Securities

AFFIN HWANG CAPITAL

Outthink. Outperform.

Achieved property sales of RM502m in 1H16

Tropicana's 2Q16 core earnings grew by 30% yoy on the back of 14.6% increase in revenue. Sales was mainly driven by higher progress billings from the central region. In 1H16, the group achieved property sales of RM502m (-32% yoy) No change to earnings at this juncture, as we expect earnings to come in strong in 2H16 on the back of land sale. Maintain BUY with an unchanged TP of RM1.95.

2Q16 earnings grew 30% yoy

In 2Q16, Tropicana reported an impressive 30% yoy increase in core net profit of RM30.2m, taking 1H16 core net profit to RM45.4m (+5.7% yoy). This only accounts for 22% of our full year forecast. However, we expect earnings to come in stronger in 2H16 on the back of land sale as well as higher progress billings. Group's revenue in 2Q16 grew by 14.6% yoy on higher progress billings mainly from the Klang Valley projects. As expected no dividend was declared (2Q15: nil).

Achieved RM502m of property sales in 1H16

For the 1H16, Tropicana achieved new property sales of RM502m (1H15: 790m; -36% yoy), of which 74% were contributed from the central region, followed by 18% from the northern region. Group's unbilled sales stood at a healthy RM2.8bn as at end-June 2016, underpinned by existing projects as well as new launches. Key projects contributors are Tropicana Aman, Gardens, Metropark and Heights.

To launch another RM1.8bn worth of properties in 2H16

For the remaining year, the group targets to launch a further RM1.8bn worth of properties, of which the bulk will still be within the central region. In the pipeline include, Tropicana Gardens – Dianthus, Aman – Cheria and Heights – Redgefield.

Maintain BUY with an unchanged TP of RM1.95

For now, we make no changes to our FY16-18E 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. 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	1311.9	1339.7	1376.2
EBITDA (RMm)	451.0	319.1	313.5	327.5	337.3
Pretax profit (RMm)	411.6	269.6	282.7	302.8	320.7
Net profit (RMm)	333.9	223.3	198.4	211.2	219.6
EPS (sen)	26.7	15.4	13.7	14.6	15.2
PER (x)	4.0	6.9	7.7	7.3	7.0
Core net profit (RMm)	320.9	226.5	198.4	211.2	219.6
Core EPS (sen)	25.6	15.3	13.7	14.6	15.2
Core EPS growth (%)	49.0	-40.3	-10.4	6.5	4.0
Core PER (x)	4.1	6.9	7.7	7.3	7.0
Net DPS (sen)	4.0	7.0	6.5	6.5	7.5
Dividend Yield (%)	3.8	6.6	6.1	6.1	7.1
EV/EBITDA (x)	7.3	7.7	6.9	6.2	5.6
Chg in EPS (%)			-	-	-
Affin/Consensus (x)			1.2	1.1	1.0

Source: Company, Affin Hwang estimates

Results Update

Tropicana

TRCB MK
Sector: Property

RM1.06 @ 25 August 2016

BUY (maintain)

Upside 88%

Price Target: RM1.95

Previous Target: RM1.95

Price Performance

	1M	3M	12M
Absolute	+1.0%	+5.0%	+24.0%
Rel to KLCI	-0.2%	+1.9%	+16.6%

Stock Data

Issued shares (m)	1,427.9
Mkt cap (RMm)/(US$m)	1,513.6/376.6
Avg daily vol - 6mth (m)	0.6
52-wk range (RM)	0.84-1.17
Est free float	25%
BV per share (RM)	2.15
P/BV (x)	0.45
Net cash/ (debt) (RMm) (2Q16)	(1,089)
ROE (2016F)	9.6%
Derivatives	Yes
Warr 2019 (SP:RM1.00)	
Shariah Compliant	Yes

Key Shareholders

Tan Sri Danny Tan	69.5%

Source: Affin Hwang, Bloomberg

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Fig 1: Results Comparison

FYE 31 Dec (RMm)	2QFY16	QoQ % chg	YoY % chg	1H16	YoY % chg	Comment
Revenue	358.1	24.8	14.6	645.0	(8.3)	Higher progress billings mainly from the ~~klang~~ Klang Valley projects - Tropicana Aman, Heights and Metropark
Op costs	(333.0)	28.1	23.0	(593.0)	(2.9)	Lower advertising costs
EBIT	25.1	(6.7)	(39.7)	52.0	(43.9)	
EBIT margin (%)	7.0	-2.4ppt	-6.3ppt	8.1	-5.1ppt	Include gain on disposals
Int expense	(7.6)	(1.9)	(68.5)	(15.4)	(60.4)	Part of interest cost were capitalised
Int and other income	5.7	20.9	(10.2)	10.4	26.1	Cash balance stood at RM809m
Associates	20.9	248.6	833.1	26.9	441.0	
EI	0.0	nm	nm	-	nm	
Pretax profit	44.1	47.7	69.7	73.9	10.2	
Core pretax	44.1	47.7	69.7	73.9	10.2	
Tax	(12.3)	0.0	1146.1	(25.3)	24.9	
Tax rate (%)	27.9	nm	nm	34.3	nm	Non-allowable expenses for tax deduction
MI	(1.5)	(5.1)	(81.3)	(3.2)	(80.1)	
Net profit	30.2	99.2	30.5	45.4	5.7	
EPS (sen)	2.3	119.0	45.6	3.4	13.6	
Core net profit	30.2	99.2	30.5	45.4	5.7	Only accounts for 22% of our forecast

Source: Affin Hwang, Company data

Disclaimer

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

This report is printed and published by:
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(formerly known as HwangDBS Investment Bank Berhad)
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