

Company report

Thong Pak Leng

thong-pak-leng@ambankgroup.com

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Rationale for report: Company results

BUY

(Maintained)

Price RM0.32
Fair Value RM0.41
 52-week High/Low RM0.68/RM0.29

Key Changes

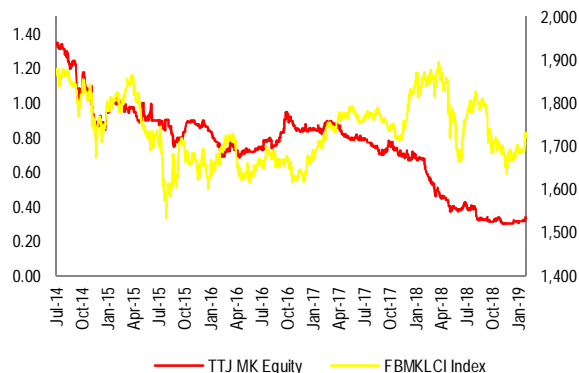
Fair value 
 EPS 

YE to Jun (RM mil)	FY18	FY19F	FY20F	FY21F
Revenue (RM mil)	399.0	351.5	389.8	423.9
Core net profit (RM mil)	72.9	55.4	61.5	66.9
FD Core EPS (sen)	5.4	4.1	4.6	5.0
FD Core EPS growth (%)	-5.0	-24.0	10.9	8.7
Consensus Net Profit (RM mil)	-	65.1	71.2	78.9
DPS (sen)	50.0	25.0	25.0	25.0
PE (x)	5.9	7.8	7.0	6.4
EV/EBITDA (x)	6.4	7.3	6.9	6.3
Div yield (%)	1.6	0.8	0.8	0.8
ROE (%)	7.6	4.4	4.7	4.8
Net Gearing (%)	20.3	13.0	14.1	13.4

Stock and Financial Data

Shares Outstanding (million)	1,307.0
Market Cap (RM mil)	431.3
Book Value (RM/share)	0.89
P/BV (x)	0.4
ROE (%)	6.8
Net Gearing (%)	27.2
Major Shareholders	Titijaya Group Sdn B 56.3% Titi Kaya Sdn. Bhd 5.3% AIA Bhd 4.6%
Free Float	33.8%
Avg Daily Value (RM mil)	0.16

Price performance	3mth	6mth	12mth
Absolute (%)	5.6	(15.8)	(50.7)
Relative (%)	3.3	3.4	(47.3)



Investment Highlights

- We are maintaining our BUY recommendation on Titijaya with a lower fair value of RM0.41 from RM0.47 based on a 45% discount to its RNAV (Exhibit 3).
- We cut FY19–21F forecasts by 20% and 14% and 15% to RM55.4mil, RM61.5mil and RM66.9mil respectively to reflect the timing of revenue recognition.
- Titijaya's 1HFY19 net profit of RM22.1mil came in below expectations at only 32% and 34% of our full-year forecast and full-year consensus estimates respectively.
- 1HFY19 revenue declined by 34.9% YoY due to lower recognition on new projects namely 3rdNvenue – New Suites, Park Residency and Riveria – Phase 1 as these projects are still at the early stage of construction. Nonetheless, EBIT margin remained stable at 24.0% vs. previous year's 23.8%.
- Titijaya registered new sales of RM258mil YTD while unbilled sales of RM364mil will provide earnings visibility for the next 2–3 years.
- The downgrade in earnings and FV is largely to reflect the slower take-up rates in the construction period for its existing and future launches.
- Financial leverage remained stable despite higher net gearing of 22% as compared with 18% YoY.
- Overall, Titijaya has lined up RM826mil of new launches (high-rise residential) over the immediate term, with the key selling points being: (1) affordability for units in Phase 1 of Damai Suria @ Bukit Subang @RM300K-450K – GDV RM168mil); and (2) premium locations for units in Riveria, KL Sentral @ RM300K-500K – GDV RM320mil; and Phase 2 of 3rdNvenue @ RM450K-RM1mil – GDV RM338mil.
- Currently, Titijaya has total landbank of 208 acres, located mainly in Klang Valley with a GDV of RM12.4bil, providing 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)	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	QoQ %	YoY %	1HFY18	1HFY19	YTD %
Revenue	143.6	79.9	72.5	67.1	83.1	23.8%	-42.1%	246.6	150.2	-39.1%
Operating costs	(103.5)	(50.8)	(48.4)	(49.1)	(65.0)	32.6%	-37.1%	(187.8)	(114.1)	-39.3%
EBIT	40.1	29.2	24.1	18.0	18.0	0.0%	-55.0%	58.7	36.1	-38.6%
Net interest	(1.5)	(2.0)	(0.4)	(1.0)	(1.8)	78.9%	17.5%	(2.6)	(2.8)	7.9%
Associates/JV contribution	(0.0)	(0.0)	(0.0)	0.0	(0.0)	n.a.	n.a.	(0.0)	(0.0)	n.a.
PBT	38.6	27.2	23.7	17.0	16.3	-4.6%	-57.8%	56.2	33.3	-40.7%
Tax	(10.9)	(6.0)	(13.1)	(4.5)	(5.0)	10.0%	-54.4%	(16.4)	(9.5)	-41.9%
MI	1.0	0.6	0.0	(0.8)	(0.9)	21.4%	-197.3%	0.8	(1.7)	-309.8%
Net Profit	28.6	21.7	10.6	11.7	10.3	-12.0%	-63.9%	40.6	22.1	-45.6%
Core Net Profit	28.6	21.7	10.6	11.7	10.3	-12.0%	-63.9%	40.6	22.1	-45.6%
EPS (sen)	2.1	1.6	0.8	0.9	0.8			3.0	1.6	
EBIT Margin (%)	27.9%	36.5%	33.3%	26.9%	21.7%			23.8%	24.0%	
CORE Net Profit Margin (%)	19.9%	27.1%	14.7%	17.5%	12.4%			16.5%	14.7%	

Source: Company

EXHIBIT 2: RNAV VALUATIONS

Projects	Outstanding GDV (RMmil)	RNAV (RMmil)	Stake
Current			
H20 Ara Damansara- Block A, B, C, D	586.2	83.9	100.0%
Taman Seri Residensi (Klang) - Phase 2B: Semi D	41.0	4.7	100.0%
3rdNvenue Phase 1: Service suite	513.0	36.9	70.0%
The Shore - Retail, Serviced Residence, Hotel	534.0	47.6	100.0%
Park Residency - 3-storey linked villa	85.0	9.2	100.0%
Future			
3rdNvenue	1,427.0	63.1	70.0%
Riveria City	1,450.0	93.1	70.0%
Damai Suria	1,298.0	74.2	100.0%
Total NPV		412.7	
NTA		1,235.8	
SOP		1,648.5	
Fully-diluted share base (mil shares)		2,209.5	
SOP per share (RM)		0.75	
FV per share (RM) (45% discount to SOP)		0.41	

Source: AmInvestment Bank Bhd

EXHIBIT 3: FINANCIAL DATA

Income Statement (RMmil, YE 30 Jun)	FY17	FY18	FY19F	FY20F	FY21F
Revenue	380.8	399.0	351.5	389.8	423.9
EBITDA	115.8	113.8	82.9	92.0	100.0
Depreciation/Amortisation	(1.6)	(1.7)	(1.5)	(1.6)	(1.8)
Operating income (EBIT)	114.2	112.1	81.4	90.3	98.2
Other income & associates	0.0	0.0	0.0	0.0	0.0
Net interest	(3.6)	(5.0)	(4.4)	(4.9)	(5.3)
Exceptional items	0.0	0.0	0.0	0.0	0.0
Pretax profit	110.6	107.1	77.0	85.4	92.9
Taxation	(34.2)	(35.5)	(21.6)	(23.9)	(26.0)
Minorities/pref dividends	0.4	1.4	0.0	0.0	0.0
Net profit	76.8	72.9	55.5	61.5	66.9
Core net profit	76.8	72.9	55.5	61.5	66.9
Balance Sheet (RMmil, YE 30 Jun)	FY17	FY18	FY19F	FY20F	FY21F
Fixed assets	12.1	12.0	10.6	11.8	12.8
Intangible assets	407.0	833.1	883.1	933.1	983.1
Other long-term assets	0.4	1.1	1.1	1.1	1.1
Total non-current assets	419.5	846.2	894.8	946.0	997.0
Cash & equivalent	136.8	218.2	203.8	210.8	218.4
Stock	174.6	123.5	113.0	125.3	136.2
Trade debtors	262.4	554.3	406.6	467.2	499.2
Other current assets	489.6	552.3	552.3	552.3	552.3
Total current assets	1,063.5	1,448.2	1,275.6	1,355.6	1,406.1
Trade creditors	319.3	304.5	278.6	309.0	336.0
Short-term borrowings	110.5	279.3	279.3	279.3	279.3
Other current liabilities	59.0	76.1	67.0	74.4	80.9
Total current liabilities	488.8	660.0	625.0	662.7	696.2
Long-term borrowings	281.3	266.3	125.2	160.4	165.0
Other long-term liabilities	32.0	80.7	80.7	80.7	80.7
Total long-term liabilities	313.4	346.9	205.8	241.1	245.6
Shareholders' funds	676.9	1,237.9	1,289.9	1,348.1	1,411.6
Minority interests	4.0	49.7	49.7	49.7	49.7
BV/share (RM)	0.50	0.92	0.96	1.00	1.05
Cash Flow (RMmil, YE 30 Jun)	FY17	FY18	FY19F	FY20F	FY21F
Pretax profit	110.6	107.1	77.0	85.4	92.9
Depreciation/Amortisation	1.6	1.7	1.5	1.6	1.8
Net change in working capital	(64.2)	(437.6)	123.2	(35.2)	(9.4)
Others	(14.3)	(29.1)	(4.5)	3.6	3.2
Cash flow from operations	33.8	(358.0)	197.2	55.5	88.5
Capital expenditure	(0.1)	(0.8)	(0.7)	(0.8)	(0.9)
Net investments & sale of fixed assets	(0.8)	(70.9)	0.0	0.0	0.0
Others	(146.5)	(38.4)	(50.0)	(50.0)	(50.0)
Cash flow from investing	(147.5)	(110.2)	(50.7)	(50.8)	(50.9)
Debt raised/(repaid)	99.0	163.2	(126.8)	28.3	(3.0)
Equity raised/(repaid)	49.5	423.7	0.0	0.0	0.0
Dividends paid	(2.0)	(3.6)	(3.4)	(3.4)	(3.4)
Others	0.9	(0.4)	(55.9)	(22.6)	(23.5)
Cash flow from financing	147.3	582.8	(186.0)	2.3	(29.9)
Net cash flow	33.6	114.7	(39.5)	7.0	7.7
Net cash/(debt) b/f	46.1	79.7	194.3	154.8	161.8
Net cash/(debt) c/f	79.7	194.3	154.8	161.8	169.4
Key Ratios (YE30 Jun)	FY17	FY18	FY19F	FY20F	FY21F
Revenue growth (%)	(4.8)	4.8	(11.9)	10.9	8.7
EBITDA growth (%)	23.4	(1.8)	(27.1)	10.9	8.7
Pretax margin (%)	29.1	26.8	21.9	21.9	21.9
Net profit margin (%)	20.2	18.3	15.8	15.8	15.8
Interest cover (x)	146.6	49.2	31.9	22.3	18.4
Effective tax rate (%)	30.9	33.2	28.0	28.0	28.0
Dividend payout (%)	2.5	9.2	6.1	5.5	5.0
Debtors turnover (days)	251.6	507.1	422.3	437.5	429.9
Stock turnover (days)	93.7	136.3	122.8	111.5	112.6
Creditors turnover (days)	246.3	285.3	302.8	275.1	277.7

Source: Company, AmInvestment Bank Bhd estimates

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