apart from marketing its on-going launches, the Group also exerts effort in reducing its stock level as evidenced by a 14% drop in inventory from RM126m a year ago to the current RM108m (mainly consists of factory and high-end landed residences in Kemensah, Ampang).
- **Upcoming projects launches worth RM1.2b GDV for FY20 (CY2H19).** The Group aims to launch a few projects totalling RM1.2b GDV in FY20 (CY2H19) which include: a) Damai Suria@Bukit Subang Phase 1 - Serviced apartment with an estimated GDV of RM178m, b) 3rdNvenue@KL Phase 2 - Serviced apartment with an

estimated GDV of RM338m, c) Riveria City@KL Sentral Phase 2 - Serviced apartment with an estimated GDV of RM570m, and d) Taman Seri Residensi@Klang Phase 3 – Semi-D and SelangorKu affordable housings with a combined GDV of RM96m. In a nutshell, Titijaya aims for RM500m sales in FY20 which is in line with our forecast.

- **Slightly better 2HFY19 against 1HFY19 but still weaker FY19 overall.** To recap, Titijaya recorded a net profit of RM10.3m in its 2QFY19 results, tumbling 62.1% yoy and 12.0% qoq. For 1HFY19, the Group achieved a net profit of RM22.0m, -43.9% yoy. The subdued 1H result was mainly due to lower progress billings. Moving forward, we envisage the Group's earnings to pick up gradually in 2H on the back of higher work-in-progress (WIP) in its on-going property projects (2HFY19 net profit estimate: RM26.4m vs 1HFY19 actual net earnings: RM22m). Still, we expect the Group to record RM48.4m net earnings in FY19 which is 31% lower than FY18. Notably, management highlighted that the half-yearly reimbursement costs of RM7.9m from Prasarana for temporary occupation of its Shah Alam land for the LRT project has been terminated by the new ruling government since 2H18.

Earnings Outlook/Revision

- **We slash our FY19F and FY20F net profit estimates by 12.8% and 11.1%** to RM48.4m and RM60.2m respectively after: 1) reversing out the reimbursement costs from Prasarana, 2) lowering our Gross and PBT margins assumptions to reflect higher land costs for project developments and higher marketing/promotional expenses for its future and current projects, and 3) fine-tuning the progress billings.

Valuation/Recommendation

- **Maintain BUY on Titijaya with an unchanged target price of RM0.36.** Our valuation is now pegged at 8.5x FY20F fully-diluted EPS, which is in line with current valuations of other small-and-mid cap property counters (trading at PE of 5-9x).
- **We continue to favour the Group in the long run** as we believe the Group is able to fast track its projects execution to ride on the gradual recovery of property outlook. This is backed by its unique business model and landbanking strategy of scouting for joint venture and land-swap opportunities with reputable government agencies and other synergistic partners, as well as its aggressive and innovative marketing efforts in targeting mass market housing segment.
- **Risks include:** 1) high loan rejection rate; 2) affordability issue due to high cost of living and stagnant wages; 3) prolonged slowdown in property market; 4) oversupply of high rise residences in Klang Valley.

Figure 1: P&L and Financial Summary

Year to 30 June (RMm)	FY2015	FY2016	FY2017	FY2018	FY2019F	FY2020F
Revenue	340.7	400.1	380.9	398.2	302.2	354.7
Gross profit	149.4	141.5	145.7	153.8	93.7	113.5
Operating profit	111.8	93.5	114.1	111.0	71.3	86.4
Profit before tax	111.1	91.6	110.5	104.9	66.5	81.6
Net profit	80.9	68.3	76.6	70.5	48.4	60.2
Core net profit	80.9	68.3	76.6	70.5	48.4	60.2
EPS (sen)	6.0	5.1	5.7	5.3	3.6	4.5
DPS (sen)	4.5	0.5	0.5	0.3	0.5	0.5
P/E (x)	5.2	6.2	5.5	6.0	8.7	7.0
P/BV (x)	0.9	0.8	0.6	0.3	0.3	0.3
Diluted EPS (sen)	5.7	4.8	5.4	4.9	3.4	4.2
FD P/E	5.6	6.6	5.9	6.4	9.3	7.5
Revenue growth (%)	20.0	17.4	-4.8	4.5	-24.1	17.4
Net profit growth (%)	13.5	-15.6	12.2	-8.0	-31.4	24.5
Core net profit growth (%)	13.5	-15.6	12.2	-8.0	-31.4	24.5
Gross margin (%)	43.9	35.4	38.3	38.6	31.0	32.0
Operating margin (%)	32.8	23.4	30.0	27.9	23.6	24.4
PBT margin (%)	32.6	22.9	29.0	26.3	22.0	23.0
Dividend yield (%)	14.3	1.6	1.6	0.8	1.6	1.6
Net gearing (%)	-2.2	32.1	37.4	26.3	23.0	20.1
ROE (%)	17.0	12.9	11.3	5.7	3.4	3.9
ROA (%)	7.7	6.3	5.1	3.1	2.0	2.3

Figure 2: Balance Sheet

(RM'm)	FY2015	FY2016	FY2017	FY2018	FY2019F	FY2020F
Balance Sheet						
Cash	168.5	34.9	136.7	218.2	234.3	264.3
Current assets	837.2	788	885.5	1448.2	1549.6	1658.0
Non-current assets	219.7	304.3	606.4	846.3	905.5	968.9
Total assets	1056.9	1092.3	1491.9	2294.5	2455.1	2627.0
Short term debt	54.5	98.1	151.3	279.0	287.4	296.0
Current liabilities	418.3	402.3	538.2	660.0	679.8	700.2
Long term debt	103.4	107.2	239.1	264.9	272.8	281.0
Non-current liabilities	163.1	158.7	272.5	346.9	357.3	368.0
Total liabilities	581.4	561	810.7	1006.9	1037.1	1068.2
Shareholders' equity	474.9	530.8	678	1237.9	1414.0	1554.8
MI	0.6	0.5	3.2	49.7	4.0	4.0
Total equity	475.5	531.3	681.2	1287.6	1418.0	1558.8
Total liabilities & equity	1056.9	1092.3	1491.9	2294.5	2455.1	2627.0

Figure 3: Cash Flow

(RM'm)	FY2015	FY2016	FY2017	FY2018	FY2019F	FY2020F
Cash Flow						
Cash flow from operations	159.9	-49.9	46.8	-358	50	70
Cash flow from investing	-28.9	-85	-161	-110.2	-90	-130
Cash flow from financing	-95.4	1.3	152.5	582.8	80	90
Cash generated	35.6	-133.6	38.3	114.6	40	30
Cash at beginning	132.9	168.5	60.9	79.7	194.3	234.3
Cash at end of period	168.5	34.9	99.2	194.3	234.3	264.3

Source: Company, JF Apex

JF APEX SECURITIES BERHAD – CONTACT LIST

JF APEX SECURITIES BHD**Head Office:**

6th Floor, Menara Apex
Off Jalan Semenyih
Bukit Mewah
43000 Kajang
Selangor Darul Ehsan
Malaysia

General Line: (603) 8736 1118
Facsimile: (603) 8737 4532

PJ Office:

15th Floor, Menara Choy Fook On
No. 1B, Jalan Yong Shook Lin
46050 Petaling Jaya
Selangor Darul Ehsan
Malaysia

General Line: (603) 7620 1118
Facsimile: (603) 7620 6388

DEALING TEAM**Head Office:**

Kong Ming Ming (ext 3237)
Shirley Chang (ext 3211)
Norisam Bojo (ext 3233)

Institutional Dealing Team:

Zairul Azman (ext 746)
Fathul Rahman Buyong (ext 741)
Ahmad Mansor (ext 744)

PJ Office:

Mervyn Wong (ext 363)
Azfar Bin Abdul Aziz (Ext 822)
Tan Heng Cheong (Ext 111)

RESEARCH TEAM**Head Office:**

Lee Chung Cheng (ext 758)
Lee Cherng Wee (ext 759)
Low Zy Jing (ext 754)
Nursuhaiza Hashim (ext 752)
Siau Li Shen (ext 753)

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

JF APEX SECURITIES BERHAD – DISCLAIMER

Disclaimer: The report is for internal and private circulation only and shall not be reproduced either in part or otherwise without the prior written consent of JF Apex Securities Berhad. The opinions and information contained herein are based on available data believed to be reliable. It is not to be construed as an offer, invitation or solicitation to buy or sell the securities covered by this report.

Opinions, estimates and projections in this report constitute the current judgment of the author. They do not necessarily reflect the opinion of JF Apex Securities Berhad and are subject to change without notice. JF Apex Securities Berhad has no obligation to update, modify or amend this report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

JF Apex Securities Berhad does not warrant the accuracy of anything stated herein in any manner whatsoever and no reliance upon such statement by anyone shall give rise to any claim whatsoever against JF Apex Securities Berhad. JF Apex Securities Berhad may from time to time have an interest in the company mentioned by this report. This report may not be reproduced, copied or circulated without the prior written approval of JF Apex Securities Berhad.

JF Apex Securities Berhad is a participant of the Mid and Small Cap Research Scheme ("MidS"), and will receive compensation for the participation. This report has been prepared by JF Apex Securities Berhad pursuant to the MidS administered by Bursa Malaysia Berhad. This report has been produced independent of any influence from Bursa Malaysia Berhad or the subject company. Bursa Malaysia Berhad and its group of companies disclaims any and all liability, however arising, out of or in relation to the administration of MidS and/or this report

This report is also accessible at www.bursamids.com

Published & Printed By:

JF Apex Securities Berhad (47680-X)
(A Participating Organisation of Bursa Malaysia Securities Berhad)