

Tropicana Corp (TRCB MK)

Property - Real Estate

Market Cap: USD539m

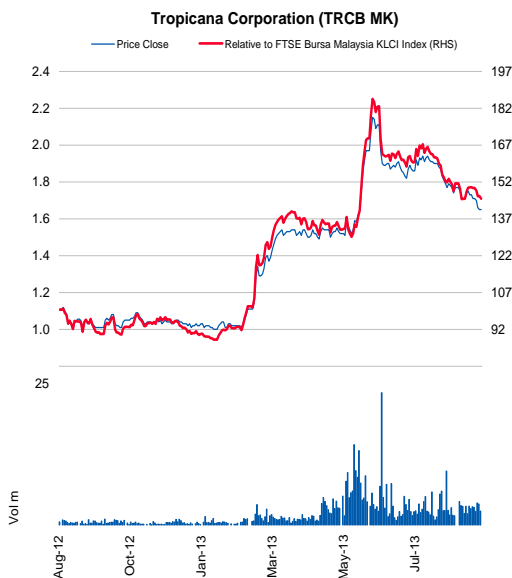
Buy (Maintained)

Target Price: MYR2.19

Price: MYR1.65

Moving Full Speed Ahead

Macro	◆◆◆
Risks	◆◆◆
Growth	◆◆◆
Value	◆◆◆



Source: Bloomberg

Avg Turnover (MYR/USD)	6.23m/1.96m
Cons. Upside (%)	18.2
Upside (%)	32.8
52-wk Price low/high (MYR)	1.00 - 2.15
Free float (%)	28

Shareholders (%)	
Tan Sri Dato' Danny Tan	71.4

Shariah compliant

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We maintain our BUY call and FV of MYR2.19 for Tropicana. Management has laid out plans for the rest of FY13, which includes the launching of another MYR2.1bn worth of projects in 2H13. This will likely help the company achieve its new MYR2.0bn sales target for FY13. Tropicana will also continue to monetise its assets through land sales and the disposal of investment assets.

- ◆ **More launches ahead.** At its briefing, Management updated us with its new sales figures and upcoming launches. To date, it has already recorded total new sales of MYR1.3bn, and will likely hit our FY13 new sales target of MYR2.0bn. Tropicana has launched new projects worth MYR3.0bn thus far, with a further MYR2.1bn in new developments lined up for introduction to the market in 2H13. Amongst the major launches in 2H is the MYR819m Tropicana Bay Residences in Penang World City (PWC). Four out of six blocks of the high-end condominium was opened for registration and about 80% have been booked so far. We believe that Tropicana will be promoting PWC more aggressively now, as it has finally secured the advertising permit and developers' license (APDL). Unbilled sales remain high at MYR1.65bn, and it was indicated that this amount could exceed the MYR2.0bn mark by year-end.
- ◆ **Continuing its asset monetisation.** Tropicana continues to aggressively sell its landbank as part of its de-gearing exercise. It has completed total land sales of MYR149m in 1H13, and is targeting to complete another MYR197m worth of land sales in 2H13. Management has also indicated that future land sales could amount to MYR403m. These include land parcels at Jalan Kia Peng and SS15 in the Klang Valley. Tropicana still plans to dispose of some MYR883m worth of investment properties, including Tropicana City Mall (TCM), Tropicana City Office Tower and Dijaya Plaza. On the disposal of TCM to CapitaMalls Malaysia Trust (CMMT MK, SELL, FV: MYR1.35), Management believes that TCM is currently worth MYR500-600m (net book value: MYR444m) and expects the disposal to be completed in 1QCY14, should CMMT decide to proceed with the asset acquisition.
- ◆ **Maintain BUY.** With no changes to our forecasts, we maintain our BUY call, with an unchanged MYR2.19 fair value. Our discount to RNAV of 25% is in line with our valuations for other property stocks of similar size, which are currently valued at 15-25% discount to RNAV.

Forecasts and Valuations	Dec-10	Dec-11	Dec-12	Dec-13F	Dec-14F
Total turnover (MYRm)	289	375	630	1,340	1,624
Reported net profit (MYRm)	42	93	187	165	192
Recurring net profit (MYRm)	38	57	60	170	198
Recurring net profit growth (%)	(24.8)	50.0	4.6	185.4	16.5
EPS (MYR)	0.05	0.15	0.30	0.20	0.22
DPS (MYR)	0.02	0.02	0.05	0.04	0.04
Dividend Yield (%)	1.3	1.4	2.9	2.4	2.6
Return on average assets (%)	2.8	4.6	5.3	3.5	3.8
Return on average equity (%)	4.8	9.6	12.0	7.7	8.2
P/E (x)	32.4	11.3	5.5	8.2	7.6
P/B (x)	1.50	0.73	0.63	0.62	0.62
Net debt to equity (%)	(7.0)	73.1	75.0	55.9	44.4

Source: Company data, RHB estimates

Figure 1: RNAV estimate for Tropicana

Projects	Acres	GDV (MYR mil)	Stake	NPV @ 11%
Tropicana Cheras	26.7	275.8	100%	20.1
Tropicana Avenue	5.6	412.3	100%	28.3
Tropicana Danga Bay	31.0	6,800.0	60%	274.2
Tropicana Danga Bay H&R	6.0	1,060.0	70%	31.2
Tropicana Gardens	17.6	2,000.0	70%	87.3
W Hotel @ The Residences	1.3	900.0	100%	47.8
Dijaya Trop. Plaza	1.1	105.0	100%	5.4
Tropicana Metropark (Subang)	88.5	6,800.0	100%	337.8
Tropicana Danga Cove (Permas Jaya Johor)	227.0	10,000.0	50%	286.4
Tropicana Heights Kajang	198.5	2,163.5	100%	141.5
Jalan Sultan Ismail	1.2	650.0	100%	39.9
Penang World City	102.6	9,802.4	55%	208.0
Canal City	1,172.0	8,600.0	100%	231.0
<u>Injected landbanks</u>				
Sunway Kenari	5.6	634.5	100%	34.5
Jalan Harapan PJ	2.8	218.1	100%	11.9
Lot 914-916 Jalan Macalister Penang	2.1	294.0	100%	16.0
Lot 184-186 Jalan Selangor PJ	1.1	83.3	100%	4.5
Lot 4271 Jalan Tun Razak JB	21.9	5,000.0	100%	245.5
Jalan Kia Peng	1.5	331.8	100%	18.3
Jalan Bukit Bintang	3.3	684.5	100%	37.8
Jalan Ampang	0.9	99.5	100%	5.5
Rahang land (Neg. Sembilan)	2.4	127.1	100%	2.7
Pekan Bkt Kepayang, Neg. Sembilan)	2.0	130.3	100%	2.8
SS13 Subang Jaya	2.5	197.4	100%	10.2
Lot 2480 Jln Kepong Besar	0.8	66.7	100%	3.6
Lot 1982 Jln Sungei Besi	3.0	248.7	100%	12.8
The Landmark, Jalan Bundusan KK	1.3	100.9	100%	5.6
Double Up, Off Jln Lintas KK	1.2	112.7	100%	5.8
Sadong Jaya, KK	1.0	120.2	100%	6.2
Jalan Albert Kwok, KK	0.9	63.7	100%	3.3
Lido Junction, Penampang	1.7	186.8	100%	7.5
Jalan Segama, Lahad Datu	1.3	27.4	100%	1.2
Tawau City land	0.8	35.6	100%	1.3
Taman Tshun Ngen, Sandakan	1.5	64.0	100%	2.2
Unbilled sales				95.1
Subtotal				2,273.1
<u>Investment properties</u>				
	<u>Location</u>	<u>BV (MYR mil)</u>	<u>MV (MYR mil)</u>	<u>Net surplus (MYR mil)</u>
Tropicana City Mall & Office	Klang Valley	503.1	648.7	145.6
Dijaya Plaza, KL	City Centre	125.4	131.1	5.7
Bangunan Metro, Klang	Klang Valley	17.0	17.0	0.0
Jaya Square, Petaling Jaya	Klang Valley	18.0	18.0	0.0
Intan Square, Petaling Jaya	Klang Valley	23.0	23.0	0.0
Wisma TT, Petaling Jaya	Klang Valley	25.0	25.0	0.0
Casa Klang, Jalan Meru	Klang Valley	30.0	30.0	0.0
Casa Square, Puchong	Klang Valley	45.0	45.0	0.0
Coliseum Square, Ipoh	Perak	23.0	23.0	0.0
Bangunan Keningau	Sabah	5.5	5.5	0.0
Bangunan Magma, Off Jalan Damai, KK	Sabah	5.8	5.8	0.0
New Pantai Building, Tanjung Aru, KK	Sabah	7.8	7.8	0.0
Bangunan Moretune	Sabah	11.0	11.0	0.0
Bangunan Tiara, Sandakan	Sabah	12.2	12.2	0.0
Bangunan D. Junction	Sabah	21.0	21.0	0.0
Penampang Point	Sabah	19.5	19.5	0.0
Bangunan Blue 7, Penampang	Sabah	26.5	26.5	0.0
NTA (adjusted for RCULS)				2,186.2
Warrants & ESOS				217.6
Placement proceeds				366.8
Total RNAV				5,043.7
Share base (mil)				951.2
No. of warrants & ESOS (mil)				217.6
Enlarged share base (mil) - incl. RCULS				1,725.9
RNAV per share				2.92
Discount				25%
Fair value				2.19

Source: RHB estimates

Financial Exhibits

Profit & Loss (MYRm)	Dec-10	Dec-11	Dec-12	Dec-13F	Dec-14F
Total turnover	289	375	630	1,340	1,624
Cost of sales	(193)	(217)	(351)	(771)	(1,006)
Gross profit	96	158	279	569	617
Gen & admin expenses	(57)	(76)	(150)	(337)	(406)
Other operating costs	19	33	130	27	30
Operating profit	58	115	260	259	242
Operating EBITDA	73	132	277	276	256
Depreciation of fixed assets	(15)	(16)	(17)	(17)	(14)
Operating EBIT	58	115	260	259	242
Net income from investments	-	6	6	18	69
Interest income	5	5	4	5	5
Interest expense	(11)	(11)	(32)	(48)	(43)
Pre-tax profit	52	116	238	234	273
Taxation	(6)	(15)	(42)	(50)	(59)
Minority interests	(4)	(8)	(9)	(19)	(22)
Profit after tax & minorities	42	93	187	165	192
Reported net profit	42	93	187	165	192
Recurring net profit	38	57	60	170	198

Source: Company data, RHB estimates

Cash flow (MYRm)	Dec-10	Dec-11	Dec-12	Dec-13F	Dec-14F
Operating profit	58	115	260	259	242
Depreciation & amortisation	15	16	17	17	14
Change in working capital	25	(250)	(59)	(225)	(215)
Other operating cash flow	(0)	(27)	(165)	62	107
Operating cash flow	98	(146)	53	113	148
Interest received	5	5	4	5	5
Interest paid	(11)	(11)	(32)	(48)	(43)
Tax paid	(6)	(15)	(42)	(50)	(59)
Cash flow from operations	86	(166)	(17)	19	52
Capex	(177)	(734)	(895)	-	(83)
Other investing cash flow	(13)	41	-	223	200
Cash flow from investing activities	(189)	(692)	(895)	223	117
Dividends paid	(10)	(17)	(10)	(38)	(34)
Proceeds from issue of shares	34	57	874	-	-
Increase in debt	60	781	875	-	-
Other financing cash flow	(41)	(83)	(733)	(194)	(59)
Cash flow from financing activities	44	738	1,005	(232)	(92)
Cash at beginning of period	301	241	120	214	224
Total cash generated	(60)	(121)	94	10	77
Implied cash at end of period	241	120	214	224	301

Source: Company data, RHB estimates

Financial Exhibits

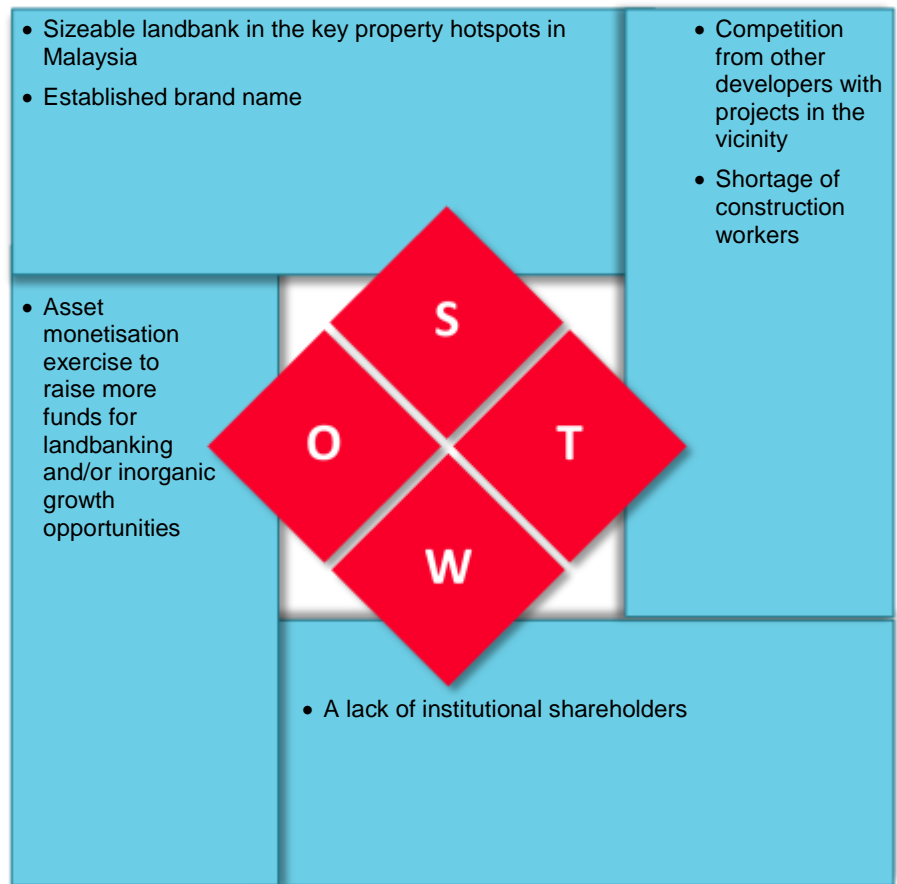
Balance Sheet (MYRm)	Dec-10	Dec-11	Dec-12	Dec-13F	Dec-14F
Total cash and equivalents	277	146	225	235	312
Inventories	215	343	437	1,056	1,271
Accounts receivable	22	58	164	323	437
Other current assets	74	195	149	149	149
Total current assets	588	743	975	1,763	2,169
Total investments	57	1,303	2,492	2,492	2,292
Tangible fixed assets	841	451	1,030	685	753
Intangible assets	3	5	17	17	17
Total other assets	51	35	4	7	13
Total non-current assets	952	1,795	3,543	3,201	3,075
Total assets	1,540	2,538	4,518	4,964	5,244
Short-term debt	3	146	224	174	174
Accounts payable	106	239	331	883	997
Other current liabilities	103	7	8	8	8
Total current liabilities	212	391	563	1,066	1,179
Total long-term debt	208	846	1,642	1,392	1,308
Other liabilities	161	144	124	124	124
Total non-current liabilities	369	990	1,766	1,516	1,432
Total liabilities	581	1,381	2,330	2,582	2,611
Share capital	819	458	793	843	927
Retained earnings reserve	34	171	321	445	589
Other reserves	46	410	947	947	947
Shareholders' equity	899	1,039	2,061	2,235	2,463
Minority interests	61	118	128	147	169
Total equity	960	1,157	2,189	2,382	2,632
Total liabilities & equity	1,540	2,538	4,518	4,964	5,244

Source: Company data, RHB estimates

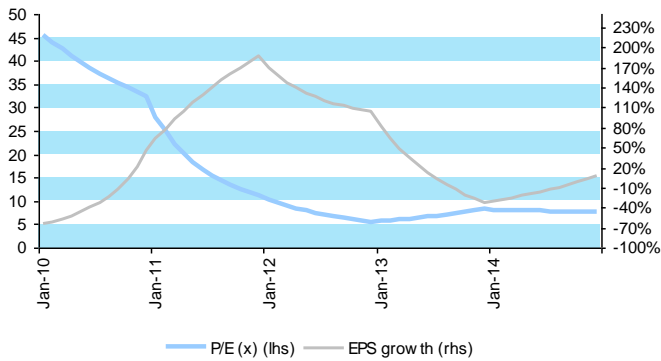
Key Ratios (MYR)	Dec-10	Dec-11	Dec-12	Dec-13F	Dec-14F
Revenue growth (%)	(7.3)	29.9	67.9	112.7	21.2
Operating profit growth (%)	5.1	98.3	125.2	(0.4)	(6.6)
Net profit growth (%)	61.8	123.8	99.7	(11.8)	16.7
EPS growth (%)	46.4	186.9	103.8	(32.5)	7.8
Bv per share growth (%)	6.9	106.6	14.6	2.0	0.2
Operating margin (%)	20.1	30.8	41.2	19.3	14.9
Net profit margin (%)	14.4	24.9	29.6	12.3	11.8
Return on average assets (%)	2.8	4.6	5.3	3.5	3.8
Return on average equity (%)	4.8	9.6	12.0	7.7	8.2
Net debt to equity (%)	(7.0)	73.1	75.0	55.9	44.4
DPS	0.02	0.02	0.05	0.04	0.04
Recurrent cash flow per share	0.10	(0.26)	(0.03)	0.02	0.06

Source: Company data, RHB estimates

SWOT Analysis

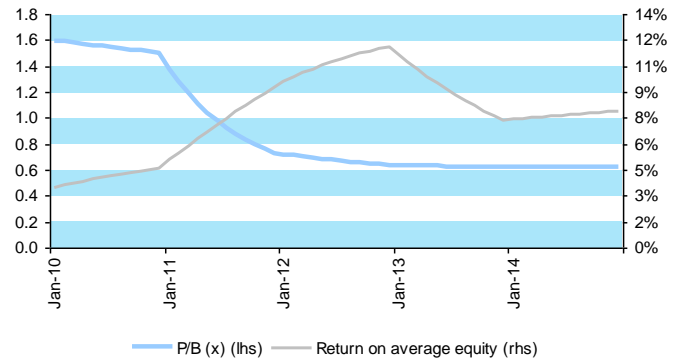


P/E (x) vs EPS growth



Source: Company data, RHB estimates

P/BV (x) vs ROAE

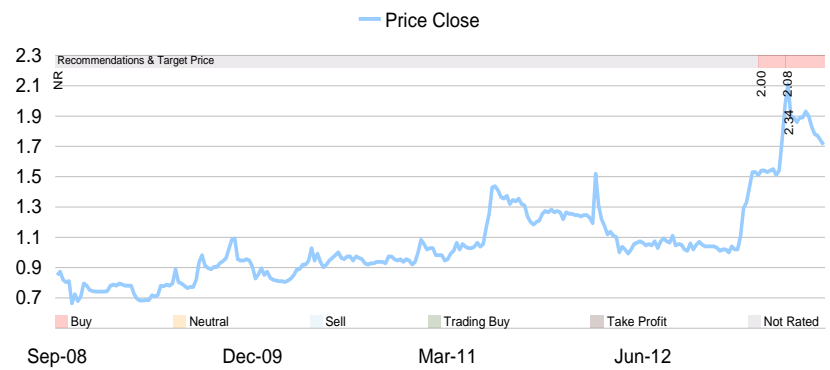


Source: Company data, RHB estimates

Company Profile

Tropicana Corporation is a developer in Malaysia. The company is known for its flagship developments, Tropicana Golf & Country Resort and *Tropicana Indah*, at Petaling Jaya.

Recommendation Chart



Source: RHB estimates, Bloomberg

Date	Recommendation	Target Price	Price
2013-08-28	Buy	2.19	1.65
2013-05-22	Buy	2.34	1.97
2013-05-20	Buy	2.08	1.85
2013-03-19	Buy	2.00	1.54

Source: RHB estimates, Bloomberg

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