

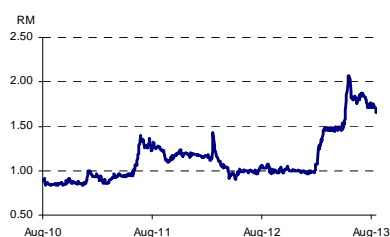
Results Note

Tropicana

TRCB MK
RM1.66

BUY (maintain)

Price Target: RM2.50 (↔)



Price Performance

	1M	3M	12M
Absolute	-9.3%	-19.8%	+54.7%
Rel to KLCI	-3.6%	-16.7%	+49.8%

Stock Data

Issued shares (m)	1,079.7
Mkt cap (RMm)	1,792.3
Avg daily vol - 6mth (m)	3.33
52-wk range (RM)	0.99-2.20
Est free float	34.3%
BV/share (RM)	2.45
P/BV (x)	0.7
Net cash/(debt) (RMm)(2Q13)	(1,488.9)
ROE (FY13E)	9.0%
Derivatives	
Warr 2019 (WP: RM0.64, SP: RM1.00)	

Key Shareholders

Tan Sri Dato' Danny Tan	65.8%
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Earnings & Valuation Revisions

	13E	14E	15E
Prev EPS (sen)	22.2	19.9	21.8
Curr EPS (sen)	21.2	19.9	21.8
Chg (%)	+4.5	-	-
Prev target price (RM)		2.50	
Curr target price (RM)		2.50	

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A solid set of results

Higher 1H13 core net profit of RM74m, within expectations

Tropicana reported a vastly stronger 1H13 core net profit of RM73.7m (+231% yoy) on the back of higher revenue and gains from disposal of property development land. The group's 1H13 revenue grew by 184% to RM667.4m on stronger property sales achieved, more robust progress billings as well as higher property investment income derived from new investment properties acquired in 3Q12. The group's 1H13 EBIT grew almost tripled from RM45.2m in 1H12 to RM143.9m in 1H13 on higher property development EBIT as well as higher gains on disposal of development land (RM60.4m in 1H13 vs nil in 1H12). We view the land disposal gains as part of Tropicana's core earnings given the group's strategy to actively trade its land bank as well as its intention to payout at least 40% of earnings (including gains on disposal) as dividend. Overall, we deem the results as inline. While Tropicana's 1H13 core net profit only accounts for 36% of our full year earnings forecast, we believe higher property development income as well as further gains on land disposal will boost the group's 2H13 earnings. Tropicana's 1H13 core net profit accounts for 43% of street's full year earnings forecast.

2Q13 core net profit weaker qoq

Sequentially, Tropicana's 2Q13 core net profit fell by 34.2% to RM29.3m due to lower gains from land disposal (RM2.3m in 2Q13 vs RM58.1m in 1Q13) but partly mitigated by higher property development profit. The group's 2Q13 revenue grew by 18.6% qoq to RM362.1m on higher property sales and higher progress billings. We estimate that Tropicana's 2Q13 property development margin improved from a subpar 5% in 1Q13 to 15% in 2Q13.

Record property sales of RM1.06bn in 1H13

Tropicana achieved an impressive new property sales of RM1.06bn in 1H13 (vs RM1bn property sales in full year 2012), on track to achieve our full year property sales assumption of RM2.1bn. Notably, Tropicana's property sales had picked up substantially in 2Q13 where the group booked in over RM800m of property sales, vs RM254m in 1Q13. As at end-June 2013, Tropicana's unbilled sales was at an all-time high of RM1.65bn.

Maintain BUY with an unchanged TP of RM2.50

We raised our FY13 EPS forecast by 4.5% to account for a RM12.1m gain from fair value adjustment of investment properties booked in 2Q13. Elsewhere, we maintain our core earnings forecast and made no changes to our FY13-15E core EPS forecast. Maintain **BUY** with an unchanged TP of RM2.50 based on a 30% discount to our RNAV estimate.

Earnings & Valuation Summary

FYE Dec (RMm)	2011	2012	2013E	2014E	2015E
Revenue	375.2	630.4	1141.1	1357.8	1654.1
EBITDA	87.2	143.5	356.2	345.0	403.3
Pretax profit	99.2	224.9	306.0	310.9	380.7
Net profit	77.0	171.1	212.6	214.8	261.2
EPS (sen)	16.9	32.5	22.2	19.9	21.8
PER (x)	9.8	5.1	7.5	8.3	7.6
Core net profit	63.0	66.0	203.6	214.8	261.2
Core EPS (sen)	13.8	12.5	21.2	19.9	21.8
Core EPS chg (%)	92.9	-9.3	69.3	-6.0	9.2
Core PER (x)	12.0	13.2	7.8	8.3	7.6
DPS (sen)	2.3	4.8	8.9	8.0	8.7
Dividend Yield (%)	1.4	2.9	5.3	4.8	5.2
EV/EBITDA (x)	18.7	17.4	8.5	9.1	7.8
Consensus profit	-	-	170.0	196.0	243.0
Affin/Consensus (x)	-	-	1.2	1.1	1.1

Fig 1: Quarterly results comparison

FYE 31 Dec (RMm)	2QFY12	1QFY13	2QFY13	QoQ % chg	YoY % chg	Comment
Revenue	117.1	305.3	362.1	18.6	>100	Higher revenue qoq due to higher property sales recorded and higher progress of work.
Op costs	(94.6)	(223.4)	(300.1)	(34.4)	>(100)	
EBIT	22.5	81.9	62.0	(24.3)	>100	Low er EBIT qoq due to low er gains from disposal of property development land.
<i>EBIT margin (%)</i>	<i>19.2</i>	<i>26.8</i>	<i>17.1</i>	<i>nm</i>	<i>nm</i>	
Int expense	(4.7)	(16.5)	(15.6)	5.7	>(100)	
Int and other inc	1.0	1.1	1.9	77.5	92.6	
Associates	1.3	1.2	1.8	56.4	37.6	
Exceptional gain/losses	38.6	(0.9)	12.1	nm	nm	Exceptional gains are mainly attributable to gains from fair value adjustment of investment properties.
Pretax	58.7	66.8	62.3	(6.7)	6.2	
Tax	(17.1)	(24.5)	(15.6)	36.3	8.4	
<i>Tax rate (%)</i>	<i>29.1</i>	<i>36.7</i>	<i>25.1</i>	<i>nm</i>	<i>nm</i>	
MI	(2.8)	1.5	(8.4)	>(100)	>(100)	
Net profit	38.8	43.8	38.3	(12.5)	(1.3)	
EPS (sen)	8.4	5.5	4.3	(21.6)	(48.8)	
Core net profit	10.7	44.5	29.3	(34.2)	>100	

Fig 2: Cumulative results comparison

FYE 31 Dec (RMm)	1H12	1H13	YTD % chg	Comment
Revenue	234.9	667.4	>100	Higher revenue due to higher property sales achieved, higher progress billings and higher revenue from the property investment segment contributed by the new investment properties acquired in 3Q12.
Op costs	(189.7)	(523.5)	>(100)	
EBIT	45.2	143.9	>100	
<i>EBIT margin (%)</i>	<i>19.2</i>	<i>21.6</i>	<i>nm</i>	
Int expense	(9.3)	(32.1)	>(100)	Higher interest expenses due to higher borrow ings.
Int and other inc	1.8	3.0	67.3	
Associates	2.7	3.0	(12.3)	
Exceptional gain/losses	39.3	11.2	nm	Exceptional gains are mainly attributable to gains from fair value adjustment of investment properties.
Pretax	79.7	129.1	62.0	
Tax	(21.7)	(40.1)	(85.1)	
<i>Tax rate (%)</i>	<i>27.2</i>	<i>31.1</i>	<i>nm</i>	
MI	(6.8)	(6.8)	0.2	
Net profit	51.2	82.1	60.5	
EPS (sen)	11.1	9.7	(12.4)	
Core net profit	22.3	73.7	>100	Broadly w ithin market and our expectations.

Fig 3: Tropicana's RNAV per share

Project	Tenure	Land Area (acre)	Remaining GDV (RMm)	Equity Interest	NPV (RMm)
Central					
Tropicana Cheras	Freehold	27	91	100%	14
Tropicana Gardens	Leasehold	16	2,712	70%	232
Tropicana Metropark	Freehold	89	6,253	100%	346
Tropicana Heights	Freehold	199	2,164	100%	174
W KL Hotel & Residences	Freehold	1	1,176	100%	53
Canal City	Leasehold	1,172	20,000	100%	536
Others (Klang Valley)	Mixed	29	2,145	100%	180
Southern					
Tropicana Danga Bay	Freehold	37	6,756	60%	204
Tropicana Danga Cove	Freehold	227	9,867	50%	299
Tropicana City Centre	Freehold	22	5,000	100%	179
Tropicana Danga Lagoon	Mixed	60	2,500	80%	103
TDB Hotel & Residences	Freehold	6	1,060	60%	39
Northern					
Penang World City	Freehold	103	10,000	55%	332
Tropicana 218 MacAlister	Freehold	2	201	100%	24
East Malaysia					
The Landmark, Jln Bundusan	Leasehold	1	108	100%	13
Subtotal		1,990	70,033		2,728
Unbilled sales					95
Investment properties		Net BV (RMm)	Market Value (RMm)	Equity Interest	Surplus (RMm)
Tropicana City Mall and Office Tower		503	509	100%	5
Total					2,828
Shareholders' fund (as at Mar 31, 2013)					2,174
Add: valuation surplus					2,828
Add: placement of new shares @ RM1.78					154
Adj: w warrants, ESOS, RCULS conversions					276
RNAV (RMm)					5,432
Share outstanding (as at Mar 31, 2013)					857
Add: placement of new shares					86
Add: w warrants, ESOS and RCULS conversions					581
Enlarged share base (m)					1,524
Fully diluted RNAV per share (RM)					3.56
Target price based on 30% discount to RNAV per share (RM)					2.50

Source: Company, Affin

Equity Rating Structure and Definitions

BUY	Total return is expected to exceed +15% over a 12-month period
TRADING BUY (TR BUY)	Total return is expected to exceed +15% over a 3-month period due to short-term positive development, but fundamentals are not strong enough to warrant a Buy call. This is to cater to investors who are willing to take on higher risks
ADD	Total return is expected to be between 0% to +15% over a 12-month period
REDUCE	Total return is expected to be between 0% to -15% over a 12-month period
TRADING SELL (TR SELL)	Total return is expected to exceed -15% over a 3-month period due to short-term negative development, but fundamentals are strong enough to avoid a Sell call. This is to cater to investors who are willing to take on higher risks
SELL	Total return is expected to be below -15% over a 12-month period
NOT RATED	Affin Investment Bank does not provide research coverage or rating for this company. Report is intended as information only and not as a recommendation
OVERWEIGHT	Industry, as defined by the analyst's coverage universe, is expected to outperform the KLCI benchmark over the next 12 months
NEUTRAL	Industry, as defined by the analyst's coverage universe, is expected to perform inline with the KLCI benchmark over the next 12 months
UNDERWEIGHT	Industry, as defined by the analyst's coverage universe is expected to under-perform the KLCI benchmark over the next 12 months

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