

Company Result

5 September 2017

Titijaya Land Berhad

BUY

Better year ahead

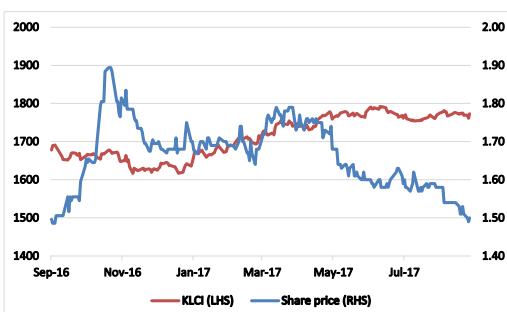
Maintained

KLCI	1773 points
Share Price	RM1.50
Target Price	RM2.06
Expected share price return	37.3%
Expected dividend return	0.6%
Expected total return	37.9%

Stock Data	
Bursa / Bloomberg code	5239 / TTJ MK
Market / Board	Main / Industrial
Syariah Compliant status	Yes
Issued shares (m)	410.00
Market cap	RM615.00m
Par value	RM0.50
52-week price Range	RM1.42 – 1.93
Beta (against KLCI)	0.36
3-m Average Daily Volume	0.36m
3-m Average Daily Value [^]	RM0.57m

Share Performance			
	1m	3m	12m
Absolute (%)	-5.1	-8.0	0.0
Relative (%-pts)	-5.0	-5.5	-5.4

Major Shareholders		%
TITIJAYA GROUP SDN BHD		59.06
AIA BHD		7.82
LEMBAGA TABUNG HAJI		4.26
Estimated free float		25.93



Source: Bloomberg

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Result

- **Results slightly above our expectation.** Titijaya Land Berhad (TL) recorded a net profit of RM17.0m for its 4QFY17 results, up 14.1% yoy but down 11.5% qoq. For FY17, the Group chalked up net earnings of RM76.6m, which was 12.2% higher than a year ago. The results exceed our full year net earnings by 7% and 10% of consensus on the back of higher-than-expected progress billings.

Comment

- **Stronger FY17.** TL achieved better bottom line in 4QFY17, +14.1% on the back of higher top line, +14.5%. For the full year results, the Group's net profit managed to expand by 12.2% from FY16 thanks to cost savings from certain projects in which some costs were front loaded coupled with recognition of liquidated ascertained damages (LAD) net income of RM5.8m as its GP and PBT margin grew by respective 2.9ppts and 6.1ppts, amid weaker revenue achieved, down marginally by 4.8%. During the year, projects such as 3Elements, Seri Alam Phase I & II, Zone Innovation and H2O underpinned TL's topline growth.
- **Lower qoq as expected.** On qoq basis, the weaker performance of the Group was mainly attributable to margins slide (GP margin: -23.2ppts; PBT margin: -18.8ppts) with the completion of high-margin product, namely the sales of industrial factory, Zone Innovation in 3QFY17 despite revenue soared by 73.2%.
- **New sales accomplished.** TL achieved RM355m new sales in FY17, which exceeded its target of RM300m. Major contributors were H2O, 3Elements, Embun, Klang projects and factory sales. Going forward, the Group aims for RM500m new sales in FY18. Meanwhile, the Group chalked up unbilled sales of RM409m as of todate, which underpins its topline visibility of a year or equivalent to 1x FY16's revenue.
- **RM1.8b new launches slated for FY18, mainly targeting mass market segment.** We understand that 70% of the new launches will be priced below RM600k/unit in order to cater for affordable housing which is more prevalent, while the remaining of 30% will be priced above RM700k/unit. TL targets to launch four upcoming new projects in FY18, with three in the Klang Valley:
 - a) 3rdNvenue @ Jln Ampang Phase 1 with GDV of RM493m. Official launch will be in September and

we understand that the Group is currently converting the bookings into S&P signing (fully booked with 30% conversion rate), with soft launch in early this year.

- b) Damansara West Phase 1 with GDV of RM361m which will be launched next year;
- c) Riveria @ KL Sentral Phase 1 with GDV of RM317m which is targeted to be launched in end of this year;
- d) The Shore in Kota Kinabalu, Sabah with GDV of RM575m. The project was launched in mid July 17 and we gather that response is encouraging with 40% bookings.

On top of that, TL is also banking on its on-going projects, such as H20 (remaining one block), Emery@Kemensah, Park Residensi@Cheras, and Seri Alam worth a total GDV of RM1.0b to further strengthen its sales.

- **Embarking on asset monetisation.** TL has successfully reduced its inventory level from RM175m as of FY17 to RM86m as of today. The Group monetises the value of its current landbank via various methods such as non-recourse financing, sale-leaseback transactions and spinoffs.
- **Strategic tie-ups with the government agencies for the development of prime land.** The Group foresees finalising its earlier plans of land swap deals and development of two property projects strategically located in KL city centre by FY18 or CY6/18. Should the deals materialise, TL will be required to help the Ministry of Education to construct six school buildings in exchange for a 3.7-acre land in Bukit Bintang as well as the development of a 4.8-acre land in Jalan Stonor which originally belonged to Lembaga Getah Malaysia. Furthermore, we believe the Group is in the midst of concluding more strategic tie-ups in the likes of transit-oriented developments (TOD) in the vicinities of mass rapid transit (MRT) stations.

Earnings Outlook/Revision

- **We revise upwards our FY18F net earnings by 5.2% to RM83.0m (+8.4% yoy) after fine-tuning our work-in-progress. Meanwhile, we keep our net profit forecast for FY19F unchanged at RM90.4m (+8.9% yoy).** Our new sales assumptions for FY18F/FY19F are RM500m/RM600m.

Valuation/Recommendation

- **Maintain BUY on Titijaya with an unchanged target price of RM2.06, based on 35% discount to its fully-diluted RNAV/share of RM3.17.**
- We believe the worst is over for the stock and advise investors to accumulate the share as the Group is able to fast track its projects execution to ride on the property recovery. This is backed by its unique business model, landbanking strategy and marketing efforts in

targeting mass market segment.

Figure 1: Quarterly Figures

Year to 30 June (RMm)	4QFY17	3QFY17	4QFY16	qoq (%)	yoy (%)	FY17	FY16	yoy (%)
Revenue	122.1	70.5	106.6	73.2	14.5	380.9	400.1	-4.8
Gross profit	35.9	37.1	37.8	-3.2	-5.0	145.7	141.5	3.0
Pre-tax profit	27.5	29.1	20.4	-5.5	34.8	110.5	91.6	20.6
Net profit	17.0	19.2	14.9	-11.5	14.1	76.6	68.3	12.2
Core net profit	17.0	19.2	14.9	-11.5	14.1	76.6	68.3	12.2
Gross margin (%) / ppt	29.4	52.6	35.5	-23.2	-6.1	38.3	35.4	2.9
PBT margin (%) / ppt	22.5	41.3	19.1	-18.8	3.4	29.0	22.9	6.1

Source: Company, JF Apex

Figure 2: Financial Summary

Year to 30 June (RMm)	FY2014	FY2015	FY2016	FY2017	FY2018F	FY2019F
Revenue	283.8	340.7	400.1	380.9	381.8	406.5
Gross profit	129.8	149.4	141.5	145.7	148.9	162.6
Operating profit	97.8	111.8	93.5	114.1	118.5	130.8
Profit before tax	96.4	111.1	91.6	110.5	114.5	126.0
Net profit	71.3	80.9	68.3	76.6	83.0	90.4
Core net profit	71.3	80.9	68.3	76.6	83.0	90.4
EPS (sen)	17.4	19.7	16.7	18.7	20.3	22.0
DPS (sen)	4.0	4.5	0.5	1.0	2.0	3.0
P/E (x)	8.6	7.6	9.0	8.0	7.4	6.8
P/BV (x)	1.6	1.3	1.2	0.9	0.9	0.8
Diluted EPS (sen)	9.6	10.4	9.3	10.0	10.6	11.3
FD P/E	15.7	14.4	16.1	14.9	14.1	13.3
Revenue growth (%)	52.4	20.0	17.4	-4.8	0.2	6.5
Net profit growth (%)	28.2	13.5	-15.6	12.2	8.4	8.9
Core net profit growth (%)	28.2	13.5	-15.6	12.2	8.4	8.9
Gross margin (%)	45.7	43.9	35.4	38.3	39.0	40.0
Operating margin (%)	34.5	32.8	23.4	30.0	31.0	32.2
PBT margin (%)	34.0	32.6	22.9	29.0	30.0	31.0
Dividend yield (%)	2.7	3.0	0.3	0.7	1.3	2.0
Net gearing (%)	-1.9	-2.2	32.1	37.4	29.8	29.7
ROE (%)	18.2	17.0	12.9	11.3	12.7	12.5
ROA (%)	8.8	7.7	6.3	5.1	6.6	6.8

Source: Company, JF Apex

Figure 3: RNAV

On-going projects	Remaining GDV RM(m)	Stake (%)	DCF of development profits	Basis
H2O	794	100	135.3	Cost of equity: 9%
3 Elements	400	100	70.9	
Mutiara Residence	30.3	100	5.8	
Emery @ Kemensah	50.7	100	9.4	
Seri Alam Residence	340	100	60.3	
Park Residency Cheras	75.3	100	14.5	
Riveria @ KL Sentral	1000	56	84.1	
Klang Sentral	700	100	113.9	
3rdNvenue @ Jln Ampang	1800	70	151.7	
The Shore @ Kota Kinabalu	575	70	56.8	
Odeon KL	1500	100	191.3	
Trio Monfort	1500	100	191.3	
Areca @ Penang	2520	100	319.6	
Damansara West	2400	100	318.1	
Total	13685.3		1723.0	
Shareholders' equity			651.8	9MFY17
Proceeds from ICPS			1014.8	615m shares @ RM1.65
Proceeds from Consideration shares			115.6	79.7m shares @ RM1.45
RNAV			3505.1	
Enlarged no. of shares			1104.7	
FD RNAV/share			3.17	

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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