

Tropicana Corp (TRCB MK)

Property - Real Estate

Market Cap: USD596m

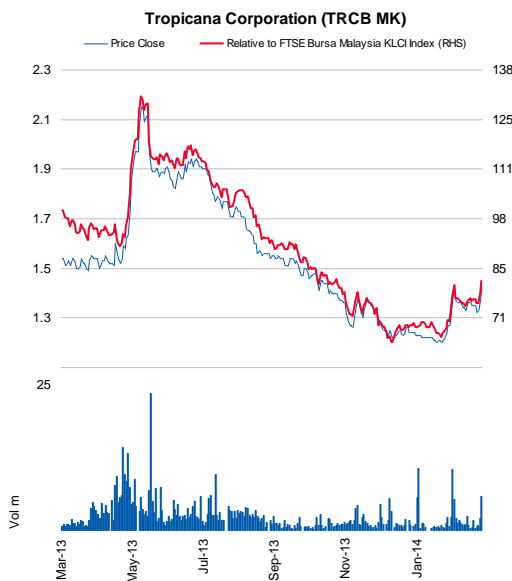
Buy (Maintained)

Target Price: MYR2.27

Price: MYR1.43

Unlocking Value Through Land Disposal

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



Source: Bloomberg

Avg Turnover (MYR/USD)	2.07m/0.63m
Cons. Upside (%)	36.4
Upside (%)	58.4
52-wk Price low/high (MYR)	1.20 - 2.15
Free float (%)	28
Shareholders (%)	
Tan Sri Dato' Danny Tan	71.4

TRCB has announced the disposal of 308.7 acres of land in Tropicana Aman (or Canal City) to Eco World for a total consideration of MYR471m. We are not surprised by this news, as management has indicated its intention to dispose of some of its landbank as part of TRCB's de-gearing exercise. Maintain BUY, with a revised MYR2.27 FV (from MYR2.19).

- ◆ **Disposing of 308.72 acres in Tropicana Aman to Eco World Development Group (Eco World).** Tropicana Corp (TRCB) has proposed to dispose of 308.72 acres of land (net) in Tropicana Aman (or Canal City) in Selangor, to Eco World for a cash consideration of MYR470.7m, translating into MYR35 psf. Given TRCB's land cost of MYR18 psf, the disposal will result in a significant MYR170m net gain. The deal is expected to be finalised in 2H14. Post disposal, TRCB will still hold net developable areas totalling 439.9 acres. The deal will also see TRCB and Eco World sharing the land's primary infrastructure, such as main roads and sewerage treatment plants.
- ◆ **Part of TRCB's de-gearing.** We are not surprised by the disposal as management had indicated previously its intention to sell off large parcels of land in Canal City as part of its de-gearing exercise. It also sees this as a way to accelerate the unlocking of its asset value. Its net gearing is likely to stay at the current 0.55x level even after the land disposal, as TRCB still needs to meet a cash commitment of about MYR500m for acquiring its Gelang Patah and Senibong Cove land.
- ◆ **Update on Tropicana Aman.** TRCB is targeting to launch two phases of landed properties with an estimated GDV of MYR770m in 2H14. The indicative pricing for the 2- to 3-storey link homes will be in the MYR800,000-900,000 per unit range. We believe that Tropicana Aman's accessibility to major highways like the SKVE, Elite Highway and Shah Alam Expressway is its main selling point. Eco World's presence in the area could also boost the overall profile of the development.
- ◆ **Maintain BUY.** No changes to our earnings estimates. Our FV has now been slightly revised to MYR2.27 (from MYR2.19) after factoring in the proposed land disposal into our RNAV calculation. Our FV is based on a 25% discount to RNAV.

Forecasts and Valuations	Dec-11	Dec-12	Dec-13	Dec-14F	Dec-15F
Total turnover (MYRm)	375	630	1,476	1,624	1,436
Reported net profit (MYRm)	65	169	362	203	218
Recurring net profit (MYRm)	57	60	188	203	218
Recurring net profit growth (%)	50.0	4.6	215.8	7.7	7.5
Recurring EPS (MYR)	0.09	0.10	0.20	0.18	0.18
DPS (MYR)	0.02	0.05	0.08	0.04	0.04
Recurring P/E (x)	16.0	15.0	7.2	8.1	8.1
P/B (x)	0.63	0.55	0.62	0.61	0.60
Dividend Yield (%)	1.6	3.4	5.6	2.9	2.9
Return on average equity (%)	6.7	10.9	15.6	7.5	7.4
Return on average assets (%)	3.2	4.8	7.3	3.7	3.8
Net debt to equity (%)	73.1	75.0	51.9	39.8	21.8
Our vs consensus EPS (%)				(2.0)	0.6

Source: Company data, RHB estimates

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Figure 1: RNAV breakdown

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>WV (MYR mil)</u>	<u>let 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
Proceeds from land disposal to Eco World				170.0
Total RNAV				5,213.7
Share base (mil)				951.2
No. of warrants & ESOS (mil)				217.6
Enlarged share base (mil) - incl. RCULS				1,725.9
RNAV per share (MYR)				3.02
Discount				25%
Fair value (MYR)				2.27

Source: RHB estimates

Financial Exhibits

Profit & Loss (MYRm)	Dec-11	Dec-12	Dec-13	Dec-14F	Dec-15F
Total turnover	375	630	1,476	1,624	1,436
Cost of sales	(217)	(351)	(894)	(1,101)	(953)
Gross profit	158	279	582	523	484
Gen & admin expenses	(76)	(150)	(300)	(333)	(298)
Other operating costs	33	130	184	119	119
Operating profit	115	260	466	310	305
Operating EBITDA	132	277	489	333	329
Depreciation of fixed assets	(16)	(17)	(23)	(24)	(24)
Operating EBIT	115	260	466	310	305
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	7
Pre-tax profit	87	221	504	311	335
Taxation	(15)	(42)	(125)	(77)	(83)
Minority interests	(8)	(9)	(16)	(31)	(33)
Profit after tax & minorities	65	169	362	203	218
Reported net profit	65	169	362	203	218
Recurring net profit	57	60	188	203	218

Source: Company data, RHB estimates

Cash flow (MYRm)	Dec-11	Dec-12	Dec-13	Dec-14F	Dec-15F
Operating profit	115	260	466	310	305
Depreciation & amortisation	16	17	23	24	24
Change in working capital	(250)	(59)	(417)	(176)	69
Other operating cash flow	(27)	(165)	62	107	128
Operating cash flow	(146)	53	133	264	526
Interest received	5	4	9	6	6
Interest paid	(11)	(32)	(78)	(80)	(76)
Tax paid	(15)	(42)	(125)	(77)	(83)
Cash flow from operations	(166)	(17)	(61)	113	373
Capex	(734)	(895)	-	(78)	-
Other investing cash flow	41	-	(229)	200	108
Cash flow from investing activities	(692)	(895)	(229)	122	108
Dividends paid	(17)	(10)	(38)	(89)	(50)
Proceeds from issue of shares	85	891	236	-	-
Increase in debt	781	875	52	-	-
Other financing cash flow	(83)	(733)	(194)	(59)	(58)
Cash flow from financing activities	766	1,022	55	(147)	(107)
Cash at beginning of period	241	120	214	497	640
Total cash generated	(92)	111	(235)	88	374
Implied cash at end of period	148	231	(21)	585	1,015

Source: Company data, RHB estimates

Financial Exhibits

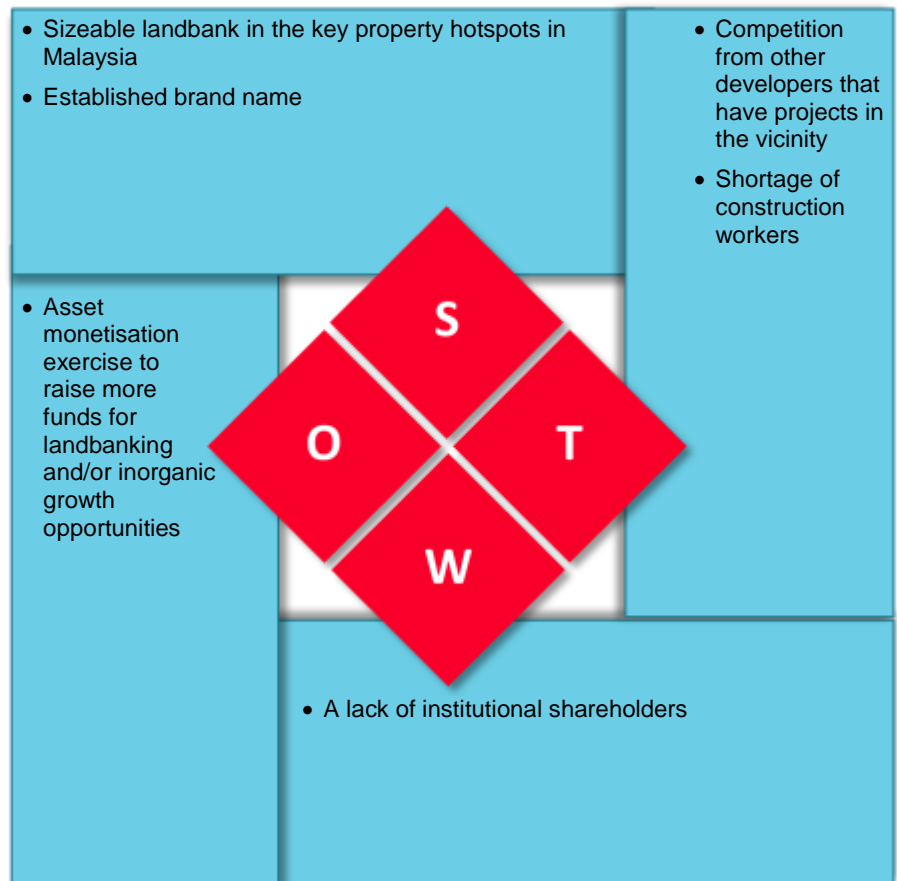
Balance Sheet (MYRm)	Dec-11	Dec-12	Dec-13	Dec-14F	Dec-15F
Total cash and equivalents	146	225	497	640	1,025
Inventories	343	437	621	755	637
Accounts receivable	58	164	383	474	436
Other current assets	195	149	356	356	356
Total current assets	743	975	1,858	2,226	2,454
Total investments	1,303	2,492	2,878	2,678	2,578
Tangible fixed assets	451	1,030	554	609	577
Intangible assets	5	17	-	-	-
Total other assets	35	4	135	141	148
Total non-current assets	1,795	3,543	3,568	3,428	3,303
Total assets	2,538	4,518	5,426	5,654	5,757
Short-term debt	146	224	351	351	351
Accounts payable	239	331	475	524	436
Other current liabilities	7	8	57	57	57
Total current liabilities	391	563	883	932	845
Total long-term debt	846	1,642	1,567	1,482	1,390
Other liabilities	144	124	242	242	242
Total non-current liabilities	990	1,766	1,809	1,724	1,632
Total liabilities	1,381	2,330	2,692	2,656	2,476
Share capital	458	793	1,107	1,192	1,284
Retained earnings reserve	171	321	-	148	305
Other reserves	410	947	1,463	1,463	1,463
Shareholders' equity	1,039	2,061	2,570	2,803	3,052
Minority interests	118	128	164	195	228
Total equity	1,157	2,189	2,734	2,998	3,281
Total liabilities & equity	2,538	4,518	5,426	5,654	5,757

Source: Company data, RHB estimates

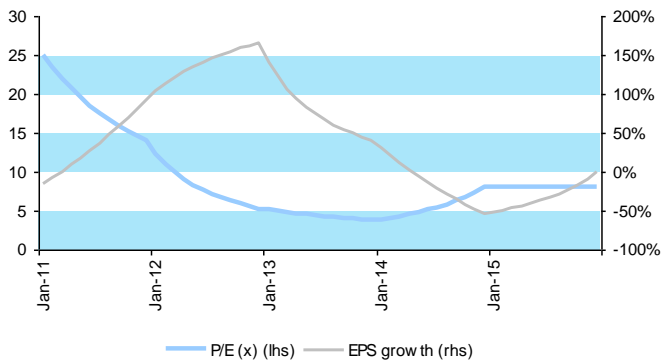
Key Ratios (MYR)	Dec-11	Dec-12	Dec-13	Dec-14F	Dec-15F
Revenue growth (%)	29.9	67.9	134.2	10.0	(11.5)
Operating profit growth (%)	98.3	125.2	79.4	(33.6)	(1.5)
Net profit growth (%)	50.4	160.0	114.1	(44.1)	7.5
EPS growth (%)	92.8	165.4	41.0	(53.7)	(0.2)
Bv per share growth (%)	106.6	14.6	(10.7)	1.3	1.0
Operating margin (%)	30.8	41.2	31.6	19.1	21.2
Net profit margin (%)	17.3	26.9	24.6	12.5	15.2
Return on average assets (%)	3.2	4.8	7.3	3.7	3.8
Return on average equity (%)	6.7	10.9	15.6	7.5	7.4
Net debt to equity (%)	73.1	75.0	51.9	39.8	21.8
DPS	0.02	0.05	0.08	0.04	0.04
Recurrent cash flow per share	(0.26)	(0.03)	(0.06)	0.10	0.30

Source: Company data, RHB estimates

SWOT Analysis

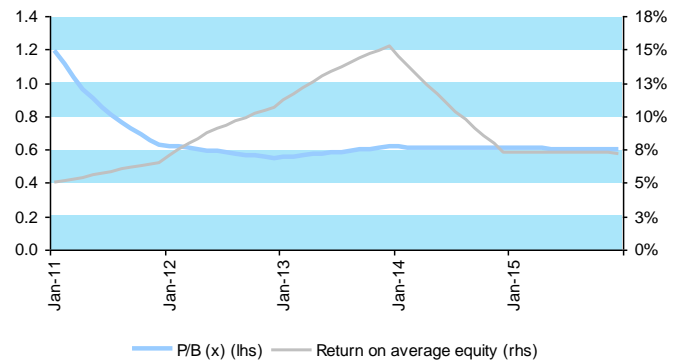


P/E (x) vs EPS growth



Source: Company data, RHB estimates

P/BV (x) vs ROAE



Source: Company data, RHB estimates

Company Profile

Tropicana Corporation is a Malaysian developer known for its flagship developments, Tropicana Golf and Country Resort and Tropicana Indah in Petaling Jaya

Recommendation Chart



Source: RHB estimates, Bloomberg

Date	Recommendation	Target Price	Price
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 estimates, Bloomberg

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