

Outthink. Outperform.

Disposal of 251 acres of land in Johor

We are positive on Tropicana's announcement to dispose 251.6 acres of freehold land in Gelang Patah, as this will reduce its exposure in Johor, as well as lock in a net gain. Tropicana maintains its property sales target of RM1.5bn on the back of RM1.8bn of planned new launches. Maintain BUY but with a lower target price of RM1.73, still based on a 50% discount to RNAV.

Disposal of Gelang Patah land for RM569.9m

On the 1st July 2016, Tropicana announced that its wholly-owned subsidiary Tropicana Desa Mentari has entered into a sale and purchase agreement with Tiarn Overseas Group for the disposal of 251.6 acres of freehold land in Mukim of Pulai, Johor Bahru for a total cash consideration of RM569.9m (approximately RM52 psf). The payment will be made in stages over five years and is expected to be completed in 2H2022.

Information on the land

Recap that the land was purchased from Lee Pineapple Company (Pte) in September 2013 for RM366.6m (RM33psf). The land was initially planned for an integrated Eco-Lifestyle residential and commercial development (Tropicana Gelang Patah) with an estimated GDV of RM6.4bn. Currently the land is vacant.

Positive on the disposal – in line with groups' strategy

We are positive on the proposed land disposal premised on: (i) Tropicana will recognise a net gain on disposal of RM55.5m (net of tax payable), (ii) net proceeds of c. RM218.4m (after repayment of bank borrowings, taxes and related expenses from the disposal) will be utilised for working capital and/or repayment of bank borrowings, (iii) reaffirms management's commitment to monetise asset and de-gear.

Maintain BUY, with lower target price of RM1.73

We have lowered our 2016 EPS by 15.6% on lower margins given the challenging market, as well as updates on 2015 audited figures. However, we expect earnings to improve in 2017 and 2018 on higher margins as well as stronger progress billings. We have lowered our 12-month TP to RM1.73 (still based on 50% discount to RNAV) after updating the remaining GDV of its landbanks as well as 2015 figures.

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)	3.8	6.5	7.4	6.9	6.7
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)	3.9	6.5	7.4	6.9	6.7
Net DPS (sen)	4.0	7.0	6.5	6.5	7.5
Dividend Yield (%)	4.0	6.9	6.4	6.4	7.4
EV/EBITDA (x)	7.2	7.5	6.7	6.0	5.4
Chg in EPS (%)			-15.6	+24.3	+21.7
Affin/Consensus (x)			na	na	na

Source: Company, Affin Hwang estimates

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

Company Update

Tropicana

TRCB MK
Sector: Property

RM1.01 @ 4 July 2016

BUY (maintain)

Upside 71%

Price Target: RM1.73

Previous Target: RM1.95



Price Performance

	1M	3M	12M
Absolute	+1.0%	-1.9%	0.0%
Rel to KLCI	-0.1%	+2.2%	+4.8%

Stock Data

Issued shares (m)	1,427.9
Mkt cap (RMm)/(US\$m)	1,442/360.9
Avg daily vol - 6mth (m)	0.6
52-wk range (RM)	0.83-1.17
Est free float	25%
BV per share (RM)	2.15
P/BV (x)	0.47
Net cash/ (debt) (RMm) (1Q16)	(1,089.7)
ROE (2016E)	6.4%
Derivatives	
Warr 2019 (WP:RM0.54, SP:RM1.00)	
Shariah Compliant	Yes

Key Shareholders

Tan Sri Danny Tan	69.5%
-------------------	-------

Source: Affin Hwang, Bloomberg

Sharifah Farah
(603) 2146 7538
farah.jamalullil@affinhwang.com

Outthink. Outperform.

Post disposal GDV remains high at RM53.5bn.

Post disposal, Tropicana's landbank will fall to 1,363 acres (1,615 acres as at March 2016), and its landbank in the Southern region will account for 23% of group's total landbank (vs. 35% previously). The disposal will also reduce its remaining GDV to 53.3bn (from RM59.8bn). As at March-2016, group's net gearing level remained manageable at 0.36x.

Maintains property sales target of RM1.5bn

Tropicana targets to achieve property sales of RM1.5bn this year, with an anticipated new launches of close to RM1.8bn. The bulk of the launches will be in the central region (73% of planned launches), 18% will be from Southern region (Danga Cove) and the remaining 9% will be from Penang World City. Recap that, Tropicana achieved property sales of RM1.55bn in 2015 (+4.4% yoy).

Unbilled sales remains high at RM3.0bn

Group's unbilled sales stood at RM3.0bn as at March 2016, of which 68% are from Central region (Tropicana Gardens, Aman, Metropark), followed by 24% from Northern region and remaining 8% from the Southern region.

Risk to our recommendation

We like Tropicana for its strategic landbank, proactive management, undemanding valuation and its ongoing asset monetisation exercise. However, key risks to our view on Tropicana include; (i) prolong slowdown in the domestic property market, (ii) execution risk, and (iii) delays/hiccups in its asset monetisation and de-gearing exercise.

Outthink. Outperform.

Fig 1: Tropicana's RNAV

Project	Tenure	Land Area (acre)	Remaining GDV (RMm)	Equity Interest	NPV (RMm)
Central					
Tropicana Gardens	Leasehold	18	1,837	70%	79
Tropicana Metropark	Freehold	89	5,300	100%	287
Tropicana Heights	Freehold	199	1,389	100%	119
Tropicana Aman (Canal City)	Leasehold	440	12,591	100%	531
Others (Klang Valley)	Mixed	15	566	100%	40
Southern					
Tropicana Danga Bay	Freehold	37	6,347	60%	152
Tropicana Danga Cove	Freehold	227	9,023	50%	213
Tropicana City Centre	Freehold	22	3,602	100%	137
Tropicana Danga Lagoon	Mixed	62	2,177	100%	118
TDB Hotel & Residences	Freehold	6	1,336	60%	64
Northern					
Penang World City	Freehold	103	9,164	55%	282
Subtotal		1,535	53,332		2,022
Unbilled sales					310
Investment properties		Net BV (RMm)	Market Value (RMm)	Equity Interest	Surplus (RMm)
Tropicana City Mall and Office Tower		503	509	100%	5
Total					2,338
Shareholders' fund (as at Dec 31, 2015)					3,087
RNAV (RMm)					5,425
Share outstanding (as at 31st Dec 2015)					1,447
Add: warrants and RCULS conversions					123
Enlarged share base (m)					1,570
Fully diluted RNAV per share (RM)					3.46
Target price based on 50% discount to RNAV per share (RM)					1.73

Source: Company, Affin Hwang estimates

Tropicana – FINANCIAL SUMMARY

Profit & Loss Statement

FYE 31 Dec (RMm)	2014	2015	2016E	2017E	2018E
Revenue	1759	1253	1312	1340	1376
Operating expenses	-1308	-934	-998	-1012	-1039
EBITDA	451	319	313	327	337
Depreciation	-29	-28	-28	-27	-26
EBIT	422	291	286	301	312
Net int income/(expense)	-39	-39	-30	-24	-20
Associates' contribution	11	18	27	26	29
Others	17	0	0	0	0
Pretax profit	412	270	283	303	321
Tax	-60	-61	-64	-66	-70
Minority interest	-49	-25	-20	-25	-31
Net profit	334	223	198	211	220
Core net profit	321	223	198	211	220

Balance Sheet Statement

FYE 31 Dec (RMm)	2014	2015	2016E	2017E	2018E
Fixed assets	3,217	3,396	3,297	3,189	3,082
Other long term assets	396	494	521	547	576
Total non-curr assets	3,614	3,890	3,817	3,736	3,658
Cash and equivalents	453	837	972	896	932
Stocks	52	40	43	44	45
Debtors	809	282	295	302	310
Other current assets	2,288	1,751	1,577	1,589	1,613
Total current assets	3,601	2,911	2,888	2,831	2,900
Creditors	820	698	746	756	776
Short term borrowings	765	488	500	400	400
Other current liabilities	25	25	25	25	25
Total curr liabilities	1,610	1,211	1,271	1,181	1,201
Long term borrowings	1,673	1,265	1,100	1,000	900
Other long term liabilities	746	970	976	983	990
Total long term liabilities	2,419	2,235	2,076	1,983	1,890
Shareholders' Funds	2,933	3,087	3,069	3,089	3,123
Minority interest	252	268	288	314	345

Cash Flow Statement

FYE 31 Dec (RMm)	2014	2015	2016E	2017E	2018E
Pretax profit	412	270	283	303	321
Depreciation & amortisation	29	28	28	27	26
Working capital changes	-867	-328	198	-8	-12
Cash tax paid	-93	-121	-58	-60	-63
Others	-88	37	-47	-47	-50
Cash flow from operation	-607	-114	404	214	221
Capex	-119	-146	-100	-100	-100
Others	144	1169	121	171	171
Cash flow from investing	26	1024	21	71	71
Debt raised/(repaid)	106	-685	-153	-200	-100
Dividends paid	-59	-72	-94	-94	-109
Others	479	20	0	0	0
Cash flow from financing	526	-736	-248	-294	-209
Net Change in Cash flow	-55	174	177	-9	84

Free Cash Flow	-725	-260	304	114	121
-----------------------	-------------	-------------	------------	------------	------------

Source: Affin Hwang estimates, Company

Key Financial Ratios and Margins

FYE 31 Dec (RMm)	2014	2015	2016E	2017E	2018E
Growth					
Revenue (%)	19.2	-28.8	4.7	2.1	2.7
EBITDA (%)	41.8	-29.3	-1.8	4.5	3.0
Core net profit (%)	81.3	-30.4	-11.1	6.5	4.0
Profitability					
EBITDA margin (%)	25.6	25.5	23.9	24.4	24.5
PBT margin (%)	23.4	21.5	21.5	22.6	23.3
Net profit margin (%)	19.0	17.8	15.1	15.8	16.0
Effective tax rate (%)	14.6	22.5	22.6	21.9	21.8
ROA (%)	5.3	3.2	2.9	3.2	3.3
Core ROE (%)	11.7	7.4	6.4	6.9	7.1
ROCE (%)	8.6	5.7	6.0	6.6	7.0
Dividend payout ratio (%)	15.0	45.4	47.4	44.5	49.4
Liquidity					
Current ratio (x)	2.2	2.4	2.3	2.4	2.4
Op. cash flow (RMm)	-607	-114	404	214	221
Free cashflow (RMm)	-725	-260	304	114	121
FCF/share (sen)	-52.0	-17.9	21.0	7.9	8.4
Asset management					
Debtors turnover (days)	167.8	82.2	82.2	82.2	82.2
Stock turnover (days)	14.6	15.8	15.8	15.8	15.8
Creditors turnover (days)	228.9	272.8	272.8	272.8	272.8
Capital structure					
Net gearing (%)	67.7	29.7	20.4	16.3	11.8
Interest cover (x)	9.1	4.9	6.2	7.3	8.3

Quarterly Profit & Loss

FYE 31 Dec (RMm)	1Q15	2Q15	3Q15	4Q15	1Q16
Revenue	390.9	312.3	244.6	304.9	286.9
Operating expenses	-339.7	-270.7	-65.3	-258.6	-260.0
EBIT	51.2	41.6	179.3	46.3	26.9
Net int income/(expense)	-12.8	-17.9	-7.8	-0.7	-3.1
Associates' contribution	2.7	2.2	3.9	9.1	6.0
Exceptional items	0.0	0.0	0.0	0.0	0.0
Pretax profit	41.1	26.0	175.4	54.7	29.8
Tax	-19.3	-1.0	-18.7	-18.7	-13.0
Minority interest	-7.7	-8.3	-4.9	-4.3	-1.6
Net profit	19.8	23.2	151.8	31.7	15.2
Core net profit	19.8	23.2	151.8	31.7	15.2
Margins (%)					
EBIT	13.1%	13.3%	73.3%	15.2%	9.4%
PBT	10.5%	8.3%	71.7%	17.9%	10.4%
Net profit	5.1%	7.4%	62.1%	10.4%	5.3%

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 in line 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 intended for information purposes only and has been prepared by Affin Hwang Investment Bank Berhad (14389-U) (formerly known as HwangDBS Investment Bank Berhad) ("the Company") based on sources believed to be reliable. However, such sources have not been independently verified by the Company, and as such the Company does not give any guarantee, representation or warranty (express or implied) as to the adequacy, accuracy, reliability or completeness of the information and/or opinion provided or rendered in this report. Facts, information, views and/or opinion presented in this report have not been reviewed by, may not reflect information known to, and may present a differing view expressed by other business units within the Company, including investment banking personnel. Reports issued by the Company, are prepared in accordance with the Company's policies for managing conflicts of interest arising as a result of publication and distribution of investment research reports. Under no circumstances shall the Company, its associates and/or any person related to it be liable in any manner whatsoever for any consequences (including but are not limited to any direct, indirect or consequential losses, loss of profit and damages) arising from the use of or reliance on the information and/or opinion provided or rendered in this report. Any opinions or estimates in this report are that of the Company, as of this date and subject to change without prior notice. Under no circumstances shall this report be construed as an offer to sell or a solicitation of an offer to buy any securities. The Company and/or any of its directors and/or employees may have an interest in the securities mentioned therein. The Company may also make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

Comments and recommendations stated here rely on the individual opinions of the ones providing these comments and recommendations. These opinions may not fit to your financial status, risk and return preferences and hence an independent evaluation is essential. Investors are advised to independently evaluate particular investments and strategies and to seek independent financial, legal and other advice on the information and/or opinion contained in this report before investing or participating in any of the securities or investment strategies or transactions discussed in this report.

Third-party data providers make no warranties or representations of any kind relating to the accuracy, completeness, or timeliness of the data they provide and shall not have liability for any damages of any kind relating to such data.

The Company's research, or any portion thereof may not be reprinted, sold or redistributed without the consent of the Company.

The Company, is a participant of the Capital Market Development Fund-Bursa Research Scheme, and will receive compensation for the participation.

This report is printed and published by:
 Affin Hwang Investment Bank Berhad (14389-U)
 (formerly known as HwangDBS Investment Bank Berhad)
 A Participating Organisation of Bursa Malaysia Securities Bhd
 Chulan Tower Branch,
 3rd Floor, Chulan Tower,
 No 3, Jalan Conlay,
 50450 Kuala Lumpur.
 www.affinhwang.com
 Email : research@affinhwang.com
 Tel : + 603 2143 8668
 Fax : + 603 2145 3005