

COMPANY RESULTS

Tropicana Corp (TRCB MK)

2014: Accelerated Billings Boost Earnings

Tropicana's 2014 results came in above expectations as: a) progress billings for its landed property projects (particularly in Kajang) came in faster than expected, and b) it capitalised interest cost based on billings progress. The group closed the year with RM1.5b worth of sales and targets to launch RM2b worth of projects in 2015. Maintain HOLD. Target price: RM1.25. Entry price: RM1.03. Catalysts include disposal of non-core assets to lower gearing.

2014 RESULTS

Year to 31 Dec (RMm)	4Q14	qoq % chg	yoy % chg	2014	yoy % chg
Revenue	964.3	173.1	116.9	1,972.4	33.7
Property development & resort operations	851.0	n.a.	134.2	1,569.3	29.1
Property investment	34.7	-5.6	-5.2	143.4	0.6
Investment holding and others	78.7	19.1	76.2	153.8	30.4
Operating profit	245.4	n.a.	-6.0	474.0	-3.0
Property development & resort operations	212.0	n.a.	66.6	319.3	7.0
Property investment	33.2	52.3	-68.8	144.5	-14.5
Pre-tax profit	246.2	n.a.	-24.3	443.0	-12.0
Net Profit	212.2	n.a.	-17.3	339.0	-6.4
Core net profit	39.9	62.9	n.a.	163.5	n.a.
EBIT margin (%)	10.5			9.6	n.a.

Source: Tropicana Corp, UOB Kay Hian

RESULTS

- Above expectations.** Tropicana Corp (Tropicana) reported 4Q14 revenue of RM964.3m (+173.1% qoq, +>116.9% yoy) and net profit of RM212.2m (+>100% qoq, -17.3% yoy) which included revaluation gains (RM22.1m) and land sale gains (RM170m). For 2014, the group recorded core net profit of RM163.5m (+>100% yoy), which represents 116% of our full-year estimate of RM140m.
- Net profit improved due to lower finance charges and higher progress billings.** Net margin rose to 20.6% in 4Q14 (3Q14: 8.4%) as a result of lower finance charges after the company's move to capitalise the interest expense incurred based on the progress billings of the projects as well as higher-than-expected progress billings of its landed developments launched last year.

KEY FINANCIALS

Year to 31 Dec (RMm)	2013	2014	2015F	2016F	2017F
Net turnover	1,476	1,972	1,593	1,705	1,751
EBITDA	512	503	319	365	357
Operating profit	489	474	289	333	324
Net profit (rep./act.)	362	334	171	187	195
Net profit (adj.)	115	164	171	187	195
EPS (sen)	26.2	22.4	10.2	11.2	11.6
PE (x)	4.0	4.6	10.2	9.3	9.0
P/B (x)	0.5	0.5	0.5	0.5	0.5
EV/EBITDA (x)	7.0	7.1	11.2	9.8	10.0
Dividend yield (%)	10.5	3.8	3.8	3.8	3.8
Net margin (%)	39.3	25.6	10.7	11.0	11.1
Net debt/(cash) to equity (%)	55.3	67.7	58.3	54.7	48.1
Interest cover (x)	7.4	12.9	5.9	6.3	10.2
ROE (%)	25.0	18.3	5.7	n.a.	n.a.
Consensus net profit	-	-	204	216	216
UOBKH/Consensus (x)	-	-	0.84	0.87	0.90

Source: Tropicana, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	RM1.04
Target Price	RM1.25
Upside	+20.2%

COMPANY DESCRIPTION

Tropicana Corp is one of the leading property developers in Malaysia with vast landbanks in Klang Valley, Penang and Iskandar.

STOCK DATA

GICS sector	Financials
Bloomberg ticker:	TRCB MK
Shares issued (m):	1,373.5
Market cap (RMm):	1,428.4
Market cap (US\$m):	396.9
3-mth avg daily t'over (US\$m):	0.5

Price Performance (%)

52-week high/low	RM1.64/RM0.970			
1mth	3mth	6mth	1yr	YTD
0.0	(24.1)	(25.2)	(14.0)	(1.9)

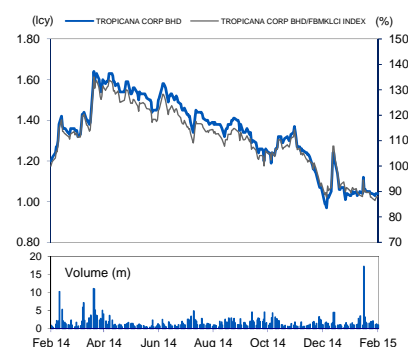
Major Shareholders

Tan Sri Danny Tan	70.5%
-------------------	-------

FY15 NAV/Share (RM) 1.98

FY15 Net Debt/Share (RM) 1.15

PRICE CHART



Source: Bloomberg

ANALYST

Malaysia Research Team
+603 2147 1988
research@uobkayhian.com

STOCK IMPACT

- Property sales worth RM1.5b in 2014.** In 2014, Tropicana managed to clinch about RM1.5b worth of sales, vs its target of RM2b. Key drivers came from its high-rise mixed development, Tropicana Metropark (RM290m), and landed property development Tropicana Heights in Kajang (RM237m). Down south, not all was bad as the company clinched RM211m sales from Tropicana Danga Bay and RM119m from Tropicana Danga Cove..
- Strong unbilled sales of RM2.7b**, representing 2.5x of its 2014 property development revenue. Given the significant unbilled sales that the company has secured, we believe it can weather through the slowdown in the property market as earnings visibility is secured for the next three years. Margin-wise, we expect the company's gross property development margin to hover around 18-20%. The outstanding unbilled sales are mainly from its 55%-owned Penang World City development (RM602m), Tropicana Metropark (RM556m) and Tropicana Gardens (RM472m).
- Made RM1.1b divestments in 2014.** In 2014, the group sold non-core assets worth RM1.1b, of which about 45% has been recognised while the balance is expected to be recognised in 2015. The company is also selling its Tropicana City Mall & Office tower to CapitaMalls Malaysia Trust (CMMT MK) for RM540m – a deal that is currently going through due diligence and is expected to complete by 2H15. Going forward, we understand the company is still on the lookout to sell other non-core assets worth about RM200m, land and properties (RM330m) and completed inventories (RM130m). Assuming the company manages to dispose off these assets, its net gearing could fall to about 0.5x from 0.68x currently.
- About RM2b of products planned in 2015.** In terms of launches planned for 2015, we understand the company is targeting to launch RM2b worth of projects - mostly landed developments in the Klang Valley and Iskandar Malaysia. Among the launches planned this year are Canal City land (Tropicana Aman – RM405m, link terraces), Tropicana Heights (RM502m – terraces and semi-Ds), W Hotel & Residences (RM813m, serviced residences) and Tropicana Danga Cove (RM152m, link houses). We understand the company altered development plans for Tropicana Danga Cove to offer landed developments (instead of high-rise) in view of the slowdown in Iskandar high-rise developments.

EARNINGS REVISION/RISK

- We increase our 2015-16 net profit forecasts by 10.8% and 9.3% respectively to reflect the higher progress billings as the company moves to concentrate on landed developments that require shorter period of construction. We also introduce 2017 net profit forecast of RM194m.
- Key risks include: a) rising interest rates, b) tighter lending policies by banks, and c) rising costs of raw materials leading to margin erosion.

VALUATION/RECOMMENDATION

- Maintain HOLD and target price of RM1.25**, based on a 50% discount to our fully-diluted RNAV of RM2.50/share. We believe the ongoing chunky asset monetisation would be positive to its share price as it will narrow the current steep discount to RNAV. A good entry price is RM1.03.

RNAV

	RMm
Undeveloped landbank value	2,341.3
DCF of project profits	1,881.0
NPV of unbilled sales	121.9
Investment properties	1,077.0
Net debt	(1,650.0)
RNAV	3,771.2
Sharebase	1,069.0
RCULS	428.1
Enlarged sharebase	1,497.1
RNAV/share	3.53
RNAV/share ex RCULS	2.50
Discount	50%
Fair value	1.25

Source: UOB Kay Hian

DE-GEARING INITIATIVES

	Ongoing	Potential
a) Land Sale		
- Signed and pending completion	633	
- Actively targeted		150
b) Sale of Dijaya Plaza		180
c) Sale of Mall and Office Tower	540	
d) Disposal of non core assets (Tenaga Kimia)		200
f) Sale of Inventories	130	
Total	1,251	1,585

Source: Tropicana Corp, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2014	2015F	2016F	2017F
Net turnover	1,972	1,593	1,705	1,751
EBITDA	503	319	365	357
Deprec. & amort.	29	30	32	34
EBIT	474	289	333	324
Associate contributions	16	9	0	0
Net interest income/(expense)	(39)	(54)	(58)	(35)
Pre-tax profit	622	245	276	289
Tax	(68)	(59)	(66)	(69)
Minorities	(49)	(15)	(22)	(25)
Net profit	334	171	187	195
Net profit (adj.)	164	171	187	195

BALANCE SHEET

Year to 31 Dec (RMm)	2014	2015F	2016F	2017F
Fixed assets	576	646	853	781
Other LT assets	3,037	3,047	3,047	3,047
Cash/ST investment	453	655	689	828
Other current assets	3,149	2,991	2,927	3,083
Total assets	7,215	7,339	7,516	7,740
ST debt	765	765	765	765
Other current liabilities	845	556	593	609
LT debt	1,673	1,673	1,673	1,673
Other LT liabilities	746	931	911	959
Shareholders' equity	2,933	3,058	3,198	3,347
Minority interest	252	356	375	387
Total liabilities & equity	7,215	7,339	7,516	7,740

CASH FLOW

Year to 31 Dec (RMm)	2014	2015F	2016F	2017F
Operating	(607)	349	180	286
Pre-tax profit	622	245	276	289
Tax	(97)	(59)	(66)	(69)
Deprec. & amort.	33	30	32	34
Associates	(66)	0	0	0
Working capital changes	(862)	88	(119)	(2)
Other operating cashflows	(237)	44	58	35
Investing	26	(100)	(100)	(100)
Capex (growth)	(119)	(100)	(100)	(100)
Investments	(66)	0	0	0
Proceeds from sale of assets	197	0	0	0
Others	13	0	0	0
Financing	526	(46)	(46)	(46)
Dividend payments	(59)	(46)	(46)	(46)
Issue of shares	12	0	0	0
Loan repayment	585	0	0	0
Others/interest paid	(12)	0	0	0
Net cash inflow (outflow)	(55)	202	34	140
Beginning cash & cash equivalent	447	453	655	689
Changes due to forex impact	61	0	0	0
Ending cash & cash equivalent	453	655	689	828

KEY METRICS

Year to 31 Dec (%)	2014	2015F	2016F	2017F
Profitability				
EBITDA margin	25.5	20.0	21.4	20.4
Pre-tax margin	31.5	15.4	16.2	16.5
Net margin	25.6	10.7	11.0	11.1
ROA	8.0	2.3	n.a.	n.a.
ROE	18.3	5.7	n.a.	n.a.
Growth				
Turnover	33.7	(19.2)	n.a.	n.a.
EBITDA	(1.6)	(36.6)	n.a.	n.a.
Pre-tax profit	(13.8)	(60.7)	n.a.	n.a.
Net profit	(13.0)	(66.1)	n.a.	n.a.
Net profit (adj.)	(7.8)	(48.8)	9.5	3.9
EPS	(14.5)	(54.6)	n.a.	n.a.
Leverage				
Debt to total capital	43.4	41.7	40.6	39.5
Debt to equity	83.1	79.7	76.2	72.9
Net debt/(cash) to equity	67.7	58.3	54.7	48.1
Interest cover (x)	12.9	5.9	6.3	10.2

Disclosures/Disclaimers

This report is prepared and/or distributed by UOB Kay Hian Pte Ltd ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not intended for distribution, publication to or use by any person in any jurisdiction outside Singapore or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report in any event accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

IMPORTANT DISCLOSURES FOR INCLUDED RESEARCH ANALYSES OR REPORTS OF FOREIGN RESEARCH HOUSES

Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note:

- (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and
- (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that

receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Analyst Certification/Regulation AC

As noted above, each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Copyright 2015, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

MCI (P) 116/03/2014
RCB Regn. No. 198700235E