

Out think. Out perform.

Earnings more than doubled

Tropicana's 1Q15 core earnings more than doubled on the back of 55% increase in revenue. We expect earnings to come in stronger in the subsequent quarters on the back of land sale. Maintain BUY with an unchanged target price of RM1.95.

1Q15 earnings more than doubled yoy

In 1Q15, Tropicana's core net more than doubled to RM19.3m yoy on the back of a 55% increase in revenue to RM390m, as well as small gain from the sale of land amounting to RM5.9m (4Q14: RM168m). We expect earnings to come in stronger in the subsequent quarters on the back of land sale as well as stronger property sales. For now, Tropicana has total asset sales of RM1.2bn with a net gain of RM205m pending completion, and hence deem the results to be inline with our expectations.

Mainly driven by sales in Klang Valley

The higher revenue yoy was mainly attributed to higher billings from its Klang Valley project namely Tropicana Gardens, Metropark and Heights as well as its Johor project, Tropicana Danga Bay. Sequentially, core net profit fell 90% due to the huge gain from land disposal in 4Q14 - Canal City land amounting to RM168m.

Achieved RM176m sales; unbilled sales remain high at RM2.6bn

In 1Q15, Tropicana achieved RM176m of property sales (-55% yoy due to softer market condition and soft launch). The bulk of the sales (80%) were still from the central region (Gardens, Metropark and Heights township), followed by 10% from Southern region (Danga Cove and Danga Bay) and 9% from the Northern projects (Penang World City and Macalister). Tropicana targets an ambitious RM1.4bn of new property sales in 2015 on the back of new launches and existing projects. As at end-March 2015, total unbilled sales remain high at RM2.6bn.

Maintain BUY with an unchanged TP of RM1.95

We make no changes to our FY15-17E EPS forecast. Also unchanged is our RNAV based target price of RM1.95, 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	486.0	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)	3.1	4.6	5.4	6.4	7.8
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)	6.4	4.7	5.4	6.4	7.8
Net DPS (sen)	7.4	4.0	4.0	4.5	4.5
Dividend Yield (%)	6.7	3.6	3.6	4.1	4.1
EV/EBITDA (x)	8.0	7.1	6.9	7.6	8.6
Chg in EPS (%)			-	-	-
Affin/Consensus (x)			1.4	1.4	1.0

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

RM1.10 @ 11 May 2015

BUY (maintain)

Upside 78%

Price Target: RM1.95

Previous Target: RM1.95



Price Performance

	1M	3M	12M
Absolute	-6.0%	+5.8%	-30.8%
Rel to KLCI	-4.0%	+5.4%	-28.5%

Stock Data

Issued shares (m)	1,372.8
Mkt cap (RMm)/(US\$m)	1,567.1/435.3
Avg daily vol - 6mth (m)	1.3
52-wk range (RM)	0.95-1.59
Est free float	27%
BV per share (RM)	2.14
P/BV (x)	0.52
Net cash/ (debt) (RMm) (1Q15)	(2,083)
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)	1QFY14	4QFY14	1QFY15	QoQ % chg	YoY % chg	Comment
	252.4	964.3	390.9	(59.5)	54.9	Higher progress billings mainly from the Klang Valley projects - Tropicana gardens, Heights and Metropark
Revenue						
Op costs	(218.2)	(731.9)	(339.7)	(53.6)	55.7	
EBIT	34.1	232.4	51.2	(78.0)	50.0	QoQ drop - due to recognition of Canal City land sale in 4Q14 - RM168m
<i>EBIT margin (%)</i>	13.5	24.1	13.1	-11.0ppts	-0.4ppts	
Int expense	(19.4)	(4.5)	(14.7)	230.0	(24.2)	Part of interest cost were capitalised
Int and other income	2.2	3.9	1.9	(50.8)	(13.1)	Cash balance stood at RM677m
Associates	0.4	1.4	2.7	90.4	571.7	
EI	0.0	13.0	0.0	nm	nm	4Q14: Gains from fair value adjustment of investment properties
Pretax profit	17.3	246.2	41.1	(83.3)	137.3	Includes gain from land sale - RM5.9m
Core pretax	17.3	233.2	41.1	(82.4)	137.3	
Tax	(4.4)	(34.0)	(19.3)	(43.2)	336.7	
<i>Tax rate (%)</i>	25.5	13.8	47.0	nm	nm	Includes RPGT
MI	(11.8)	(13.6)	(7.7)	(43.3)	(35.1)	
Net profit fr continuing op	12.9	198.7	21.3	(89.3)	65.1	
Net profit fr discontinued op	6.8	6.0	5.7	(5.5)	(16.2)	
PATMI	7.8	191.1	19.3	(89.9)	146.3	
EPS (sen)	0.7	13.9	1.4	(90.1)	107.6	
Core net profit	7.8	185.7	19.3	(89.6)	146.3	Expect higher earnings in subsequent quarters

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

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