

COMPANY RESULTS

Tropicana Corp (TRCB MK)

4Q13: Within Expectations

Tropicana's 4Q13's results are in line with expectations. This quarter, the company managed to rake in RM306m in sales, bringing its 2013 sales to RM2.16b. During the analyst briefing, Tropicana shared its 2014 launch and sales target of RM3.2b and RM2b respectively. The group is currently armed with a healthy unbilled sales of RM2.18b. Also, the company is expected to go through de-gearing initiatives that include the sale of its Canal City lands. Maintain BUY with a target price of RM1.74.

4Q13 Results

Year to 31 Dec (RMm)	4Q13	3Q13	qoq % chg	yoy % chg	2013	yoy % chg
Revenue	444.7	363.5	22.3	90.0	1,475.6	134.2
Property development and Resort Operations	363.4	269.2	35.0	72.6	1,215.1	114.1
Property investment	36.6	36.9	-0.7	68.6	142.5	137.9
Operating profit	261.1	72.6	259.5	262.0	488.8	101.5
Property development and Resort Operations	127.3	49.7	156.0	248.9	298.5	230.8
Property investment	106.3	20.6	415.6	283.0	169.1	14.7
Pretax profit	325.2	49.3	559.0	434.6	503.6	128.3
Net Profit	256.5	23.72	981.2	325.6	362.3	114.1
EBIT margin	35.0%	18.5%			24.6%	
EBIT margin ex-fair value gain	20.9%	18.5%				

Source: Tropicana Corp, UOB Kay Hian

RESULTS

- **Within expectations.** Tropicana Corp (Tropicana) reported 4Q13 revenue of RM444.7m (+22.3% qoq, +90.0% yoy) and a net profit of RM256.5m (>+100% qoq, +100% yoy). For 2013, Tropicana reported a net profit of RM362.3m, which includes a revaluation gain of RM217.6m. Excluding the revaluation gains, net profit came in at RM144.7, which represents about 103% of our full-year forecast of RM140m.
- **EBIT margins still at healthy levels.** A 20.9% EBIT margin was recorded for 4Q13, which is a 2.4ppt improvement. The improvement in margins is largely due to higher value of land sale gains in 4Q13 vs 3Q13.

KEY FINANCIALS

Year to 31 Dec (RMm)	2012	2013	2014F	2015F	2016F
Net turnover	630	1,476	1,621	1,852	2,050
EBITDA	243	489	452	484	522
Operating profit	243	489	351	397	438
Net profit (rep./act.)	55	569	158	190	198
Net profit (adj.)	55	362	158	190	198
EPS (sen)	4.6	29.9	11.6	12.5	11.9
PE (x)	28.3	4.3	11.2	10.4	10.9
P/B (x)	0.7	0.5	0.6	0.6	0.6
EV/EBITDA (x)	14.6	7.3	7.9	7.3	6.8
Dividend yield (%)	3.8	3.8	3.8	3.8	3.8
Net margin (%)	8.7	38.6	9.8	10.2	9.7
Net debt/(cash) to equity (%)	80.2	55.3	66.1	45.2	25.2
Interest cover (x)	8.8	7.1	5.3	6.7	11.0
ROE (%)	2.4	22.1	5.9	6.7	6.4
Consensus net profit	-	-	173	191	210
UOBKH/Consensus (x)	-	-	0.92	0.99	0.94

Source: Tropicana Corp, Bloomberg, UOB Kay Hian

n.m. : not meaningful; negative P/E, EV/EBITDA reflected as "n.m."

BUY

(Maintained)

Share Price	RM1.30
Target Price	RM1.74
Upside	+33.8%

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):	1,084.4
Market cap (RMm):	1,409.7
Market cap (US\$m):	426.0
3-mth avg daily t'over (US\$m):	0.6

Price Performance (%)

52-week high/low RM2.15/RM1.20

1mth	3mth	6mth	1yr	YTD
4.8	(4.4)	(24.9)	0.8	6.6

Major Shareholders

Tan Sri Danny Tan	68.3%
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FY14 NAV/Share (RM) 2.26

FY14 Net Debt/Share (RM) 1.50

PRICE CHART



Source: Bloomberg

ANALYSTS

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- Property sales worth RM306m in 4Q13.** This quarter, Tropicana managed to clinch about RM306m in property sales, lifting its 2013 total property sales to RM2.16b, which represents 108% of its full-year sales target of RM2b. The key driver for its sales this quarter comes from its Tropicana Danga Bay project in Iskandar Malaysia, which recorded about RM136m in sales, followed by its maiden Penang Island project, Penang World City, Penang Island, which recorded about RM30m in sales.
- Armed with strong unbilled sales of RM2.18b,** representing about 1.8x of its 2013 property division revenue. We expect property EBIT margin to hover at about 20-23% on higher progress billings for Tropicana Gardens (RM443m), Tropicana Danga Bay (RM463m), Penang World City (RM473m) and Tropicana Avenue (RM340m). By arming itself with over RM2b in unbilled sales, we believe Tropicana would be able to sail through any property market headwinds in the near term.
- Targeting RM2b in sales for 2014.** During the analyst briefing, management shared its launches and targets for 2014. We understand that the company is expecting to launch RM3.2b worth of products and is targeting a conservative RM2b in sales. For this year, about 40% of the newly-launched products would consist of landed residential properties. Amongst the key launches slated for this year is Tropicana Heights, Kajang. Management also shared that it launched one of the phases in its Kajang development last weekend with a total GDV of RM252m, and managed to clinch about 62% of take-ups. We believe the affordable landed segment would continue to do well going forward.
- Still awaiting results of its de-gearing initiatives.** We understand that Tropicana is still in discussions towards its next significant de-gearing initiative – which is the en-bloc sale of the W Hotel and Residences, which we value >RM2,000 psf. A full monetisation of this project could provide a positive net cash flow of >RM300m. Other high profile projects include present and future shopping malls (eg Tropicana City Mall could be worth as much as RM640m) and the Canal City township.
- Plans to be a master developer as well.** Tropicana is mulling the sale of smaller land parcels of its 1,172-acre Canal City land to other developers. This was cheaply purchased back in Apr 13 at RM587m. Canal City makes a huge part of our RNAV. We understand that a development blueprint has been submitted to the authorities, and if all goes well, the maiden launch is expected by the early part of 2H14. We believe that this development would gather much interest given its competitive pricing (similar to the adjacent IJM Land's Bandar Rimbayu which priced its first launch of 2-storey landed properties about RM750,000/unit) and still-brisk demand for landed properties.

EARNINGS REVISION/RISK

- We lower our 2014 and 2015 forecasts by 1% and 5% respectively after reducing our take-up rate assumption for certain projects and introduce a 2016F net profit of RM210m.

VALUATION/RECOMMENDATION

- Maintain BUY with an unchanged target price of RM1.74.** Our target price represents a 45% to our fully-diluted RNAV/share of RM3.16 and implies a 2015F PE of 13x.

SHARE PRICE CATALYST

- More strategic asset monetisation exercise.
- Good take-up rates for its developments.

TROPICANA'S RNAV

	RMm
Undeveloped landbank value	2,443.4
DCF of project profits	2,652.4
NPV of unbilled sales	212.7
Investment properties	1,077.0
Net debt	(1,650.0)
RNAV	4,735.6
Sharebase	1,069.0
RCULS	428.1
Enlarged sharebase	1,497.1
RNAV/share	4.43
RNAV/share ex RCULS	3.16
Discount	45%
Fair value	1.74

Source: UOB Kay Hian

DE-GEARING INITIATIVES

	Ongoing	Potential
a) Land Sale		
- Signed and pending completion	167	
- Actively targeted		265
b) Sale of Dijaya Plaza		160
c) Sale of Mall and Office Tower		640
d) En bloc sale of The Residences and W Hotel	500	
e) Partial Canal City land sale		240
f) Sale of Inventories		200
e) Share issuance		
Total	667	1,525

Source: Tropicana Corp, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2013	2014F	2015F	2016F
Net turnover	1,476	1,621	1,852	2,050
EBITDA	489	452	484	522
Deprec. & amort.	0	101	87	84
EBIT	489	351	397	438
Associate contributions	84	23	31	0
Net interest income/(expense)	(69)	(86)	(72)	(47)
Pre-tax profit	711	288	356	391
Tax	(125)	(72)	(100)	(109)
Minorities	(16)	(58)	(67)	(83)
Net profit	569	158	190	198
Net profit (adj.)	362	158	190	198

CASH FLOW

Year to 31 Dec (RMm)	2013	2014F	2015F	2016F
Operating	171	98	219	267
Pre-tax profit	711	288	356	391
Tax	(80)	(72)	(100)	(109)
Deprec. & amort.	31	101	87	84
Associates	0	0	0	0
Working capital changes	(46)	(282)	(166)	(146)
Other operating cashflows	(444)	62	41	47
Investing	(48)	(20)	(20)	(20)
Capex (growth)	(99)	(20)	(20)	(20)
Investments	0	0	0	0
Proceeds from sale of assets	95	0	0	0
Others	(44)	0	0	0
Financing	136	114	109	103
Dividend payments	(92)	(47)	(52)	(58)
Issue of shares	193	161	161	161
Loan repayment	73	0	0	0
Others/interest paid	(38)	0	0	0
Net cash inflow (outflow)	259	192	308	350
Beginning cash & cash equivalent	188	397	589	897
Changes due to forex impact	50	0	0	0
Ending cash & cash equivalent	497	589	897	1,247

BALANCE SHEET

Year to 31 Dec (RMm)	2013	2014F	2015F	2016F
Fixed assets	554	473	406	343
Other LT assets	3,013	3,037	3,068	3,068
Cash/ST investment	497	589	897	1,247
Other current assets	1,361	2,218	2,071	2,073
Total assets	5,426	6,317	6,442	6,731
ST debt	351	351	351	351
Other current liabilities	532	768	617	683
LT debt	1,567	2,102	1,952	1,752
Other LT liabilities	242	0	0	0
Shareholders' equity	2,570	2,821	3,109	3,392
Minority interest	164	275	413	553
Total liabilities & equity	5,426	6,317	6,442	6,731

KEY METRICS

Year to 31 Dec (%)	2013	2014F	2015F	2016F
Profitability				
EBITDA margin	33.1	27.9	26.1	25.5
Pre-tax margin	48.2	17.8	19.2	19.1
Net margin	38.6	9.8	10.2	9.7
ROA	10.5	2.7	3.2	3.0
ROE	22.1	5.9	6.7	6.4
Growth				
Turnover	134.2	9.8	14.3	10.7
EBITDA	101.5	(7.6)	7.1	7.8
Pre-tax profit	230.4	(59.4)	23.5	9.8
Net profit	943.1	(72.2)	19.7	4.6
Net profit (adj.)	564.0	(56.3)	19.7	4.6
EPS	551.9	(61.3)	7.7	(4.2)
Leverage				
Debt to total capital	41.2	44.2	39.5	34.8
Debt to equity	74.6	87.0	74.1	62.0
Net debt/(cash) to equity	55.3	66.1	45.2	25.2
Interest cover (x)	7.1	5.3	6.7	11.0