

Out think. Out perform.

2014 property sales reached RM1.5bn

Tropicana's 2014 core earnings (+81.3% yoy) is within our but above street estimates. Earnings were underpinned by higher contribution from property and construction segments and asset disposal (de-gearing exercise). Maintain BUY with a higher TP of RM1.95.

2014 core earnings came in within our expectation

For 2014, Tropicana registered a core profit of RM320.9m (+81.3% yoy), on the back of 33.7% increase in revenue to RM1.97bn, as well as gain from the disposal of Canal City land to Eco World amounting to RM167.9m. Core earnings came within our expectation, with just 3% above our forecast. The higher revenue was mainly attributed to higher billings from its Klang Valley project namely Tropicana Metropark and Tropicana Heights as well as its Johor project, Tropicana Danga Bay. No dividend was declared during the quarter.

Achieved RM1.5bn sales; unbilled sales remain high at RM2.75bn

For 2014, Tropicana achieved RM1.49bn of property sales (-31% yoy), of which 53% of sales were from the Central region, followed by 22% from Southern and Northern projects respectively. Amongst the key projects were Tropicana Metropark (22%), Tropicana Heights (19%), Danga Bay (18%) and 218 Macalister (13%). As at end-Dec 2014, total unbilled sales remain high at RM2.75bn, of which 55% is from the central region, followed by 29% from Northern region and 15% from Southern region.

To continue disposing land to lower gearing level

On its on-going de-gearing initiatives, Tropicana has disposed RM510m worth of land bank and has recently signed an agreement to dispose its Tropicana City Mall and Office Tower worth RM540m. Tropicana has also signed four SPAs to dispose four pieces of land worth RM633m. We forecast its net gearing to fall to 0.45x in 2015E vs. 0.68x in 2014.

Maintain BUY with a higher TP of RM1.95

We tweaked our FY15-16E EPS up by 1.1-1.3% after updating for the full year financial statements. We also tweaked up our RNAV estimate and raised our TP to RM1.95 (from RM1.83 previously), which is still based on an unchanged 50% discount to RNAV. We continue to like Tropicana for its strategic land bank, undemanding valuation and its ongoing asset monetisation exercise. Risk to recommendation includes delays or hiccups in its asset monetisation exercise.

Earnings & Valuation Summary

FYE 31 Dec	2013	2014	2015E	2016E	2017E
Revenue (RMm)	1475.5	1972.4	1266.0	1457.9	1208.0
EBITDA (RMm)	318.1	507.3	419.0	366.6	290.5
Pretax profit (RMm)	503.6	451.5	387.6	343.4	261.8
Net profit (RMm)	362.3	333.9	291.3	245.1	203.0
EPS (sen)	35.2	24.1	20.3	17.1	14.1
PER (x)	3.0	4.3	5.1	6.1	7.4
Core net profit (RMm)	177.0	320.9	291.3	245.1	203.0
Core EPS (sen)	17.2	23.2	20.3	17.1	14.1
Core EPS growth (%)	37.3	34.6	-12.5	-15.9	-17.2
Core PER (x)	6.0	4.5	5.1	6.1	7.4
Net DPS (sen)	7.4	4.0	4.0	4.5	4.5
Dividend Yield (%)	7.1	3.8	3.8	4.3	4.3
EV/EBITDA (x)	7.8	6.7	6.7	7.3	8.3
Chg in EPS (%)			+1.1	+1.3	NA
Affin/Consensus (x)			1.4	1.1	NA

Source: Company, Affin Hwang estimates

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

Results Note

Tropicana

TRCB MK
 Sector: Property

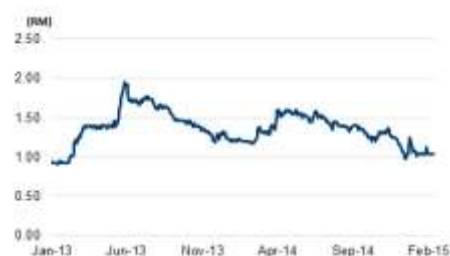
RM1.04 @ 11 February 2015

BUY (maintain)

Upside 88%

Price Target: RM1.95

Previous Target: RM1.83



Price Performance

	1M	3M	12M
Absolute	-0.0%	-24.1%	-14.0%
Rel to KLCI	-3.7%	-23.0%	-12.8%

Stock Data

Issued shares (m)	1,372.8
Mkt cap (RMm)/(US\$m)	1,418/397
Avg daily vol - 6mth (m)	1.6
52-wk range (RM)	0.95-1.66
Est free float	27%
BV per share (RM)	1.98
P/BV (x)	0.53
Net cash/ (debt) (RMm) (4Q14)	(1,985)
ROE (2015F)	9.8%
Derivatives	Yes
Warr 2019 (SP:RM1.00)	
Shariah Compliant	Yes

Key Shareholders

Tan Sri Danny Tan	69.5%
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Source: Affin Hwang, Bloomberg

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Fig 1: Results Comparison

FYE 31 Dec (RMm)	4QFY14	QoQ % chg	YoY % chg	2014	YoY % chg	Comment
Revenue	964.3	173.1	116.8	1,972.4	33.7	Higher progress billings mainly from the Klang Valley projects - Tropicana gardens, Heights and Metropark
Op costs	(731.9)	155.4	138.6	(1511.3)	29.0	
EBIT	232.4	249.7	68.4	461.0	51.9	Recognised Canal City land sale - RM168m
<i>EBIT margin (%)</i>	24.1	-12.5ppt	-24.7ppt	23.4	+2.8ppt	
Int expense	(4.5)	(75.7)	(75.5)	(49.5)	(36.5)	Part of interest cost was capitalised
Int and other income	3.9	62.4	1.6	10.6	17.0	Cash balance stood at RM453m
Associates	1.4	195.5	(98.2)	16.4	(80.5)	
EI	13.0	nm	(89.4)	13.0	(93.0)	Gains from fair value adjustment of investment properties
Pretax profit	246.2	383.3	(24.3)	451.5	(10.4)	
Core pretax	233.2	357.8	15.4	438.5	37.7	
Tax	(34.0)	154.4	(48.1)	(68.4)	(45.4)	
<i>Tax rate (%)</i>	13.8	+12.4ppt	-6.3ppt	15.1	-9.8ppt	Recognition of deferred tax assets
MI	(13.6)	57.7	314.4	(49.1)	205.9	
Net profit	198.7	585.5	(22.5)	333.9	(7.8)	
EPS (sen)	13.9	553.8	(38.5)	24.2	(27.4)	
Core net profit	185.7	540.6	39.2	320.9	81.3	Accounts for 103% of our full year estimate

Source: Affin Hwang, Company data

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 inline 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
