



AmInvestment Bank

Company report

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03-2036 2025

TITIJAYA LAND

(TTJ MK EQUITY, TITI.KL)

PROPERTY



3 Dec 2018

A flattish 1QFY19 , sees stronger earnings ahead

BUY

(Maintained)

Rationale for report: Company results

Price **RM0.30**
Fair Value **RM0.47**
52-week High/Low **RM0.80/RM0.37**

Key Changes

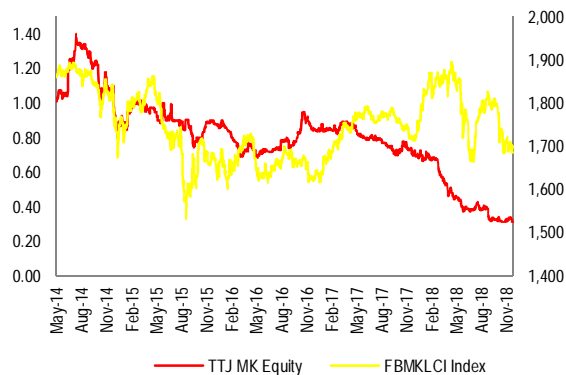
Fair value **⬇️**
EPS **⬇️**

| YE to Jun (RM mil) | FY18 | FY19F | FY20F | FY21F |
|-------------------------------|-------|-------|-------|-------|
| Revenue (RM mil) | 399.0 | 389.7 | 408.1 | 462.5 |
| Core net profit (RM mil) | 72.9 | 70.0 | 72.2 | 78.9 |
| FD Core EPS (sen) | 5.4 | 5.2 | 5.4 | 5.9 |
| FD Core EPS growth (%) | -5.0 | -4.0 | 3.1 | 9.3 |
| Consensus Net Profit (RM mil) | - | 76.9 | 81.8 | 80.2 |
| DPS (sen) | 50.0 | 25.0 | 25.0 | 25.0 |
| PE (x) | 5.5 | 5.8 | 5.6 | 5.1 |
| EV/EBITDA (x) | 6.8 | 6.3 | 6.2 | 5.6 |
| Div yield (%) | 1.7 | 0.8 | 0.8 | 0.8 |
| ROE (%) | 7.6 | 5.5 | 5.4 | 5.6 |
| Net Gearing (%) | 20.3 | 13.2 | 13.0 | 12.1 |

Stock and Financial Data

| | | | | | | | |
|------------------------------|--|----------------------|-------|--------------------|------|---------|------|
| Shares Outstanding (million) | 1,322.1 | | | | | | |
| Market Cap (RMmil) | 409.9 | | | | | | |
| Book Value (RM/share) | 0.92 | | | | | | |
| P/BV (x) | 0.3 | | | | | | |
| ROE (%) | 7.6 | | | | | | |
| Net Gearing (%) | 20.3 | | | | | | |
| Major Shareholders | <table border="0"> <tr> <td>Titijaya Group Sdn B</td> <td>55.7%</td> </tr> <tr> <td>Titi Kaya Sdn. Bhd</td> <td>5.2%</td> </tr> <tr> <td>AIA Bhd</td> <td>4.9%</td> </tr> </table> | Titijaya Group Sdn B | 55.7% | Titi Kaya Sdn. Bhd | 5.2% | AIA Bhd | 4.9% |
| Titijaya Group Sdn B | 55.7% | | | | | | |
| Titi Kaya Sdn. Bhd | 5.2% | | | | | | |
| AIA Bhd | 4.9% | | | | | | |
| Free Float | 34.2% | | | | | | |
| Avg Daily Value (RMmil) | 0.65 | | | | | | |

| Price performance | 3mth | 6mth | 12mth |
|-------------------|--------|--------|--------|
| Absolute (%) | (20.5) | (22.5) | (55.9) |
| Relative (%) | (0.2) | (13.9) | (55.3) |



Investment Highlights

- We are maintaining our BUY recommendation on Titijaya with a revised fair value of RM0.47 from RM0.48 based on a 40% discount to its RNAV (Exhibit 3).
- We cut FY19-21F forecasts by 7.4% and 8.7% and 1.6% to RM75.6mil and RM79.0mil respectively to reflect the timing of revenue recognition.
- Titijaya's 1QFY19 net profit of RM11.7mil (-1.9% YoY) came in below expectations at only 15.5% and 15.3% of our full-year forecast and full-year consensus estimates respectively. 1QFY19 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, we expect earnings to improve in the coming quarters on the back of stronger sales and good take-up rates.
- Meanwhile, the higher unbilled sales of RM380mil (QoQ: RM320mil) together with a slew of new launches in FY18-FY19 provide earnings visibility for the next 2-3 years.
- 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's has a total landbank of 208 acres, located mainly in the Klang Valley with a GDV of RM12.4bil, providing good earnings visibility and this will drive the company's growth going forward.
- We continue to like Titijaya for: (1) its focus in the affordable high-rise residential segment in the Klang Valley; (2) its strong earnings visibility backed by unbilled sales of RM380mil; and (3) its ability to consistently secure new landbank at attractive prices via JVs with landowners, from both the public and private sectors.

EXHIBIT 1: EARNINGS SUMMARY

| FY 30 Jun (RM mil) | 1QFY18 | 2QFY18 | 3QFY18 | 4QFY18 | 1QFY19 | QoQ % | YoY % | 1QFY18 | 1QFY19 | YTD % |
|----------------------------|--------|---------|--------|--------|--------|----------|--------|--------|--------|--------|
| Revenue | 103.0 | 143.6 | 79.9 | 72.5 | 67.1 | -7.5% | -34.9% | 103.0 | 67.1 | -34.9% |
| Operating costs | (84.3) | (103.5) | (50.8) | (48.4) | (49.1) | 1.4% | -41.8% | (84.3) | (49.1) | -41.8% |
| EBIT | 18.6 | 40.1 | 29.2 | 24.1 | 18.0 | -25.3% | -3.2% | 18.6 | 18.0 | -3.2% |
| Net interest | (1.1) | (1.5) | (2.0) | (0.4) | (1.0) | 141.9% | -5.8% | (1.1) | (1.0) | -5.8% |
| Associates/JV contribution | 0.0 | (0.0) | (0.0) | (0.0) | 0.0 | n.a. | n.a. | 0.0 | 0.0 | n.a. |
| PBT | 17.6 | 38.6 | 27.2 | 23.7 | 17.0 | -28.1% | -3.1% | 17.6 | 17.0 | -3.1% |
| Tax | (5.5) | (10.9) | (6.0) | (13.1) | (4.5) | -65.4% | -17.0% | (5.5) | (4.5) | -17.0% |
| MI | (0.1) | 1.0 | 0.6 | 0.0 | (0.8) | -4658.8% | 420.1% | (0.1) | (0.8) | 420.1% |
| Net Profit | 12.0 | 28.6 | 21.7 | 10.6 | 11.7 | 10.2% | -1.9% | 12.0 | 11.7 | -1.9% |
| Core Net Profit | 12.0 | 28.6 | 21.7 | 10.6 | 11.7 | 10.2% | -1.9% | 12.0 | 11.7 | -1.9% |
| EPS (sen) | 0.9 | 2.1 | 1.6 | 0.8 | 0.9 | | | 0.9 | 0.9 | |
| EBIT Margin (%) | 18.1% | 27.9% | 36.5% | 33.3% | 26.9% | | | 18.1% | 26.9% | |
| CORE Net Profit Margin (%) | 11.6% | 19.9% | 27.1% | 14.7% | 17.5% | | | 11.6% | 17.5% | |

Source: Company

EXHIBIT 2: RNAV VALUATIONS

| Projects | Outstanding GDV (RMmil) | RNAV (RMmil) | Stake |
|---|----------------------------|-----------------|--------|
| Current | | | |
| H20 Ara Damansara- Block A, B, C, D | 586.2 | 90.1 | 100.0% |
| Taman Seri Residensi (Klang) - Phase 2B: Semi D | 41.0 | 5.5 | 100.0% |
| 3rdNvenue Phase 1: Service suite | 513.0 | 43.8 | 70.0% |
| The Shore - Retail, Serviced Residence, Hotel | 534.0 | 62.4 | 100.0% |
| Park Residency - 3-storey linked villa | 85.0 | 10.8 | 100.0% |
| Future | | | |
| 3rdNvenue | 1,427.0 | 83.5 | 70.0% |
| Riveria City | 1,450.0 | 123.3 | 70.0% |
| Damai Suria | 1,298.0 | 86.0 | 100.0% |
| Total NPV | | 505.3 | |
| NTA | | 1,235.8 | |
| SOP | | 1,741.1 | |
| Fully-diluted share base (mil shares) | | 2,209.5 | |
| SOP per share (RM) | | 0.79 | |
| FV per share (RM) (40% discount to SOP) | | 0.47 | |

Source: AmInvestment Bank Bhd

EXHIBIT 3: FINANCIAL DATA

| Income Statement (RMmil, YE 30 Jun) | FY17 | FY18 | FY19F | FY20F | FY21F |
|---|----------------|----------------|----------------|----------------|----------------|
| Revenue | 380.8 | 399.0 | 389.7 | 408.1 | 462.5 |
| EBITDA | 115.8 | 113.8 | 102.5 | 105.7 | 115.8 |
| Depreciation/Amortisation | (1.6) | (1.7) | (1.6) | (1.7) | (1.9) |
| Operating income (EBIT) | 114.2 | 112.1 | 100.9 | 104.0 | 113.9 |
| Other income & associates | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net interest | (3.6) | (5.0) | (4.9) | (5.1) | (5.8) |
| Exceptional items | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Pretax profit | 110.6 | 107.1 | 95.9 | 98.9 | 108.1 |
| Taxation | (34.2) | (35.5) | (25.9) | (26.7) | (29.2) |
| Minorities/pref dividends | 0.4 | 1.4 | 0.0 | 0.0 | 0.0 |
| Net profit | 76.8 | 72.9 | 70.1 | 72.2 | 78.9 |
| Core net profit | 76.8 | 72.9 | 70.1 | 72.2 | 78.9 |
| Balance Sheet (RMmil, YE 30 Jun) | FY17 | FY18 | FY19F | FY20F | FY21F |
| Fixed assets | 12.1 | 12.0 | 11.8 | 12.3 | 14.0 |
| 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 | 896.0 | 946.5 | 998.2 |
| Cash & equivalent | 136.8 | 218.2 | 205.6 | 213.9 | 222.9 |
| Stock | 174.6 | 123.5 | 125.2 | 131.8 | 151.3 |
| Trade debtors | 262.4 | 554.3 | 450.8 | 489.1 | 544.7 |
| Other current assets | 489.6 | 552.3 | 552.3 | 552.3 | 552.3 |
| Total current assets | 1,063.5 | 1,448.2 | 1,333.9 | 1,387.0 | 1,471.1 |
| Trade creditors | 319.3 | 304.5 | 308.9 | 325.0 | 373.1 |
| Short-term borrowings | 110.5 | 279.3 | 279.3 | 279.3 | 279.3 |
| Other current liabilities | 59.0 | 76.1 | 74.3 | 77.8 | 88.2 |
| Total current liabilities | 488.8 | 660.0 | 662.6 | 682.2 | 740.6 |
| Long-term borrowings | 281.3 | 266.3 | 132.4 | 147.6 | 149.4 |
| Other long-term liabilities | 32.0 | 80.7 | 80.7 | 80.7 | 80.7 |
| Total long-term liabilities | 313.4 | 346.9 | 213.1 | 228.3 | 230.1 |
| Shareholders' funds | 676.9 | 1,237.9 | 1,304.5 | 1,373.3 | 1,448.8 |
| Minority interests | 4.0 | 49.7 | 49.7 | 49.7 | 49.7 |
| BV/share (RM) | 0.50 | 0.92 | 0.97 | 1.02 | 1.08 |
| Cash Flow (RMmil, YE 30 Jun) | FY17 | FY18 | FY19F | FY20F | FY21F |
| Pretax profit | 110.6 | 107.1 | 95.9 | 98.9 | 108.1 |
| Depreciation/Amortisation | 1.6 | 1.7 | 1.6 | 1.7 | 1.9 |
| Net change in working capital | (64.2) | (437.6) | 104.3 | (25.2) | (16.7) |
| Others | (14.3) | (29.1) | (0.9) | 1.7 | 5.2 |
| Cash flow from operations | 33.8 | (358.0) | 201.0 | 77.2 | 98.5 |
| Capital expenditure | (0.1) | (0.8) | (0.8) | (0.8) | (1.0) |
| 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) | (50.8) | (50.8) | (51.0) |
| Debt raised/(repaid) | 99.0 | 163.2 | (121.3) | 6.9 | (7.2) |
| 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) | (63.3) | (21.6) | (27.9) |
| Cash flow from financing | 147.3 | 582.8 | (188.0) | (18.0) | (38.5) |
| Net cash flow | 33.6 | 114.7 | (37.7) | 8.3 | 9.1 |
| Net cash/(debt) b/f | 46.1 | 79.7 | 194.3 | 156.5 | 164.8 |
| Net cash/(debt) c/f | 79.7 | 194.3 | 156.6 | 164.8 | 173.9 |
| Key Ratios (YE30 Jun) | FY17 | FY18 | FY19F | FY20F | FY21F |
| Revenue growth (%) | (4.8) | 4.8 | (2.3) | 4.7 | 13.3 |
| EBITDA growth (%) | 23.4 | (1.8) | (9.9) | 3.2 | 9.6 |
| Pretax margin (%) | 29.1 | 26.8 | 24.6 | 24.2 | 23.4 |
| Net profit margin (%) | 20.2 | 18.3 | 18.0 | 17.7 | 17.1 |
| Interest cover (x) | 146.6 | 49.2 | 31.9 | 22.3 | 20.6 |
| Effective tax rate (%) | 30.9 | 33.2 | 27.0 | 27.0 | 27.0 |
| Dividend payout (%) | 2.5 | 9.2 | 4.8 | 4.7 | 4.3 |
| Debtors turnover (days) | 251.6 | 507.1 | 422.3 | 437.5 | 429.9 |
| Stock turnover (days) | 93.7 | 136.3 | 116.5 | 114.9 | 111.7 |
| Creditors turnover (days) | 246.3 | 285.3 | 287.3 | 283.5 | 275.5 |

Source: Company, AmInvestment Bank Bhd estimates

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