

Outthink. Outperform.

Achieved property sales of RM1.55bn in 2015

Tropicana achieved a net profit of RM31.7m in 4Q15, taking 2015 profit to RM227m, which is slightly below our expectation. In 2015, Tropicana achieved property sales of RM1.55bn, and achieved record unbilled sales of RM3.1bn. In 2016, Tropicana plans to launch RM1.76bn worth of properties with target property sales of RM1.5bn. No change to earnings forecast. Maintain BUY with an unchanged target price of RM1.95.

2015 earnings below expectation

In 4Q15, Tropicana reported a core net profit of RM31.7m (-83% yoy; -79% qoq), taking 2015 core net profit to RM226.5m (-27.4% yoy). This came in below our expectation, accounting for 82% of our full year forecast. Tropicana declared a final dividend of 2 sen. 2015 revenue was underpinned by Klang Valley projects (91% of total sales) namely Tropicana Aman, Heights, Gardens and Residences.

Achieved RM1.55bn sales; unbilled sales at record high of RM3.1bn

In 4Q15, Tropicana achieved property sales of RM33m taking FY15 total property sales to RM1.55bn, which is in line with its 2015 sales target. As at end-Dec 2015, Tropicana's unbilled sales reached a new high at RM3.1bn, underpinned by sales launches in 2015, as well as on-going projects, namely in the central (65%) and northern (25%) regions.

Plan to launch RM1.72bn worth of properties

In 2016, Tropicana plans to launch RM1.72bn worth of properties, of which the bulk of the planned launches will be in central region (43%), followed by northern region (39%). Coupled with on-going projects, it targets to achieve RM1.5bn of property sales in 2016.

Maintain BUY with an unchanged TP of RM1.95

We make no changes to our FY16-17E EPS forecasts. Also unchanged is our RNAV based target price of RM1.95, still based on 50% discount to RNAV. We continue to like Tropicana for its strategic land bank, undemanding valuation and its ongoing asset monetisation exercise. Group's net gearing has also improved to 0.33x as at end-15, (from 0.68x in 2014). Risk to recommendation includes delays or hiccups in its asset monetisation exercise.

Earnings & Valuation Summary

FYE 31 Dec	2014	2015	2016E	2017E	2018E
Revenue (RMm)	1758.8	1252.7	1457.9	1208.0	1244.2
EBITDA (RMm)	486.0	420.3	367.9	291.7	298.6
Pretax profit (RMm)	411.6	297.1	330.2	248.3	261.3
Net profit (RMm)	333.9	223.3	235.2	170.0	180.4
EPS (sen)	23.5	15.3	16.3	11.7	12.5
PER (x)	4.3	6.0	7.1	9.8	9.2
Core net profit (RMm)	320.9	226.5	235.2	170.0	180.4
Core EPS (sen)	25.6	15.3	16.3	11.7	12.5
Core EPS growth (%)	49.0	-40.3	6.2	-27.7	6.1
Core PER (x)	4.5	6.0	7.1	9.8	9.2
Net DPS (sen)	4.0	7.0	4.5	4.5	5.0
Dividend Yield (%)	3.5	6.1	3.9	3.9	4.3
EV/EBITDA (x)	7.0	8.2	9.4	11.1	10.9

Chg in EPS (%)	-	-	-
Affin/Consensus (x)	1.0	1.0	NA

Source: Company, Affin Hwang estimates

Affin Hwang Investment Bank Bhd (14389-U)
(Formerly known as HwangDBS Investment Bank Bhd)

Results Note

Tropicana

TRCB MK
Sector: Property

RM1.14 @ 19 February 2016

BUY (maintain)

Upside 71%

Price Target: RM1.95

Previous Target: RM1.95



Price Performance

	1M	3M	12M
Absolute	+16.9%	+19.4%	+10.0%
Rel to KLCI	+13.7%	+18.3%	+18.7%

Stock Data

Issued shares (m)	1,430.9
Mkt cap (RMm)/(US\$m)	1,631.2/386.9
Avg daily vol - 6mth (m)	0.8
52-wk range (RM)	0.83-1.17
Est free float	25%
BV per share (RM)	2.17
P/BV (x)	0.52
Net cash/ (debt) (RMm) (4Q15)	(915.9)
ROE (2016F)	9.6%
Derivatives	Yes
Warr 2019 (SP:RM1.00)	
Shariah Compliant	Yes

Key Shareholders

Tan Sri Danny Tan	69.5%
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Source: Affin Hwang, Bloomberg

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Fig 1: Results Comparison

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FYE 31 Dec (RMm)	4QFY15	QoQ % chg	YoY % chg	2015	YoY % chg	Comment
	304.9	24.7	(68.4)	1,252.7	(28.8)	Main contributors are mainly from the Klang Valley projects - Tropicana Aman, Heights and Gardens
Revenue						
Op costs	(258.6)	296.3	(64.7)	(934.3)	(29.6)	Lower staff costs
EBIT	46.3	(74.2)	(80.1)	318.4	(26.1)	
<i>EBIT margin (%)</i>	15.2	-58.1ppt	-8.9ppt	25.4	+0.9ppt	Include gain on disposals
Int expense	(8.2)	(54.3)	83.1	(65.0)	12.4	Part of interest cost were capitalised
Int and other income	7.5	(25.6)	92.9	25.8	144.0	Cash balance stood higher at RM837m
Associates	9.1	134.0	532.7	17.9	21.2	
EI	0.0	nm	nm	0.0	nm	
Pretax profit	54.7	(68.8)	(77.8)	297.1	(27.8)	Includes gain from sales of investment properties – Tropicana City Mall
Core pretax	54.7	(68.8)	(76.6)	297.1	(25.5)	
Tax	(18.7)	0.0	(45.1)	(60.8)	1.2	
<i>Tax rate (%)</i>	34.2	nm	nm	20.4	nm	Recognition of deferred tax assets
MI	(4.3)	(13.3)	(68.5)	(25.2)	(49.3)	
Net profit	31.7	(79.1)	nm	223.3	(33.0)	Include gain on disposals
EPS (sen)	2.0	(80.6)	(85.5)	15.3	(34.8)	
Core net profit	31.7	(79.1)	(82.5)	223.3	(30.3)	Below our expectations

Source: Affin Hwang, Company data

Equity Rating Structure and Definitions

BUY	Total return is expected to exceed +10% over a 12-month period
HOLD	Total return is expected to be between -5% and +10% over a 12-month period
SELL	Total return is expected to be below -5% over a 12-month period
NOT RATED	Affin Hwang Investment Bank Berhad does not provide research coverage or rating for this company. Report is intended as information only and not as a recommendation

The total expected return is defined as the percentage upside/downside to our target price plus the net dividend yield over the next 12 months.

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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