

# Tropicana Corp (TRCB MK)

Property - Real Estate

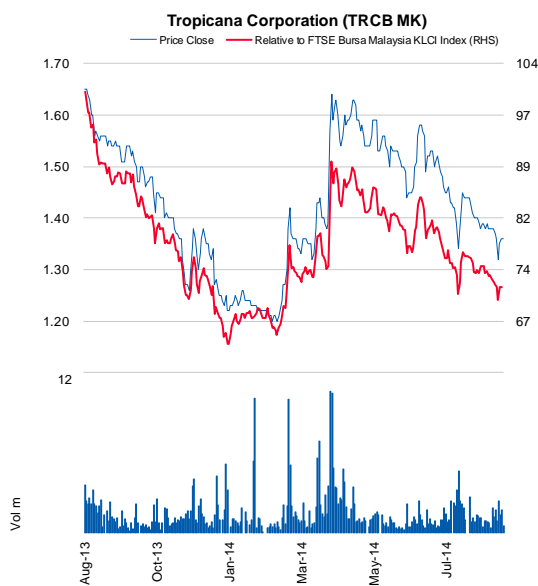
Market Cap: USD591m

**Buy** (Maintained)

Target Price: MYR2.15

Price: MYR1.36

## Earnings Boosted By Land Disposal Gains

 Macro   
 Risks   
 Growth   
 Value 


Source: Bloomberg

Avg Turnover (MYR/USD)	1.73m/0.54m
Cons. Upside (%)	43.4
Upside (%)	57.9
52-wk Price low/high (MYR)	1.20 - 1.65
Free float (%)	28
Share outstanding (m)	1,370
Shareholders (%)	
Tan Sri Dato' Danny Tan	71.4

### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	11.5	(5.6)	(11.1)	0.0	(17.6)
Relative	11.2	(5.3)	(11.1)	(2.0)	(28.6)

### Shariah compliant

 Alia Arwina +603 9207 7608  
[alia.arwina@rhbgroun.com](mailto:alia.arwina@rhbgroun.com)

**Tropicana's 1HFY14 results came in within expectations. 2QFY14 earnings were boosted by total land sales gain amounting to MYR58.6m. Its new sales of MYR935m for 1HFY14 (1QFY14: MYR300m) included the maiden contribution from its newly-launched Tropicana Heights. Earnings going forward should be underpinned by its strong unbilled sales of MYR2.69bn and ongoing land sales. Maintain BUY.**

◆ **Within expectations.** Tropicana Corp's (Tropicana) 2QFY14 net profit of MYR89.5m (>100% y-o-y, >100% q-o-q) brought 1HFY14 net profit to MYR97.1m (+18.2% y-o-y), broadly in line with our and consensus full-year estimates. Property development revenue was sustained by its ongoing projects such as Tropicana Gardens and Tropicana Metropark (Klang Valley), as well as Tropicana Danga Bay (Johor). Earnings were further boosted this quarter by the gain on land sales in Jalan Ampang and Jalan Kia Peng amounting to MYR58.6m. We expect earnings going forward to remain stable, underpinned by its strong unbilled sales of MYR2.69bn (1QFY14: MYR2.39bn).

◆ **More projects to be rolled out.** Tropicana recorded strong sales of MYR935m for 1HFY14 (1QFY14: MYR300m), on track to meet our forecast of MYR1.7bn. The sales were mainly attributed to the maiden contribution from Tropicana Heights in Kajang (launched in 1QFY14) as well as the ongoing sales in Tropicana Metropark. Management has guided for MYR2.61bn of GDV to be rolled out in 2HFY14. The main project is The Residences in Jalan Ampang, which will be launched in 4QFY14 (GDV: MYR832m). The 350-unit serviced apartment is part of the W Hotel mixed development project, and Management has guided for ASP of MYR2,000-2,500 psf. Other new launches include phase one of Tropicana Aman (GDV: MYR381m). The company is also hoping to seal more land disposal deals over the next 12 months, which could potentially bring in about MYR316m in net gain. This includes the recently-signed agreement with Agile Property (3383 HK, BUY, FV: HKD7.40) for the purchase of Tropicana's Bukit Bintang land.

◆ **Maintain BUY.** We maintain our earnings forecasts and MYR2.15 FV, based on a 30% discount to RNAV. The risks to our view include: i) slower-than-expected sales, and ii) delays in the completion of future land disposals.

Forecasts and Valuations	Dec-11	Dec-12	Dec-13	Dec-14F	Dec-15F
Total turnover (MYRm)	375	630	1,476	1,488	1,362
Reported net profit (MYRm)	65	169	362	185	211
Recurring net profit (MYRm)	57	60	188	185	211
Recurring net profit growth (%)	50.0	4.6	215.8	(2.0)	14.6
Recurring EPS (MYR)	0.09	0.10	0.20	0.16	0.17
DPS (MYR)	0.02	0.05	0.08	0.04	0.04
Recurring P/E (x)	15.2	14.3	6.9	8.5	8.0
P/B (x)	0.60	0.52	0.59	0.58	0.58
Dividend Yield (%)	1.7	3.5	5.9	2.8	3.0
Return on average equity (%)	6.7	10.9	15.6	6.9	7.3
Return on average assets (%)	3.2	4.8	7.3	3.4	3.7
Net debt to equity (%)	73.1	75.0	51.9	39.1	22.1
Our vs consensus EPS (adjusted) (%)				0.3	13.8

Source: Company data, RHB

Figure 1: Tropicana's quarterly review

FYE Dec (MYRm)	2QFY13	1QFY14	2QFY14	q-o-q (%)	y-o-y (%)	1HFY13	1HFY14	y-o-y (%)	Comments
Revenue	362.1	299.1	355.9	19.0	(1.7)	667.4	655.0	(1.9)	Revenue was slightly lower y-o-y due to slower progress billings in FY14.
EBIT	117.7	110.4	135.5	22.7	15.1	248.4	246.0	(1.0)	
Interest expense	(15.6)	(19.5)	(15.6)	(19.8)	0.6	(32.1)	(35.1)	9.6	
Pretax profit	62.3	24.7	121.0	>100	94.1	129.1	145.6	12.8	
Tax	(15.6)	(5.2)	(15.9)	>100	1.5	(40.1)	(21.0)	(47.6)	
Minority Interest	(8.4)	(11.8)	(15.7)	32.3	86.7	(6.8)	(27.5)	>100	
<b>Reported Net Profit</b>	<b>38.3</b>	<b>7.6</b>	<b>89.5</b>	<b>&gt;100</b>	<b>&gt;100</b>	<b>82.1</b>	<b>97.1</b>	<b>18.2</b>	
<b>Core Net Profit</b>	<b>38.3</b>	<b>7.6</b>	<b>89.5</b>	<b>&gt;100</b>	<b>&gt;100</b>	<b>82.1</b>	<b>97.1</b>	<b>18.2</b>	Within expectations.
<i>EBIT Margin (%)</i>	32.5	36.9	38.1			37.2	37.5		
<i>Pretax Margin (%)</i>	17.2	8.2	34.0			19.3	22.2		
<i>Effective tax rate (%)</i>	25.1	20.9	13.1			31.1	14.4		
<i>Net Margin (%)</i>	10.6	2.6	25.1			12.3	14.8		

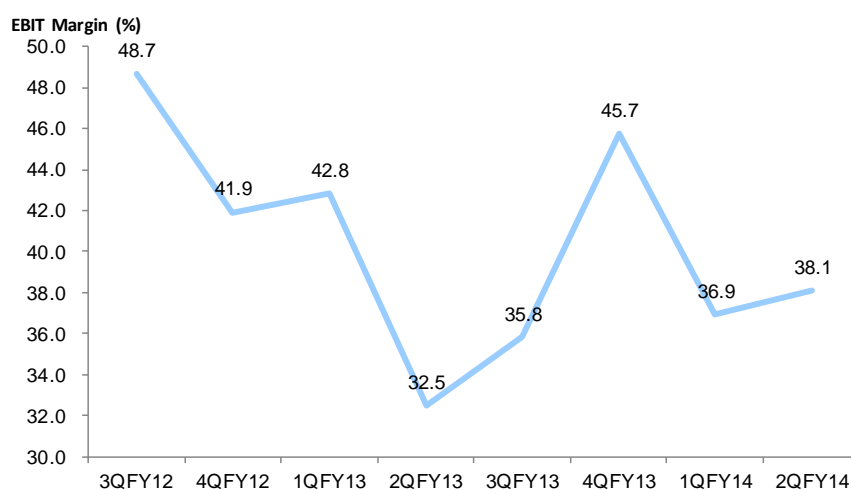
Source: RHB, Company

Figure 2: Tropicana's historical quarterly results

FYE Dec (MYRm)	3QFY12	4QFY12	1QFY13	2QFY13	3QFY13	4QFY13	1QFY14	2QFY14
<b>Revenue</b>	<b>161.1</b>	<b>234.1</b>	<b>305.3</b>	<b>362.1</b>	<b>363.4</b>	<b>444.7</b>	<b>299.1</b>	<b>355.9</b>
<i>Growth Q-o-q (%)</i>		45.3	30.4	18.6	0.4	22.4	(32.7)	19.0
<i>Growth Y-o-y (%)</i>					125.6	90.0	(2.0)	(1.7)
<b>EBIT</b>	<b>78.4</b>	<b>98.1</b>	<b>130.7</b>	<b>117.7</b>	<b>130.2</b>	<b>203.4</b>	<b>110.4</b>	<b>135.5</b>
Interest expense	(8.5)	(13.9)	(16.5)	(15.6)	(27.7)	(18.2)	(19.5)	(15.6)
<b>Pretax profit</b>	<b>80.1</b>	<b>60.8</b>	<b>66.8</b>	<b>62.3</b>	<b>49.3</b>	<b>325.2</b>	<b>24.7</b>	<b>121.0</b>
Tax	(21.2)	1.0	(24.5)	(15.6)	(19.7)	(65.4)	(5.2)	(15.9)
Minority Interest	(1.1)	(1.6)	1.5	(8.4)	(5.9)	(3.3)	(11.8)	(15.7)
<b>Reported Net Profit</b>	<b>57.8</b>	<b>60.2</b>	<b>43.8</b>	<b>38.3</b>	<b>23.7</b>	<b>256.5</b>	<b>7.6</b>	<b>89.5</b>
<b>Core Net Profit</b>	<b>57.8</b>	<b>60.2</b>	<b>43.8</b>	<b>38.3</b>	<b>23.7</b>	<b>82.4</b>	<b>7.6</b>	<b>89.5</b>
<i>Growth Q-o-q (%)</i>		4.1	(27.2)	(12.5)	(38.1)	247.3	(90.7)	1,069.8
<i>Growth Y-o-y (%)</i>					(59.0)	36.8	(82.5)	133.4
<i>EBIT Margin (%)</i>	48.7	41.9	42.8	32.5	35.8	45.7	36.9	38.1
<i>Pretax Margin (%)</i>	49.7	26.0	21.9	17.2	13.6	73.1	8.2	34.0
<i>Effective tax rate (%)</i>	26.5	(1.6)	36.7	25.1	39.9	20.1	20.9	13.1
<i>Net Margin (%)</i>	35.9	25.7	14.4	10.6	6.5	18.5	2.6	25.1

Source: Company

Figure 3: Tropicana's historical EBIT margins



Source: RHB, Company

Figure 4: RNAV estimates 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
Jalan Bukit Bintang	3.1	1,025.4	30%	17.0
<b>Injected landbanks</b>				
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 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				<b>95.1</b>
<b>Subtotal</b>				<b>2,252.3</b>

Investment properties	Location	BV (MYR mil)	MV (MYR mil)	Net surplus (MYR mil)
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
Proceeds from land disposal to Eco World	170.0
Proceeds from Bukit Bintang land disposal	101.5
<b>Total RNAV</b>	<b>5,294.4</b>
Share base (mil)	951.2
No. of warrants & ESOS (mil)	217.6
Enlarged share base (mil) - incl. RCULS	1,725.9
RNAV per share (MYR)	3.07
Discount	30%
<b>Fair value (MYR)</b>	<b>2.15</b>

Source: RHB estimates

## Financial Exhibits

<b>Profit &amp; Loss (MYRm)</b>	<b>Dec-11</b>	<b>Dec-12</b>	<b>Dec-13</b>	<b>Dec-14F</b>	<b>Dec-15F</b>
Total turnover	375	630	1,476	1,488	1,362
Cost of sales	(217)	(351)	(894)	(1,018)	(902)
<b>Gross profit</b>	<b>158</b>	<b>279</b>	<b>582</b>	<b>470</b>	<b>460</b>
Gen & admin expenses	(76)	(150)	(300)	(308)	(284)
Other operating costs	33	130	184	119	119
<b>Operating profit</b>	<b>115</b>	<b>260</b>	<b>466</b>	<b>282</b>	<b>295</b>
Operating EBITDA	132	277	489	305	319
Depreciation of fixed assets	(16)	(17)	(23)	(24)	(24)
<b>Operating EBIT</b>	<b>115</b>	<b>260</b>	<b>466</b>	<b>282</b>	<b>295</b>
Net income from investments	6	6	84	69	92
Interest income	5	4	9	6	6
Interest expense	(11)	(32)	(78)	(80)	(76)
Other non-recurring income	(28)	(17)	23	6	6
<b>Pre-tax profit</b>	<b>87</b>	<b>221</b>	<b>504</b>	<b>283</b>	<b>324</b>
Taxation	(15)	(42)	(125)	(70)	(81)
Minority interests	(8)	(9)	(16)	(28)	(32)
<b>Profit after tax &amp; minorities</b>	<b>65</b>	<b>169</b>	<b>362</b>	<b>185</b>	<b>211</b>
<b>Reported net profit</b>	<b>65</b>	<b>169</b>	<b>362</b>	<b>185</b>	<b>211</b>
<b>Recurring net profit</b>	<b>57</b>	<b>60</b>	<b>188</b>	<b>185</b>	<b>211</b>

Source: Company data, RHB

<b>Cash flow (MYRm)</b>	<b>Dec-11</b>	<b>Dec-12</b>	<b>Dec-13</b>	<b>Dec-14F</b>	<b>Dec-15F</b>
<b>Operating profit</b>	<b>115</b>	<b>260</b>	<b>466</b>	<b>282</b>	<b>295</b>
<b>Depreciation &amp; amortisation</b>	<b>16</b>	<b>17</b>	<b>23</b>	<b>24</b>	<b>24</b>
<b>Change in working capital</b>	<b>(250)</b>	<b>(59)</b>	<b>(417)</b>	<b>(126)</b>	<b>47</b>
Other operating cash flow	(27)	(165)	62	107	128
<b>Operating cash flow</b>	<b>(146)</b>	<b>53</b>	<b>133</b>	<b>286</b>	<b>493</b>
Interest received	5	4	9	6	6
Interest paid	(11)	(32)	(78)	(80)	(76)
Tax paid	(15)	(42)	(125)	(70)	(81)
<b>Cash flow from operations</b>	<b>(166)</b>	<b>(17)</b>	<b>(61)</b>	<b>142</b>	<b>343</b>
Capex	(734)	(895)	-	(78)	-
Other investing cash flow	41	-	(229)	200	107
<b>Cash flow from investing activities</b>	<b>(692)</b>	<b>(895)</b>	<b>(229)</b>	<b>122</b>	<b>107</b>
Dividends paid	(17)	(10)	(38)	(89)	(45)
Proceeds from issue of shares	85	891	236	-	-
Increase in debt	781	875	52	-	-
Other financing cash flow	(83)	(733)	(194)	(59)	(58)
<b>Cash flow from financing activities</b>	<b>766</b>	<b>1,022</b>	<b>55</b>	<b>(147)</b>	<b>(103)</b>
Cash at beginning of period	241	120	214	497	669
<b>Total cash generated</b>	<b>(92)</b>	<b>111</b>	<b>(235)</b>	<b>117</b>	<b>347</b>
<b>Implied cash at end of period</b>	<b>148</b>	<b>231</b>	<b>(21)</b>	<b>614</b>	<b>1,017</b>

Source: Company data, RHB

## Financial Exhibits

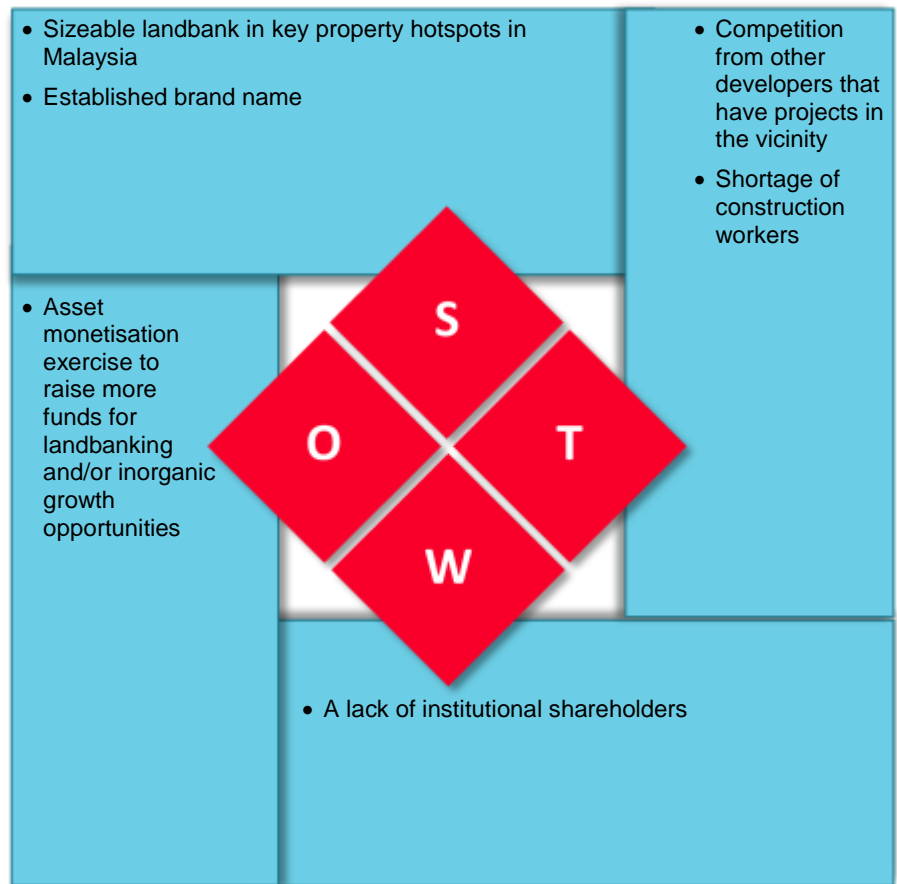
<b>Balance Sheet (MYRm)</b>	<b>Dec-11</b>	<b>Dec-12</b>	<b>Dec-13</b>	<b>Dec-14F</b>	<b>Dec-15F</b>
Total cash and equivalents	146	225	497	669	1,023
Inventories	343	437	621	670	590
Accounts receivable	58	164	383	447	421
Other current assets	195	149	356	356	356
<b>Total current assets</b>	<b>743</b>	<b>975</b>	<b>1,858</b>	<b>2,142</b>	<b>2,390</b>
Total investments	1,303	2,492	2,878	2,678	2,578
Tangible fixed assets	451	1,030	554	609	578
Intangible assets	5	17	-	-	-
Total other assets	35	4	135	141	148
Total non-current assets	1,795	3,543	3,568	3,428	3,304
<b>Total assets</b>	<b>2,538</b>	<b>4,518</b>	<b>5,426</b>	<b>5,570</b>	<b>5,694</b>
Short-term debt	146	224	351	351	351
Accounts payable	239	331	475	461	402
Other current liabilities	7	8	57	57	57
<b>Total current liabilities</b>	<b>391</b>	<b>563</b>	<b>883</b>	<b>869</b>	<b>810</b>
Total long-term debt	846	1,642	1,567	1,482	1,390
Other liabilities	144	124	242	242	242
<b>Total non-current liabilities</b>	<b>990</b>	<b>1,766</b>	<b>1,809</b>	<b>1,724</b>	<b>1,632</b>
<b>Total liabilities</b>	<b>1,381</b>	<b>2,330</b>	<b>2,692</b>	<b>2,593</b>	<b>2,442</b>
Share capital	458	793	1,107	1,192	1,284
Retained earnings reserve	171	321	-	130	280
Other reserves	410	947	1,463	1,463	1,463
<b>Shareholders' equity</b>	<b>1,039</b>	<b>2,061</b>	<b>2,570</b>	<b>2,785</b>	<b>3,028</b>
Minority interests	118	128	164	192	225
<b>Total equity</b>	<b>1,157</b>	<b>2,189</b>	<b>2,734</b>	<b>2,977</b>	<b>3,252</b>
<b>Total liabilities &amp; equity</b>	<b>2,538</b>	<b>4,518</b>	<b>5,426</b>	<b>5,570</b>	<b>5,694</b>

Source: Company data, RHB

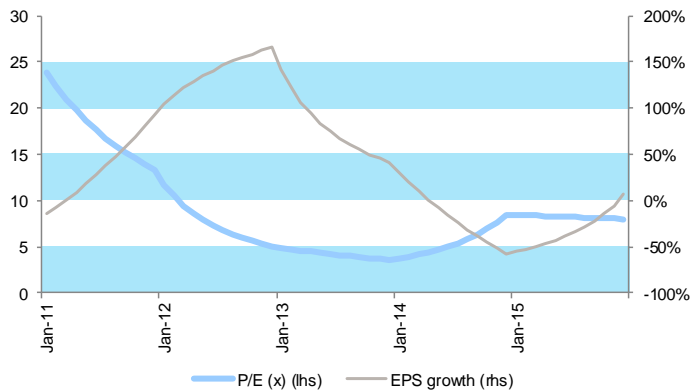
<b>Key Ratios (MYR)</b>	<b>Dec-11</b>	<b>Dec-12</b>	<b>Dec-13</b>	<b>Dec-14F</b>	<b>Dec-15F</b>
Revenue growth (%)	29.9	67.9	134.2	0.9	(8.5)
Operating profit growth (%)	98.3	125.2	79.4	(39.6)	4.7
Net profit growth (%)	50.4	160.0	114.1	(49.1)	14.5
EPS growth (%)	92.8	165.4	41.0	(57.9)	6.3
Bv per share growth (%)	106.6	14.6	(10.7)	0.7	0.9
Operating margin (%)	30.8	41.2	31.6	18.9	21.7
Net profit margin (%)	17.3	26.9	24.6	12.4	15.5
Return on average assets (%)	3.2	4.8	7.3	3.4	3.7
Return on average equity (%)	6.7	10.9	15.6	6.9	7.3
Net debt to equity (%)	73.1	75.0	51.9	39.1	22.1
DPS	0.02	0.05	0.08	0.04	0.04
Recurrent cash flow per share	(0.26)	(0.03)	(0.06)	0.12	0.28

Source: Company data, RHB

## SWOT Analysis

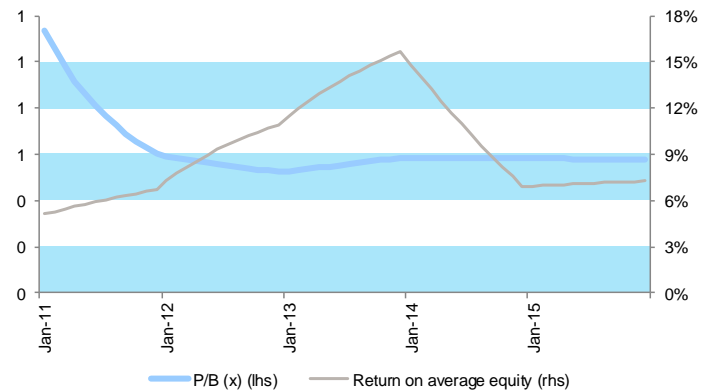


P/E (x) vs EPS growth



Source: Company data, RHB

P/BV (x) vs ROAE



Source: Company data, RHB

## Company Profile

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

## Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2014-05-12	Buy	2.15	1.53
2014-05-08	Buy	2.30	1.59
2014-03-20	Buy	2.27	1.43
2014-02-21	Buy	2.19	1.38
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, Bloomberg



## RHB Guide to Investment Ratings

- Buy:** Share price may exceed 10% over the next 12 months  
**Trading Buy:** Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain  
**Neutral:** Share price may fall within the range of +/- 10% over the next 12 months  
**Take Profit:** Target price has been attained. Look to accumulate at lower levels  
**Sell:** Share price may fall by more than 10% over the next 12 months  
**Not Rated:** Stock is not within regular research coverage

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