

Company Result

27 February 2019

**Titijaya Land Berhad**

**BUY**

Expecting better 2HFY19

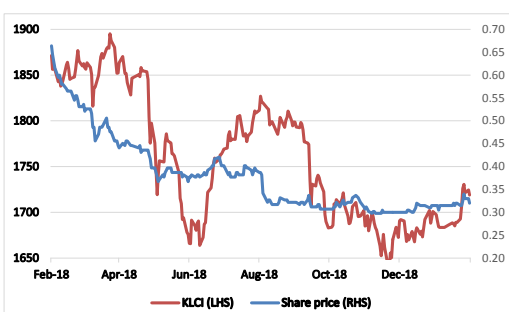
Maintained

KLCI	1719.00 points
Share Price	RM0.32
Target Price	RM0.36
Expected share price return	12.5%
Expected dividend return	1.6%
Expected total return	14.1%

<b>Stock Data</b>	
Bursa / Bloomberg code	5239 / TTJ MK
Market / Board	Main / Industrial
Syariah Compliant status	Yes
Issued shares (m)	1307.03
Market cap	RM418.25m
Par value	N/A
52-week price Range	RM0.29 – 0.68
Beta (against KLCI)	0.93
3-m Average Daily Volume	0.80m
3-m Average Daily Value <sup>^</sup>	RM0.25m

<b>Share Performance</b>			
	1m	3m	12m
Absolute (%)	1.6	6.7	-52.2
Relative (%-pts)	0.5	1.2	-48.0

<b>Major Shareholders</b>		<b>%</b>
TITIJAYA GROUP SDN BHD		56.34
TITI KAYA SDN BHD		5.30
AIA BHD		4.57
Estimated free float		19.65



Source: Bloomberg

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[www.bursamids.com](http://www.bursamids.com)

**Result**

- **Results below expectations.** Titijaya Land Berhad (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 net profit of RM22.0m, -43.9% yoy, which accounts for 37% of our full year net profit estimate. The result is below our expectation mainly due to lower-than-expected margins amid actual 1HFY19 revenue constitutes 47% of our topline estimate.

**Comment**

- **Lower progress billings and lower margin projects weighed on yoy results.** Titijaya registered weaker yoy results in its 2QFY19 / 1HFY19 no thanks to lower top line achieved (-43.0%/-39.7%). This was attributable to project Mizu Residence@H2O near completion and initial recognition on newly launched projects namely Neu Suites@3rdNvenue and The Riv@Riveria City coupled with lower sales recorded in the past few years. Also, the 2QFY19 results were dragged by the lower profit margin projects with the Group's gross and operating margins slumped by respective 4.2ppts and 5.0ppts yoy. Meanwhile, Titijaya's weaker qoq results were due to higher tax expense (2QFY19's effective tax rate of 30.7% against 1QFY19's 26.5%) amid higher revenue (+23.8% qoq).
- **On track to meet sales target of RM400-500m for FY19F.** Titijaya recorded new sales of RM258 in 1HFY19. We believe the Group could achieve its target of RM400-500m as sales as of 2QFY19 constitute 52-65% of its full year target. On the other hand, the Group chalked up RM364m of unbilled sales, which underpin its top line visibility of close to a year (0.9x FY18 revenue).
- **Expecting better 2HFY19.** We envisage the Group's earnings to pick up in 2H on the back of higher work-in-progress (WIP) on its new property projects. Titijaya targets to launch a few projects totalling RM838m GDV in FY19. These include: a) Damaisuria@Subang Phase 1 serviced apartments (previously known as Damansara West) with an estimated GDV of RM180m, b) 3<sup>rd</sup> Nvenue@KL Phase 2 serviced apartments with an estimated GDV of RM338m, and c) Riveria City@KL Sentral Phase 1 serviced suites with an estimated GDV of RM320m.

### Earnings Outlook/Revision

- **We slightly tweak down our FY19F and FY20F net profit estimates by 7.5% and 3.4%** to RM55.5m and RM67.7m respectively after lowering our margins assumptions for its new projects and factoring in higher marketing/promotional expenses.

### Valuation/Recommendation

- **Maintain BUY on Titijaya with a slightly lower target price of RM0.36 (from RM0.38) following our earnings cut.** Our valuation is now pegged at 9.3x FY19F FD PE, 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; 3) prolonged slowdown in property market; 4) subdued consumer sentiment towards 'big-ticket' items due to high cost of living.

**Figure 1: Quarterly Figures**

Year to 30 June (RMm)	2QFY9	1QFY19	2QFY18	qoq (%)	yoy (%)	1HFY19	1HFY18	yoy (%)
Revenue	83.1	67.1	145.9	23.8	-43.0	150.2	248.9	-39.7
Gross profit	25.5	22.4	50.9	13.8	-49.9	47.9	74.1	-35.4
Operating profit	18.0	18.0	38.9	0.0	-53.7	36.0	58.7	-38.7
Pre-tax profit	16.3	17.0	37.4	-4.1	-56.4	33.3	55.0	-39.5
Net profit	10.3	11.7	27.2	-12.0	-62.1	22.0	39.2	-43.9
Core net profit	10.3	11.7	27.2	-12.0	-62.1	22.0	39.2	-43.9
Gross margin (%) / ppt	30.7	33.4	34.9	-2.7	-4.2	31.9	29.8	2.1
EBIT margin (%) / ppt	21.7	26.8	26.7	-5.2	-5.0	24.0	23.6	0.4
PBT margin (%) / ppt	19.6	25.3	25.6	-5.7	-6.0	22.2	22.1	0.1

Source: Company, JF Apex

**Figure 2: P&L and Financial Summary**

Year to 30 June (RMm)	FY2016	FY2017	FY2018	FY2019F	FY2020F
Revenue	400.1	380.9	398.2	318.0	345.5
Gross profit	141.5	145.7	153.8	104.9	120.9
Operating profit	93.5	114.1	111.0	81.1	98.1
Profit before tax	91.6	110.5	104.9	76.3	93.3
Net profit	68.3	76.6	70.5	55.5	67.7
Core net profit	68.3	76.6	70.5	55.5	67.7
EPS (sen)	5.1	5.7	5.3	4.1	5.0
DPS (sen)	0.5	0.5	0.3	0.5	0.5
P/E (x)	6.3	5.6	6.1	7.7	6.3
P/BV (x)	0.8	0.6	0.3	0.3	0.3
Diluted EPS (sen)	4.8	5.4	4.9	3.9	4.7
FD P/E	6.7	6.0	6.5	8.2	6.7
Revenue growth (%)	17.4	-4.8	4.5	-20.1	8.6
Net profit growth (%)	-15.6	12.2	-8.0	-21.3	22.0
Core net profit growth (%)	-15.6	12.2	-8.0	-21.3	22.0
Gross margin (%)	35.4	38.3	38.6	33.0	35.0
Operating margin (%)	23.4	30.0	27.9	25.5	28.4
PBT margin (%)	22.9	29.0	26.3	24.0	27.0
Dividend yield (%)	1.6	1.6	0.8	1.6	1.6
Net gearing (%)	32.1	37.4	26.3	23.0	20.1
ROE (%)	12.9	11.3	5.7	3.9	4.4
ROA (%)	6.3	5.1	3.1	2.3	2.6

Source: Company, JF Apex

**Figure 3: Balance Sheet**

(RM'm)	FY2015	FY2016	FY2017	FY2018	FY2019F	FY2020F
<b>Balance Sheet</b>						
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
<b>Total assets</b>	<b>1056.9</b>	<b>1092.3</b>	<b>1491.9</b>	<b>2294.5</b>	<b>2455.1</b>	<b>2627.0</b>
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
<b>Total liabilities</b>	<b>581.4</b>	<b>561</b>	<b>810.7</b>	<b>1006.9</b>	<b>1037.1</b>	<b>1068.2</b>
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
<b>Total equity</b>	<b>475.5</b>	<b>531.3</b>	<b>681.2</b>	<b>1287.6</b>	<b>1418.0</b>	<b>1558.8</b>
<b>Total liabilities &amp; equity</b>	<b>1056.9</b>	<b>1092.3</b>	<b>1491.9</b>	<b>2294.5</b>	<b>2455.1</b>	<b>2627.0</b>

Source: Company, JF Apex

**Figure 4: Cash Flow**

(RM'm)	FY2015	FY2016	FY2017	FY2018	FY2019F	FY2020F
<b>Cash Flow</b>						
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
<b>Cash at end of period</b>	<b>168.5</b>	<b>34.9</b>	<b>99.2</b>	<b>194.3</b>	<b>234.3</b>	<b>264.3</b>

Source: Company, JF Apex

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**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

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