



AmInvestment Bank

## Company report

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# TITIJAYA LAND

(TTJ MK EQUITY, TITI.KL)

Stay focused and remain prudent

PROPERTY



27 May 2020

## HOLD

(Maintained)

Rationale for report: Company results

Price	RM0.26
Fair Value	RM0.28
52-week High/Low	RM0.35/RM0.24

### Key Changes

Fair value	↔
EPS	↓

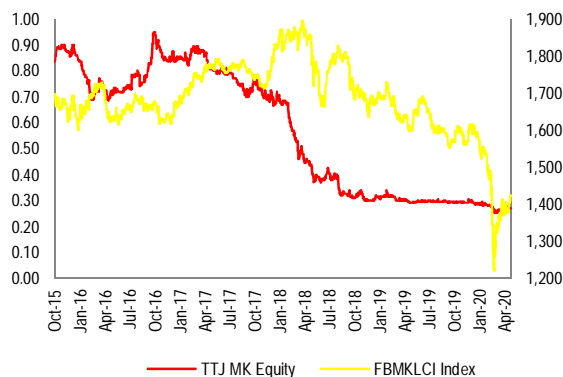
YE to Jun (RM mil)	FY19	FY20F	FY21F	FY22F
Revenue (RM mil)	311.8	150.0	161.6	217.0
Core net profit (RM mil)	34.9	8.8	13.5	20.0
FD Core EPS (sen)	2.6	0.7	1.0	1.5
FD Core EPS growth (%)	-52.8	-74.7	52.1	48.8
Consensus Net Profit (RM mil)	-	21.7	25.1	23.4
DPS (sen)	50.0	25.0	25.0	25.0
PE (x)	10.2	40.3	26.5	17.8
EV/EBITDA (x)	10.3	28.5	22.6	16.6
Div yield (%)	1.9	0.9	0.9	0.9
ROE (%)	2.8	0.7	1.1	1.6
Net Gearing (%)	21.2	13.9	16.3	17.6

### Stock and Financial Data

Shares Outstanding (million)	1,271.8	
Market Cap (RM mil)	330.7	
Book Value (RM/share)	0.93	
P/BV (x)	0.3	
ROE (%)	1.4	
Net Gearing (%)	21.2	
Major Shareholders		
	Titijaya Group Sdn B	54.8%
	Titi Kaya Sdn. Bhd	5.4%
	KGI Securities	4.1%

Free Float	35.7%
Avg Daily Value (RM mil)	1.00

Price performance	3mth	6mth	12mth
Absolute (%)	(5.3)	(8.0)	(6.4)
Relative (%)	3.1	2.1	5.0



### Investment Highlights

- We are maintaining our HOLD recommendation on Titijaya Land (Titijaya) with an unchanged fair value of RM0.28 based on a 50% discount to its RNAV (Exhibit 2). We cut our FY20 and FY21 net profit forecasts by 21.4% and 6.7% respectively to reflect the timing of recognition. We keep our FY22 numbers unchanged.
- Titijaya's 9MFY20 net profit of RM7.1mil (-78.4%) came in below expectation at 65% of our full-year forecast. 9MFY20 revenue and net earnings declined by 46.2% and 78.4% YoY respectively due to lower progress recognition from the completed H2O, Mizu; and the impact of the movement control order (MCO).
- 9MFY20 revenue was mainly contributed by Neu Suites @3rdNvenue, The Shore @ Kota Kinabalu and The Riv @ Riviera City.
- Titijaya chalked up new sales of RM143mil for the same period while unbilled sales of RM470mil provide good earnings visibility for the next 2–3 years.
- Financial leverage remains stable with a lower net gearing of 23.0% as compared with 24.4% QoQ.
- Titijaya launched Seiring Residensi in August 2019, which is phase one of its Damaisuria township project. Consisting of four towers, Seiring Residensi offers units at sizes ranging from 668 sq ft to 972 sq ft, with up to four bedrooms. Developed over four phases, Damaisuria will have a total GDV of RM1.59bil, while the first phase Seiring Residensi will have a GDV of RM677mil.
- Meanwhile in short to mid-term, Titijaya will remain prudent with fewer new launches and remain focused on developing affordable properties.
- For future development, Titijaya has a remaining landbank of 155 acres with a combined GDV of about RM9.4bil, located mainly in the Klang Valley. The projects planned are Emporia @ Glemnarie (mixed development – GDV of RM1.51bil); Klang Sentral (serviced apartment – GDV of RM700mil); Damai Suria (township – GDV of RM1.48bil); Odeon @ Jalan TAR, KL (serviced apartment & retail mall – GDV of RM1.17bil); 3rdNvenue Phases 3 & 4 and retail (high-rise mixed – GDV of RM997mil); Taman Seri Residensi Phases 3A & 4 and Selangorku (landed residential – GDV of RM161mil); Riviera City @ KL Sentral Phases 2 & 3 and retail (integrated development – GDV of RM1.1bil); and Areca @ Batu Maung, Penang (mixed development – GDV of RM2.52bil).
- Management indicated that several ongoing projects have progressed beyond the initial stage of construction, therefore the coming quarters should see a stronger performance. Maintain HOLD.

## EXHIBIT 1: EARNINGS SUMMARY

FY 30 Jun (RM mil)	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	QoQ %	YoY %	9MFY19	9MFY20	YTD %
Revenue	117.6	44.0	46.1	42.1	55.8	32.7%	-52.5%	267.8	143.9	-46.2%
Operating costs	(98.9)	(32.0)	(39.1)	(36.2)	(47.2)	30.2%	-52.3%	(214.4)	(122.5)	-42.8%
EBIT	18.6	12.1	7.0	5.8	8.6	48.1%	-53.8%	53.4	21.4	-59.9%
Net interest	(3.0)	(8.5)	(0.9)	0.4	(2.0)	-584.2%	-32.0%	(4.4)	(2.5)	-42.9%
Associates/JV contribution	(0.0)	0.0	0.0	0.0	0.0	n.a.	n.a.	(0.0)	0.0	n.a.
PBT	15.6	3.6	6.1	6.2	6.6	5.6%	-57.8%	48.9	18.9	-61.4%
Tax	(4.4)	(1.3)	(2.0)	(2.7)	(4.0)	49.7%	-10.0%	(13.9)	(8.6)	-38.1%
MI	(0.4)	(0.2)	(1.1)	(1.4)	(0.6)	-61.1%	42.9%	(2.1)	(3.1)	48.6%
Net Profit	10.8	2.0	2.9	2.1	2.1	-4.1%	-81.0%	32.9	7.1	-78.4%
Core Net Profit	10.8	2.0	2.9	2.1	2.1	-4.1%	-81.0%	32.9	7.1	-78.4%
EPS (sen)	0.8	0.2	0.2	0.2	0.2			2.4	0.5	
EBIT Margin (%)	15.9%	27.4%	15.1%	13.8%	15.4%			19.9%	14.9%	
CORE Net Profit Margin (%)	9.2%	4.6%	6.3%	5.1%	3.7%			12.3%	4.9%	

Source: Company

## EXHIBIT 2: RNAV VALUATIONS

DEVELOPMENT PROPERTIES	Outstanding GDV (RMmil)	NPV @10% (RMmil)	Stake
<b>Ongoing projects</b>			
Damai Suria @ Bukit Subang - Serviced suites	214.0	4.9	100.0%
3rdNvenue Phase 1 @ KL - Service suites	577.0	9.3	70.0%
The Shore @ KK Sabah - Retail, Serviced Residence, Hotel	534.0	12.3	100.0%
Riveria City @ KL Sentral - Office suites	373.0	6.0	70.0%
Park Residency @ Cheras KL - 3-storey linked villa	80.0	1.8	100.0%
3rdNvenue Phase 2 @ KL - Service apartment	427.0	6.5	70.0%
Taman Seri Residensi Phase 3B	38.0	0.8	100.0%
<b>Future projects</b>			
Emporia @ Glenmarie, Shah Alam - Mixed development	1,510.0	20.3	100.0%
Areca @ Batu Marang, Penang - Mixed development	2,520.0	33.8	100.0%
Klang Sentral - Serviced apartment	700.0	9.4	100.0%
Damai Suria - Highrise residential & commercial	1,480.0	19.9	100.0%
Odeon @ Halan TAR, KL - Serviced apartment & retail mall	1,170.0	15.7	100.0%
3rdNvenue Phase 3, 4 & retail @ KL - Service apartment	997.0	9.4	70.0%
Taman Seri Residensi Phase 3A, 4 & Selangorku	161.0	2.2	100.0%
Riveria City @ KL Sentral Phase 2,3 & retail	1,100.0	10.3	70.0%
<b>Subtotal</b>		<b>162.6</b>	
Land held for development		556.2	
<b>Total</b>		<b>718.8</b>	
Investment properties		170.6	
Inventories (completed units)		202.1	
Net cash/(debt) as at 30 Jun 2019		(338.0)	
		<b>753.5</b>	
50% discount to NAV		(376.8)	
<b>Fair value</b>		<b>376.8</b>	
Share base (mil shares)		1,344.4	
<b>Fair value per share</b>		<b>0.28</b>	

Source: AmInvestment Bank Bhd

## EXHIBIT 3: FINANCIAL DATA

Income Statement (RMmil, YE 30 Jun)	FY18	FY19	FY20F	FY21F	FY22F
Revenue	381.4	311.8	150.0	161.6	217.0
EBITDA	121.6	67.1	19.7	26.8	37.9
Depreciation/Amortisation	(1.7)	(1.7)	(0.8)	(0.9)	(1.2)
Operating income (EBIT)	120.0	65.4	18.8	25.9	36.8
Other income & associates	0.0	0.0	0.0	0.0	0.0
Net interest	(11.2)	(12.9)	(6.2)	(6.7)	(9.0)
Exceptional items	0.0	0.0	0.0	0.0	0.0
<b>Pretax profit</b>	<b>108.8</b>	<b>52.5</b>	<b>12.6</b>	<b>19.2</b>	<b>27.8</b>
Taxation	(30.9)	(15.3)	(3.8)	(5.8)	(7.8)
Minorities/pref dividends	1.4	(2.3)	0.0	0.0	0.0
<b>Net profit</b>	<b>79.3</b>	<b>34.9</b>	<b>8.9</b>	<b>13.5</b>	<b>20.0</b>
Core net profit	79.3	34.9	8.9	13.5	20.0
<b>Balance Sheet (RMmil, YE 30 Jun)</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20F</b>	<b>FY21F</b>	<b>FY22F</b>
Non-current assets	12.0	11.6	5.6	6.0	8.1
Intangible assets	635.1	957.8	1,007.8	1,057.8	1,107.8
Other non-current assets	2.9	1.1	1.1	1.1	1.1
<b>Total non-current assets</b>	<b>650.0</b>	<b>970.5</b>	<b>1,014.5</b>	<b>1,065.0</b>	<b>1,117.0</b>
Cash & equivalent	218.7	137.5	182.2	183.4	185.4
Inventories	125.2	202.5	110.6	112.2	149.7
Trade receivables	515.7	549.6	179.8	190.3	257.9
Other current assets	695.4	525.2	525.2	525.2	525.2
<b>Total current assets</b>	<b>1,555.1</b>	<b>1,414.8</b>	<b>997.7</b>	<b>1,011.1</b>	<b>1,118.1</b>
Trade payables	304.1	535.8	292.4	296.8	396.0
Short-term borrowings	148.0	97.7	97.7	97.7	97.7
Other current liabilities	73.6	87.2	41.9	45.2	60.7
<b>Total current liabilities</b>	<b>525.6</b>	<b>720.7</b>	<b>432.1</b>	<b>439.7</b>	<b>554.4</b>
Long-term borrowings	398.4	377.8	287.7	333.8	361.6
Other non-current liabilities	31.7	32.3	32.3	32.3	32.3
<b>Total non-current liabilities</b>	<b>430.1</b>	<b>410.0</b>	<b>320.0</b>	<b>366.1</b>	<b>393.9</b>
<b>Shareholders' funds</b>	<b>1,246.1</b>	<b>1,249.9</b>	<b>1,255.4</b>	<b>1,265.5</b>	<b>1,282.2</b>
Minority interests	3.3	4.7	4.7	4.7	4.7
BV/share (RM)	0.93	0.93	0.93	0.94	0.95
<b>Cash Flow (RMmil, YE 30 Jun)</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20F</b>	<b>FY21F</b>	<b>FY22F</b>
Pretax profit	108.8	52.5	12.6	19.2	27.8
Depreciation/Amortisation	1.7	1.7	0.8	0.9	1.2
Net change in working capital	(437.6)	251.1	173.3	(4.5)	9.6
Others	(16.0)	(34.8)	(5.6)	0.4	1.9
<b>Cash flow from operations</b>	<b>(343.1)</b>	<b>270.4</b>	<b>181.1</b>	<b>16.0</b>	<b>40.5</b>
Capital expenditure	(0.8)	(0.5)	(0.2)	(0.3)	(0.3)
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)
<b>Cash flow from investing</b>	<b>(115.6)</b>	<b>(249.8)</b>	<b>(50.2)</b>	<b>(50.3)</b>	<b>(50.3)</b>
Debt raised/(repaid)	163.2	(70.5)	(134.7)	44.9	25.8
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)	87.4	(6.0)	(10.6)
<b>Cash flow from financing</b>	<b>518.9</b>	<b>(84.5)</b>	<b>(50.7)</b>	<b>35.5</b>	<b>11.8</b>
<b>Net cash flow</b>	<b>60.1</b>	<b>(63.9)</b>	<b>80.1</b>	<b>1.2</b>	<b>2.0</b>
<b>Net cash/(debt) b/f</b>	<b>79.7</b>	<b>134.4</b>	<b>70.5</b>	<b>150.7</b>	<b>151.9</b>
<b>Net cash/(debt) c/f</b>	<b>139.8</b>	<b>70.5</b>	<b>150.7</b>	<b>151.9</b>	<b>153.9</b>
<b>Key Ratios (YE30 Jun)</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20F</b>	<b>FY21F</b>	<b>FY22F</b>
Revenue growth (%)	0.2	(18.3)	(51.9)	7.7	34.3
EBITDA growth (%)	5.0	(44.8)	(70.7)	36.2	41.7
Pretax margin (%)	28.5	16.8	8.4	11.9	12.8
Net profit margin (%)	20.8	11.2	5.9	8.3	9.2
Interest cover (x)	49.2	31.9	10.7	5.1	3.0
Effective tax rate (%)	28.4	29.1	30.0	30.0	28.0
Dividend payout (%)	8.5	19.2	38.0	25.0	16.8
Receivables turnover (days)	493.5	643.4	437.5	429.9	433.7
Inventory turnover (days)	143.5	191.8	380.9	251.6	220.2
Payables turnover (days)	298.3	491.5	1,007.6	665.5	582.5

Source: Company, AmInvestment Bank Bhd estimates

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