

Tropicana Corp (TRCB MK)

Property - Real Estate

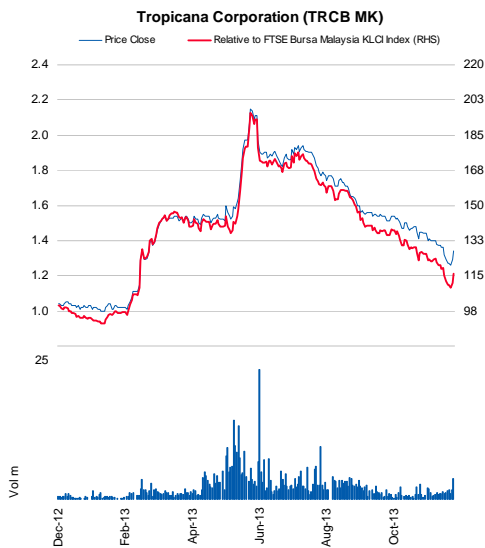
Market Cap: USD450m

Buy (Maintained)

 Target Price: **MYR2.19**

 Price: **MYR1.34**

Still On Track

 Macro
 Risks
 Growth
 Value


Source: Bloomberg

Avg Turnover (MYR/USD)	1.83m/0.57m
Cons. Upside (%)	45.5
Upside (%)	63.6
52-wk Price low/high (MYR)	1.00 - 2.15
Free float (%)	28

Shareholders (%)	
Tan Sri Dato' Danny Tan	71.4

Tropicana's 9M13 earnings were in line, coming in lower q-o-q due to the absence of land sales profit in 3Q13. Nonetheless, future growth prospects remain strong, underpinned by its total new sales of MYR1.85bn and strong unbilled sales of MYR2.2bn. The company expects to launch about MYR1.8bn worth of projects in 4Q13. **Maintain BUY**, with our FV unchanged at MYR2.19.

- ◆ **In line.** Tropicana's 3Q13 net profit of MYR23.7 m (-59.0% y-o-y; -38.1% q-o-q) brought 9M13 net profit to MYR105.9m (-2.9% y-o-y). Although this only made up 62% of our full-year forecast, we consider this to be in line, as we expect 4Q13 earnings to be boosted by the profit from land sales and higher progress billings. Net profit declined from an absence of land sales profit in 3Q13. Nonetheless, the company's future prospects remain positive, underpinned by new sales amounting to MYR1.85bn in 9M13 (1H13: MYR1.1bn) and record-high unbilled sales of MYR2.2bn. Tropicana declared a DPS of 4.5 sen, in line with our forecast.
- ◆ **Aggressive launches to continue.** Tropicana is targeting to launch another MYR1.8bn worth of products in 4Q13, bringing total FY13 launches to MYR3.4bn. Key projects include Tropicana Metropark (GDV: MYR465m) and Tropicana Danga Bay (GDV: MYR495m). For its strategy going forward, the company will launch more landed property projects, as the appetite for high-rise units is expected to decline following the announcement of recent cooling measures.
- ◆ **Degearing effort to continue.** The company's net gearing stands at 0.66x. However, land sales will still be a major source of income in the future and help to lower its gearing. It has announced the proposed disposal of a 1.45-acre land plot in Jalan Kia Peng to Singapore-based GSH Corp (GSH SP, NR) at a total consideration of MYR132m (or MYR2,100 psf), and is scheduled for completion in 3Q14. Meanwhile, management has also found a new potential buyer for Tropicana City Mall and Office Tower after the recent fallout from the deal with CMMT (CMMT MK, SELL, FV: MYR1.35).
- ◆ **Maintain BUY.** We make no changes to our forecasts and maintain a BUY and an unchanged FV of MYR2.19. We note that Tropicana's management is not too concerned over its recent exclusion from the revised list of Shariah-compliant stocks, given that institutional investors currently account for less than 10% of its total shareholding.

Forecasts and Valuations	Dec-10	Dec-11	Dec-12	Dec-13F	Dec-14F
Total turnover (MYRm)	289	375	630	1,340	1,624
Reported net profit (MYRm)	42	93	187	165	192
Recurring net profit (MYRm)	38	57	60	170	198
Recurring net profit growth (%)	(24.8)	50.0	4.6	185.4	16.5
Recurring EPS (MYR)	0.05	0.09	0.10	0.21	0.22
DPS (MYR)	0.02	0.02	0.05	0.04	0.04
Recurring P/E (x)	28.9	15.0	14.1	6.4	6.0
P/B (x)	1.22	0.59	0.52	0.51	0.50
Dividend Yield (%)	1.6	1.7	3.6	3.0	3.2
Return on average equity (%)	4.8	9.6	12.0	7.7	8.2
Return on average assets (%)	2.8	4.6	5.3	3.5	3.8
Net debt to equity (%)	(7.0)	73.1	75.0	55.9	44.4
Our vs consensus EPS (%)				0.0	0.0

The Research Team +603 9207 7608 / 7614
Research2@rhbgroup.com

Figure 1: Tropicana's quarterly results

FYE Dec (MYRm)	3QFY12	2QFY13	3QFY13	q-o-q (%)	y-o-y (%)	9MFY12	9MFY13	y-o-y (%)	Comments
Revenue	161.1	362.1	363.4	0.4	125.6	396.0	1,030.8	160.3	Revenue growth was mainly driven by the positive take-up rates from its Greater KL and Iskandar Malaysia projects.
EBIT	78.4	117.7	130.2	10.6	66.1	181.3	378.6	108.8	
Interest expense	(8.5)	(15.6)	(27.7)	77.8	225.8	(17.8)	(59.7)	235.1	
Pretax profit	80.1	62.3	49.3	(20.8)	(38.4)	159.8	178.5	11.7	
Tax	(21.2)	(15.6)	(19.7)	26.0	(7.1)	(42.9)	(59.8)	39.5	
Minority Interest	(1.1)	(8.4)	(5.9)	(29.1)	444.1	(7.9)	(12.8)	61.4	
Net Profit	57.8	38.3	23.7	(38.1)	(59.0)	109.0	105.9	(2.9)	Within expectations.
<i>EBIT Margin (%)</i>	<i>48.7</i>	<i>32.5</i>	<i>35.8</i>			<i>45.8</i>	<i>36.7</i>		
<i>Pretax Margin (%)</i>	<i>49.7</i>	<i>17.2</i>	<i>13.6</i>			<i>40.4</i>	<i>17.3</i>		
<i>Effective tax rate (%)</i>	<i>26.5</i>	<i>25.1</i>	<i>39.9</i>			<i>26.8</i>	<i>33.5</i>		
<i>Net Margin (%)</i>	<i>35.9</i>	<i>10.6</i>	<i>6.5</i>			<i>27.5</i>	<i>10.3</i>		

Source: Company data, RHB estimates

Figure 2: RNAV estimate for Tropicana

Projects	Acres	GDV (MYR mil)	Stake	NPV @ 11%
Tropicana Cheras	26.7	275.8	100%	20.1
Tropicana Avenue	5.6	412.3	100%	28.3
Tropicana Danga Bay	31.0	6,800.0	60%	274.2
Tropicana Danga Bay H&R	6.0	1,060.0	70%	31.2
Tropicana Gardens	17.6	2,000.0	70%	87.3
W Hotel @ The Residences	1.3	900.0	100%	47.8
Dijaya Trop. Plaza	1.1	105.0	100%	5.4
Tropicana Metropark (Subang)	88.5	6,800.0	100%	337.8
Tropicana Danga Cove (Permas Jaya Johor)	227.0	10,000.0	50%	286.4
Tropicana Heights Kajang	198.5	2,163.5	100%	141.5
Jalan Sultan Ismail	1.2	650.0	100%	39.9
Penang World City	102.6	9,802.4	55%	208.0
Canal City	1,172.0	8,600.0	100%	231.0
Injected landbanks				
Sunway Kenari	5.6	634.5	100%	34.5
Jalan Harapan PJ	2.8	218.1	100%	11.9
Lot 914-916 Jalan Macalister Penang	2.1	294.0	100%	16.0
Lot 184-186 Jalan Selangor PJ	1.1	83.3	100%	4.5
Lot 4271 Jalan Tun Razak JB	21.9	5,000.0	100%	245.5
Jalan Kia Peng	1.5	331.8	100%	18.3
Jalan Bukit Bintang	3.3	684.5	100%	37.8
Jalan Ampang	0.9	99.5	100%	5.5
Rahang land (Neg. Sembilan)	2.4	127.1	100%	2.7
Pekan Bkt Kepayang, Neg. Sembilan)	2.0	130.3	100%	2.8
SS13 Subang Jaya	2.5	197.4	100%	10.2
Lot 2480 Jln Kepong Besar	0.8	66.7	100%	3.6
Lot 1982 Jln Sungei Besi	3.0	248.7	100%	12.8
The Landmark, Jalan Bundusan KK	1.3	100.9	100%	5.6
Double Up, Off Jln Lintas KK	1.2	112.7	100%	5.8
Sadong Jaya, KK	1.0	120.2	100%	6.2
Jalan Albert Kwok, KK	0.9	63.7	100%	3.3
Lido Junction, Penampang	1.7	186.8	100%	7.5
Jalan Segama, Lahad Datu	1.3	27.4	100%	1.2
Tawau City land	0.8	35.6	100%	1.3
Taman Tshun Ngen, Sandakan	1.5	64.0	100%	2.2
Unbilled sales				95.1
Subtotal				2,273.1
Investment properties				
	Location	BV (MYR mil)	MV (MYR mil)	Net surplus (MYR mil)
Tropicana City Mall & Office	Klang Valley	503.1	648.7	145.6
Dijaya Plaza, KL	City Centre	125.4	131.1	5.7
Bangunan Metro, Klang	Klang Valley	17.0	17.0	0.0
Jaya Square, Petaling Jaya	Klang Valley	18.0	18.0	0.0
Intan Square, Petaling Jaya	Klang Valley	23.0	23.0	0.0
Wisma TT, Petaling Jaya	Klang Valley	25.0	25.0	0.0
Casa Klang, Jalan Meru	Klang Valley	30.0	30.0	0.0
Casa Square, Puchong	Klang Valley	45.0	45.0	0.0
Coliseum Square, Ipoh	Perak	23.0	23.0	0.0
Bangunan Keningau	Sabah	5.5	5.5	0.0
Bangunan Magma, Off Jalan Damai, KK	Sabah	5.8	5.8	0.0
New Pantai Building, Tanjung Aru, KK	Sabah	7.8	7.8	0.0
Bangunan Moretune	Sabah	11.0	11.0	0.0
Bangunan Tiara, Sandakan	Sabah	12.2	12.2	0.0
Bangunan D. Junction	Sabah	21.0	21.0	0.0
Penampang Point	Sabah	19.5	19.5	0.0
Bangunan Blue 7, Penampang	Sabah	26.5	26.5	0.0
NTA (adjusted for RCULS)				2,186.2
Warrants & ESOS				217.6
Placement proceeds				366.8
Total RNAV				5,043.7
Share base (mil)				951.2
No. of warrants & ESOS (mil)				217.6
Enlarged share base (mil) - incl. RCULS				1,725.9
RNAV per share				2.92
Discount				25%
Fair value				2.19

Source: Company data, RHB estimates

Financial Exhibits

Profit & Loss (MYRm)	Dec-10	Dec-11	Dec-12	Dec-13F	Dec-14F
Total turnover	289	375	630	1,340	1,624
Cost of sales	(193)	(217)	(351)	(771)	(1,006)
Gross profit	96	158	279	569	617
Gen & admin expenses	(57)	(76)	(150)	(337)	(406)
Other operating costs	19	33	130	27	30
Operating profit	58	115	260	259	242
Operating EBITDA	73	132	277	276	256
Depreciation of fixed assets	(15)	(16)	(17)	(17)	(14)
Operating EBIT	58	115	260	259	242
Net income from investments	-	6	6	18	69
Interest income	5	5	4	5	5
Interest expense	(11)	(11)	(32)	(48)	(43)
Pre-tax profit	52	116	238	234	273
Taxation	(6)	(15)	(42)	(50)	(59)
Minority interests	(4)	(8)	(9)	(19)	(22)
Profit after tax & minorities	42	93	187	165	192
Reported net profit	42	93	187	165	192
Recurring net profit	38	57	60	170	198

Source: Company data, RHB estimates

Cash flow (MYRm)	Dec-10	Dec-11	Dec-12	Dec-13F	Dec-14F
Operating profit	58	115	260	259	242
Depreciation & amortisation	15	16	17	17	14
Change in working capital	25	(250)	(59)	(225)	(215)
Other operating cash flow	(0)	(27)	(165)	62	107
Operating cash flow	98	(146)	53	113	148
Interest received	5	5	4	5	5
Interest paid	(11)	(11)	(32)	(48)	(43)
Tax paid	(6)	(15)	(42)	(50)	(59)
Cash flow from operations	86	(166)	(17)	19	52
Capex	(177)	(734)	(895)	-	(83)
Other investing cash flow	(13)	41	-	223	200
Cash flow from investing activities	(189)	(692)	(895)	223	117
Dividends paid	(10)	(17)	(10)	(38)	(34)
Proceeds from issue of shares	34	57	874	-	-
Increase in debt	60	781	875	-	-
Other financing cash flow	(41)	(83)	(733)	(194)	(59)
Cash flow from financing activities	44	738	1,005	(232)	(92)
Cash at beginning of period	301	241	120	214	224
Total cash generated	(60)	(121)	94	10	77
Implied cash at end of period	241	120	214	224	301

Source: Company data, RHB estimates

Financial Exhibits

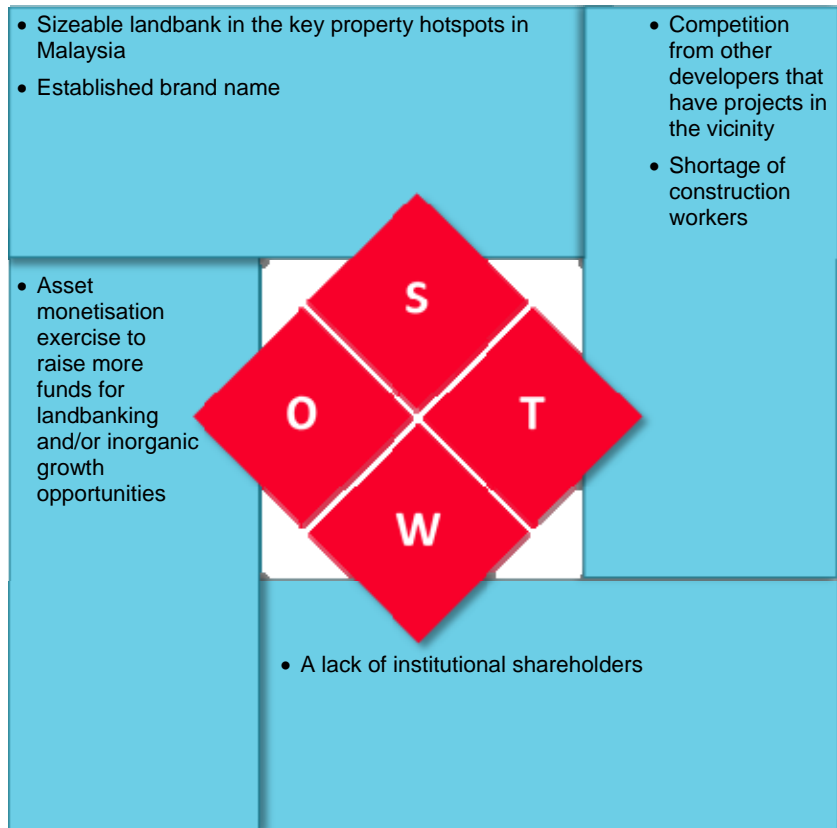
Balance Sheet (MYRm)	Dec-10	Dec-11	Dec-12	Dec-13F	Dec-14F
Total cash and equivalents	277	146	225	235	312
Inventories	215	343	437	1,056	1,271
Accounts receivable	22	58	164	323	437
Other current assets	74	195	149	149	149
Total current assets	588	743	975	1,763	2,169
Total investments	57	1,303	2,492	2,492	2,292
Tangible fixed assets	841	451	1,030	685	753
Intangible assets	3	5	17	17	17
Total other assets	51	35	4	7	13
Total non-current assets	952	1,795	3,543	3,201	3,075
Total assets	1,540	2,538	4,518	4,964	5,244
Short-term debt	3	146	224	174	174
Accounts payable	106	239	331	883	997
Other current liabilities	103	7	8	8	8
Total current liabilities	212	391	563	1,066	1,179
Total long-term debt	208	846	1,642	1,392	1,308
Other liabilities	161	144	124	124	124
Total non-current liabilities	369	990	1,766	1,516	1,432
Total liabilities	581	1,381	2,330	2,582	2,611
Share capital	819	458	793	843	927
Retained earnings reserve	34	171	321	445	589
Other reserves	46	410	947	947	947
Shareholders' equity	899	1,039	2,061	2,235	2,463
Minority interests	61	118	128	147	169
Total equity	960	1,157	2,189	2,382	2,632
Total liabilities & equity	1,540	2,538	4,518	4,964	5,244

Source: Company data, RHB estimates

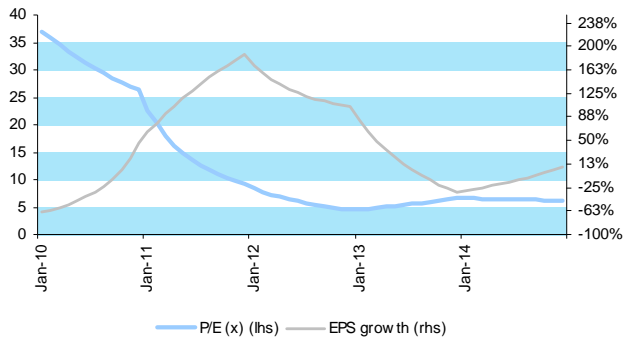
Key Ratios (MYR)	Dec-10	Dec-11	Dec-12	Dec-13F	Dec-14F
Revenue growth (%)	(7.3)	29.9	67.9	112.7	21.2
Operating profit growth (%)	5.1	98.3	125.2	(0.4)	(6.6)
Net profit growth (%)	61.8	123.8	99.7	(11.8)	16.7
EPS growth (%)	46.4	186.9	103.8	(32.5)	7.8
Bv per share growth (%)	6.9	106.6	14.6	2.0	0.2
Operating margin (%)	20.1	30.8	41.2	19.3	14.9
Net profit margin (%)	14.4	24.9	29.6	12.3	11.8
Return on average assets (%)	2.8	4.6	5.3	3.5	3.8
Return on average equity (%)	4.8	9.6	12.0	7.7	8.2
Net debt to equity (%)	(7.0)	73.1	75.0	55.9	44.4
DPS	0.02	0.02	0.05	0.04	0.04
Recurrent cash flow per share	0.10	(0.26)	(0.03)	0.02	0.06

Source: Company data, RHB estimates

SWOT Analysis

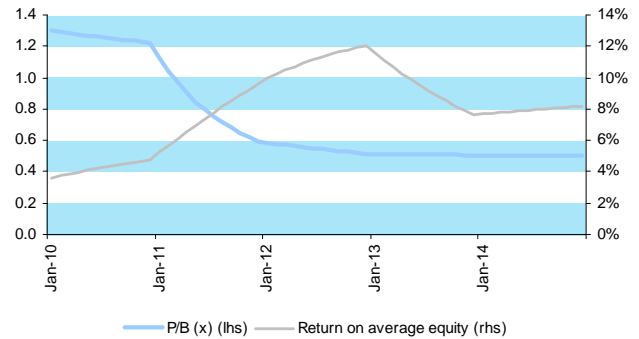


P/E (x) vs EPS growth



Source: Company data, RHB estimates

P/BV (x) vs ROAE



Source: Company data, RHB estimates

Company Profile

Tropicana Corporation is a developer in Malaysia. The company is known for its flagship developments, Tropicana Golf and Country Resort and Tropicana Indah, in Petaling Jaya

Recommendation Chart



Source: RHB estimates, Bloomberg

Date	Recommendation	Target Price	Price
2013-08-28	Buy	2.19	1.65
2013-05-22	Buy	2.34	1.97
2013-05-20	Buy	2.08	1.85
2013-03-19	Buy	2.00	1.54

Source : RHB estimates, Bloomberg

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