

TROPICANA BERHAD

More Divestment of Non-Core Assets

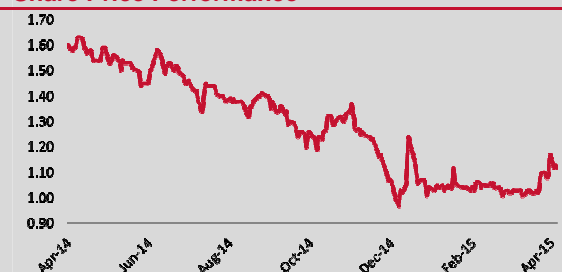
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- News**
- Yesterday, Tropicana Bhd (TROP) announced that they are disposing their 73% stake in Tropicana Tenaga Kimia Sdn Bhd (TTK) to Austin Powder Asia Pacific Inc (APAP) for a total consideration of RM194.5m.
- Comments**
- We were not surprised with disposal of TTK, as it is inline with TROP's de-gearing exercise to further reduce its financing costs, which we have highlighted in our previous report dated 12-Feb-15 that management has planned at least RM580.0m of non-core assets for sale. To recap, this would be TROP's second disposal of its non-core assets after they proposed to dispose Tropicana City Mall (TCM) back in Jan-15.
 - Upon completion of the disposal of TTK for the total disposal consideration of RM194.5m, TROP is expected to utilise RM170.8m to repay bank borrowings immediately. Its net gearing (as of FY14) of 0.68x is expected to come down to 0.46x post repayment of bank borrowings from the sale of TCM and TTK totalling to RM630.8m. On this front, we are also unlikely to see special dividends arising from these disposals as we believe the retained earnings would be utilised for the working capital needs.
 - The disposal is expected to complete in 2Q15. TROP is expected to register a one-off net gain of RM48.5m from the proposed disposal of TTK, and a loss of recurring income stream.
- Outlook**
- Going forward, management has set a sales target of RM2.0b vis-à-vis our estimates of RM1.5b for FY15, on the back of RM2.0b planned launches and RM1.2b worth of unsold projects that was launched previously. That aside, we would expect its de-gearing exercise to continue especially on the disposal of landbanks with higher holding costs or in less prime area.
- Forecast**
- We adjusted our FY15E net profit higher by 24% to RM238.0m to account for the disposal gain which we regard as non-core. We also tweaked our FY15-16E core net profit lower by 1% after taking into consideration the potential loss of income from TTK and also reduced finance costs.
- Rating** **Maintain MARKET PERFORM**
- Valuation**
- We reiterate our MARKET PERFORM call on TROP with an unchanged Target Price of RM1.10 based on 72.0% discount (one of the steepest discounts applied under our coverage, and close to its historical peak of 74%) to its FD RNAV of RM3.91, due to its large risk exposure in Johor, larger higher-end high-rise components in their developments and also tougher times ahead due to the implementation of GST and also tighter lending criteria imposed by banks.
- Risks to Our Call**
- Weaker-than-expected property sales.
 - Higher-than-expected sales and administrative costs.
 - Negative real estate policies.
 - Tighter lending environments.

MARKET PERFORM ↔

Price: RM1.12
Target Price: RM1.10 ↔

Share Price Performance



KLCI	1,840.13
YTD KLCI chg	4.5%
YTD stock price chg	5.7%

Stock Information

Bloomberg Ticker	TRCB MK Equity
Market Cap (RM m)	1,595.6
Issued shares	1,424.6
52-week range (H)	1.65
52-week range (L)	0.95
3-mth avg daily vol:	1,504,364
Free Float	41%
Beta	1.1

Major Shareholders

CHEE SING TAN	29.2%
ALIRAN FIRASAT SDN B	17.5%
GOLDEN DIVERSITY SDN	12.1%

Summary Earnings Table

FYE Dec (RM m)	2014A	2015E	2016E
Turnover	1,972	1,895	1,588
EBIT	475	365	281
PBT	444	386	243
Net Profit (NP)	326	238	131
Core Net Profit (CNP)	304	190	132
Consensus (CNP)	n.a.	188	178
Earnings Revision	n.a.	-1%	-1%
Core EPS (sen)	27.5	17.1	11.9
Core EPS growth (%)	110%	-38%	-31%
NDPS (sen)	4.0	4.0	3.9
NTA/Share (RM)	2.58	2.76	2.85
PER (x)	4.0	6.4	9.3
Price/NTA (x)	0.4	0.4	0.4
Net Gearing (x)	0.50	0.47	0.13
Dividend Yield (%)	3.6%	3.6%	3.6%



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RNAV							
Projects	Stake	Assumed Duration (Yrs)	Total GDV (RM'm)	Remaining GDV (RM'm)	Est. Remaining Net Profit *** (RM'm)	WACC (%)	DCF Value (RM m)***
Central Region							
Tropicana Gardens	70%	7.0	2,679.0	2,043.0	173.4	11%	116.8
Tropicana Metropark	100%	18.0	7,165.0	6,335.0	768.3	11%	328.7
Tropicana Heights	100%	11.0	1,726.0	1,726.0	209.3	11%	118.1
The Residences	100%	4.0	1,150.0	1,150.0	139.5	11%	108.2
Tropicana Aman	100%	20.0	21,859.0	6,634.8	804.6	11%	320.4
Casa Damansara 3	100%	3.0	135.0	135.0	16.4	11%	13.3
Jln Bukit Bintang jv with Agile	30%	4.0	1,115.1	1,115.1	40.6	11%	31.5
Others	100%	4.0	430.0	430.0	52.1	11%	40.4
Southern Region							
Tropicana Danga Bay	60%	14.0	8,370.0	7,189.0	523.1	11%	260.9
Tropicana Danga Cove	50%	18.0	12,140.0	11,708.0	709.9	11%	303.8
Tropicana City Centre	100%	10.0	3,602.0	3,602.0	436.8	11%	257.3
Tropicana Danga Lagoon	100%	16.0	2,500.0	2,500.0	303.2	11%	145.9
TDB Hotel & Residences	60%	4.0	1,336.0	1,336.0	97.2	11%	75.4
Tropicana Gelang Patah	100%	12.0	6,440.0	6,440.0	781.0	11%	422.6
Senibong Waterfront	70%	12.0	3,670.0	3,670.0	311.6	11%	168.6
Northern Region							
Penang World City	55%	18.0	10,086.0	9,466.0	631.4	11%	270.2
Tropicana 218 Macalister	100%	4.0	314.0	314.0	38.1	11%	29.5
Unbilled Sales							
Tropicana Gardens	70%	5.0		443.0	37.6	11%	27.8
Tropicana Metropark	100%	4.0		245.0	29.7	11%	23.0
Tropicana Cheras	100%	1.0		33.0	4.0	11%	3.6
Tropicana Grande	100%	1.0		65.0	7.9	11%	7.1
Tropicana Avenue	100%	4.0		340.0	41.2	11%	32.0
Others	100%	1.0		56.0	6.8	11%	6.1
Tropicana Danga Bay	60%	5.0		463.0	33.7	11%	24.9
Tropicana Danga Cove	50%	1.0		37.0	2.2	11%	2.0
Penang World City	55%	5.0		473.0	31.5	11%	23.3
Tropicana Landmark	100%	1.0		28.0	3.4	11%	3.1
					Market Value	Surplus/Deficit	
Other land banks	100%				141.8		0.0
Confirmed land sales	100%				40.0		345.0
Investment Properties	100%				693.4		-540.0
Gain on Sale of Investment Assets							588.5
Sub-Total							3,557.9
Shareholders fund as of Dec-13							2,570.0
RNAV							6,127.9
Dilution Impact							292.6
FD RNAV per Share							3.91
Diluted no. shares							1,641.5
Applied discount							72%
Target Price							1.10

Source: Kenanga Research

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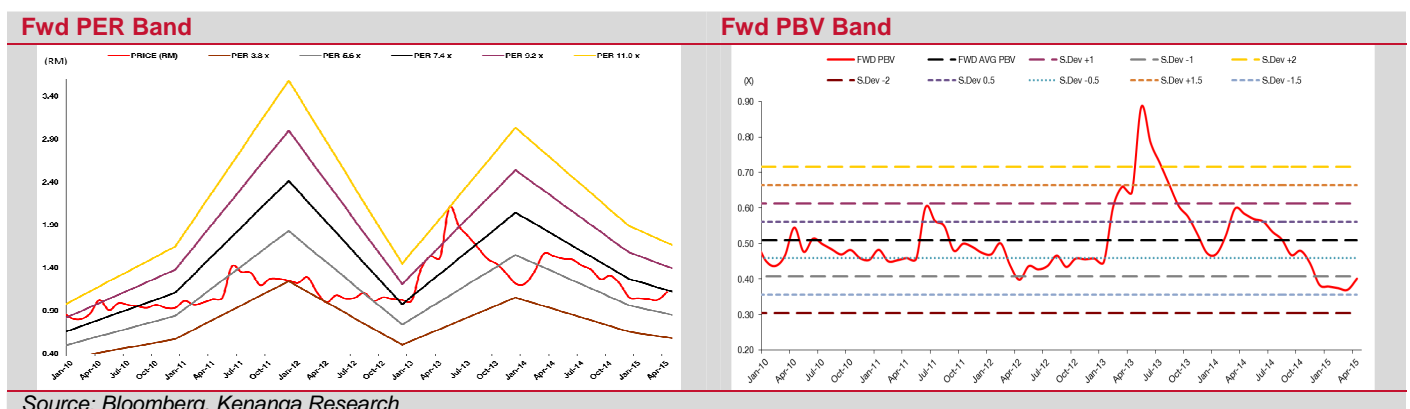
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Income Statement						Financial Data & Ratios					
FY Dec (RM m)	2012A	2013A	2014E	2015E	2016E	FY Dec (RM m)	2012A	2013A	2014E	2015E	2016E
Revenue	630	1476	1972	1895	1588	Growth (%)					
EBITDA	263	511	504	386	302	Revenue	67.9	134.2	33.7	-3.9	-16.2
Depreciation	-17	-23	-29	-21	-21	EBITDA	123.2	94.2	-1.4	-23.4	-21.8
EBIT	246	489	475	365	281	EBIT	142.2	98.6	-2.8	-23.1	-23.1
Interest Expense	-32	-78	-47	-44	-38	Pre-tax Income	127.9	124.9	-10.2	-13.1	-36.9
Investing	4	9	0	0	0	Core Net Income	3.5	146.3	109.5	-37.7	-30.6
Associate/JCE	6	84	16	0	0						
Exceptionals/FV	0	0	0	65	0	Profitability (%)					
PBT	220	495	444	386	243	EBITDA Margin	41.8	34.7	25.6	20.4	19.0
Taxation	-42	-125	-68	-96	-61	EBIT Margin	39.1	33.1	24.1	19.3	17.7
Minority Interest	-9	-16	-49	-52	-51	PBT Margin	34.9	33.5	22.5	20.4	15.3
Net Profit	169	353	326	238	131	Core Net Margin	9.4	9.8	15.4	10.0	8.3
Core net profit	59	145	304	190	132	Effective Tax Rate	-19.0	-24.9	-15.4	-24.9	-24.9
						Rate					
						ROE	10.9	15.3	11.9	7.8	4.1
						ROA	4.8	7.1	5.2	3.4	1.9
						DuPont Analysis					
						Net margin (%)	26.8	23.9	16.6	12.6	8.3
						Assets Turnover (x)	0.2	0.3	0.3	0.3	0.2
						Leverage Factor (x)	2.3	2.1	2.3	2.3	2.2
						ROE (%)	10.9	15.3	11.9	7.8	4.1
						Leverage					
						Debt/Asset (x)	0.39	0.41	0.35	0.34	0.31
						Debt/Equity (x)	0.91	0.75	0.83	0.68	0.57
						Net Debt/(Cash)	0.9	1.7	1.4	2.0	2.0
						Net Debt/Equity (x)	0.77	0.55	0.50	0.47	0.13
						Valuations					
						Core EPS (sen)	5.3	13.1	27.5	17.1	11.9
						Dil. EPS	13.3	27.8	20.7	13.0	6.5
						Core EPS (sen)	5.3	13.1	27.5	17.1	11.9
						Dil. Core EPS	4.6	11.4	19.3	10.4	6.5
						NDPS (sen)	4.8	4.4	4.0	4.0	3.9
						NTA/share (RM)	1.85	2.25	2.58	2.76	2.85
						Core PER (x)	20.6	8.4	4.0	6.4	9.3
						Dil. Core PER	23.7	9.6	5.7	10.6	16.9
						Net Div. Yield (%)	4.4%	4.0%	3.6%	3.6%	3.6%
						PNTA (x)	0.6	0.5	0.4	0.4	0.4
						EV/EBITDA (x)	10.9	5.2	6.4	8.3	7.1

Balance Sheet					
FY Dec (RM m)	2012A	2013A	2014E	2015E	2016E
Fixed Assets	3424	3244	3217	3069	3048
Intangibles	17	80	80	80	80
Other FA	103	347	1140	316	316
Inventories	20	67	52	66	56
Receivables	103	383	809	1038	522
Other CA	638	806	1464	2249	1971
Cash	214	497	453	159	891
Total Assets	4518	5426	7215	6978	6885
Payables	331	475	820	620	705
ST Borrowings	224	351	765	738	624
Other ST Liability	8	57	25	25	24
LT Borrowings	1642	1567	1673	1399	1206
Other LT Liability	124	242	746	754	733
Minority Int.	128	164	252	304	355
Net Assets	2061	2570	2933	3138	3237
Share Capital	793	1107	1396	1396	1396
Reserves	1268	1463	1537	1742	1841
Shareholders Equity	2061	2570	2933	3138	3237

Cashflow Statement					
FY Dec (RM m)	2012A	2013A	2014E	2015E	2016E
Operating CF	838	371	-308	-843	1114
Investing CF	-1873	-183	283	27	5
Financing CF	1125	196	718	-389	-388
Net Change in Cash	157	-141	90	384	692
Free Cash Flow	-1118	172	136	1	-267

Source: Kenanga Research



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Peer Comparison

NAME	Price (15/4/15)	Mkt Cap (RMm)	PER (x)			Est. NDiv. Yld. (%)	Historical ROE (%)	P/BV (x)	Net Profit (RMm)			FY15/16 NP Growth (%)	FY16/17 NP Growth (%)	Target Price (RM)	Rating
	(RM)		FY14/15	FY15/16	FY16/17				FY14/15	FY15/16	FY16/17				
DEVELOPERS UNDER COVERAGE															
S P SETIA BHD*	3.46	8,796	24.3	14.7	11.4	3.4%	6.8%	1.3	361.0	595.5	772.8	64.9%	29.8%	3.95	OUTPERFORM
IOI PROPERTIES GROUP BHD*	2.15	8,125	17.0	19.5	18.5	3.2%	4.3%	0.7	479.2	414.0	439.0	-13.6%	6.0%	2.12	MARKET PERFORM
UEM SUNRISE BHD*	1.38	6,262	14.6	18.1	16.1	1.8%	7.8%	0.9	479.9	385.6	434.3	-19.7%	12.6%	1.47	MARKET PERFORM
SUNWAY BHD	3.75	6,493	10.9	10.7	10.4	2.8%	13.2%	1.0	592.2	606.3	620.5	2.4%	2.3%	3.76	OUTPERFORM
MAH SING GROUP BHD^	1.66	3,995	11.8	10.6	10.0	3.9%	16.1%	1.1	339.2	375.6	399.4	10.7%	6.3%	1.74	MARKET PERFORM
ECO WORLD DEVELOPMENT GROUP BHD	1.80	3,546	593.1	114.1	25.7	0.0%	7.9%	1.3	7.2	37.3	165.5	419.8%	343.8%	2.05	OUTPERFORM
UOA DEVELOPMENT BHD*	2.16	3,091	11.1	11.0	10.2	6.0%	12.2%	1.1	279.1	281.7	301.6	0.9%	7.1%	2.00	MARKET PERFORM
MALAYSIAN RESOURCES CORP BHD	1.30	2,323	16.0	23.5	29.8	0.9%	2.6%	1.3	41.6	62.1	72.1	49.5%	16.1%	1.27	UNDERPERFORM
KSL HOLDINGS BHD	2.07	1,966	6.5	6.0	5.4	6.7%	15.3%	0.9	252.0	271.5	301.9	7.8%	11.2%	2.48	OUTPERFORM
TROPICANA CORP BHD	1.12	1,596	4.1	6.5	9.4	3.6%	11.9%	0.4	304.5	189.5	131.5	-37.7%	-30.6%	1.10	MARKET PERFORM
MATRIX CONCEPTS HOLDINGS BHD^^	2.71	1,458	7.9	7.6	7.6	5.9%	29.5%	1.8	182.6	190.2	190.5	4.1%	0.2%	2.62	MARKET PERFORM
CRESCENDO CORPORATION BHD*	2.40	546	12.7	12.3	12.0	3.2%	18.4%	0.6	43.3	44.5	45.7	2.7%	2.9%	2.46	MARKET PERFORM
HUA YANG BHD	2.18	576	7.0	5.6	5.6	6.1%	22.8%	1.2	82.2	102.9	102.8	25.2%	-0.1%	2.20	OUTPERFORM
CREST BUILDER HOLDINGS BHD	1.19	195	10.0	12.5	10.1	2.0%	8.9%	0.5	13.9	15.7	19.5	13.1%	23.8%	1.27	MARKET PERFORM
CONSENSUS NUMBERS															
IGB CORPORATION BHD	2.83	3,778	17.4	15.7	13.8	2.6%	5.0%	0.9	216.9	240.3	273.7	10.8%	13.9%	4.10	NEUTRAL
YNH PROPERTY BHD	1.94	797	17.3	12.5	9.5	2.2%	5.3%	0.9	45.9	63.7	84.2	38.6%	32.3%	1.58	SELL
GLOMAC BHD	0.97	701	8.8	9.8	7.3	4.4%	8.8%	0.8	79.5	71.2	95.9	-10.4%	34.7%	0.96	SELL
PARAMOUNT CORP BHD	1.65	697	10.0	10.3	9.7	4.8%	7.9%	0.8	69.6	67.6	71.8	-3.0%	6.3%	1.54	NEUTRAL
TAMBUN INDAH LAND BHD	1.76	742	7.0	6.3	5.8	5.5%	28.9%	1.9	106.3	118.0	127.7	11.1%	8.2%	2.15	BUY

* Core NP and Core PER

** Crescendo per share data is based on non-Fully Diluted

^ Last price and TP is Ex-rights and Ex-Bonus.

^^ Last price and TP is Ex-bonus

Source: Kenanga Research

16 April 2015

Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM	:A particular stock's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
MARKET PERFORM	:A particular stock's Expected Total Return is WITHIN the range of 3% to 10%.
UNDERPERFORM	:A particular stock's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

Sector Recommendations***

OVERWEIGHT	:A particular sector's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
NEUTRAL	:A particular sector's Expected Total Return is WITHIN the range of 3% to 10%.
UNDERWEIGHT	:A particular sector's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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