

Outthink. Outperform.

## Tropicana Aman boosted sales

Tropicana's 2Q15 core earnings (+81.3% yoy) grew by 17% qoq, but was down 74% yoy due to gain from assets disposal in 2Q14. In 1H15, property sales reached RM790m, on successful launch of Tropicana Aman. Maintain BUY with an unchanged TP of RM1.95.

### 2Q15 earnings grew 17% qoq

In 2Q15, Tropicana reported a core net profit of RM23.23m (-74% yoy; +17% qoq) taking 1H15 core net profit to RM42.9m. This is on the back of 3.6% increase in revenue to RM312m. The yoy drop in 2Q15 earnings was due to gains from assets disposal amounting to RM69.9m in 2Q14. Excluding that, 2Q15 core earnings were relatively flat yoy. 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.

### Mainly driven by sales in Klang Valley

In 1H15, 90% of property sales were from Klang Valley, mainly attributed to the newly launched Tropicana Aman (34%), followed by sales from Tropicana Garden (17%), the Residences (17%) and Tropicana Heights (15%). Sales from Southern and Northern regions accounts for less than 10% of group's total sales.

### Achieved RM790m sales; unbilled sales remain high at RM2.9bn

For the 1H15, Tropicana achieved a strong RM790m of property sales, suggesting that it is on track to deliver RM1.5bn new sales in 2015. Central region remains the key driver, on the back of healthy demand from Tropicana Gardens, Metropark, Tropicana Heights and the successful launch of Tropicana Aman. Tropicana targets another RM1.24bn of new launches (Heights, Aman, Metropark) in 2H15. As at end-Jun 2015, total unbilled sales remain high at RM2.97bn.

### Maintain BUY with an unchanged TP of RM1.95

We make no changes to our FY15-17E EPS forecasts. Also unchanged is our RNAV based target price of RM1.95, still based on 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)	2.6	3.8	4.5	5.4	6.5
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)	5.3	4.0	4.5	5.4	6.5
Net DPS (sen)	7.4	4.0	4.0	4.5	4.5
Dividend Yield (%)	8.0	4.3	4.3	4.9	4.9
EV/EBITDA (x)	7.4	6.6	6.3	6.9	7.8
Chg in EPS (%)			-	-	-
Affin/Consensus (x)			1.4	1.1	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

**RM0.92 @ 13 August 2015**

**BUY (maintain)**

Upside 112%

**Price Target: RM1.95**

Previous Target: RM1.95



## Price Performance

	1M	3M	12M
Absolute	-8.9%	-15.3%	-33.0%
Rel to KLCI	-3.3%	-5.6%	-23.0%

## Stock Data

Issued shares (m)	1,443.2
Mkt cap (RMm)/(US\$m)	1,567.1/435.3
Avg daily vol - 6mth (m)	0.6
52-wk range (RM)	0.90-1.39
Est free float	25%
BV per share (RM)	2.05
P/BV (x)	0.45
Net cash/ (debt) (RMm) (2Q15)	(1,730)
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)	2QFY15	QoQ % chg	YoY % chg	1HFY15	YoY % chg	Comment
	312.3	(20.1)	3.6	703.2	26.9	
Revenue						Higher progress billings mainly from the Klang Valley projects - Tropicana Aman, Heights and Metropark
Op costs	(270.7)	(20.3)	42.8	(610.4)	49.6	Higher advertising costs on new launches
EBIT	41.6	(18.7)	(62.8)	92.8	(36.5)	
<i>EBIT margin (%)</i>	13.3	+0.2ppt	-23.7ppt	13.2	-13.2ppt	
Int expense	(24.2)	64.5	55.7	(38.9)	11.3	Part of interest cost were capitalised
Int and other income	6.3	231.7	200.7	8.2	91.5	Cash balance stood at RM724m
Associates	2.2	(18.0)	(82.0)	5.0	(61.4)	
EI	0.0	nm	nm	0.0	Nm	
<b>Pretax profit</b>	26.0	(36.8)	(76.6)	67.1	(47.7)	1H14: Includes gain from land sale in Jalan Kia Peng and Jalan Ampang - RM60.4m
<b>Core pretax</b>	26.0	(36.8)	(76.6)	67.1	(47.7)	
Tax	(1.0)	(94.9)	(92.9)	(20.3)	12.6	
<i>Tax rate (%)</i>	3.8	-43.2ppt	-8.8ppt	30.2	-16.2ppt	Recognition of deferred tax assets
MI	(8.3)	7.7	(47.1)	(16.0)	(41.9)	
<b>Net profit</b>	23.2	17.1	(74.0)	42.9	(55.9)	
EPS (sen)	1.6	15.3	(75.4)	3.0	(60.8)	
<b>Core net profit</b>	23.2	17.1	(74.0)	42.9	(55.9)	Expect higher earnings in subsequent quarters

Source: Affin Hwang, Company data

**Equity Rating Structure and Definitions**


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<b>BUY</b>	Total return is expected to exceed +10% over a 12-month period
<b>HOLD</b>	Total return is expected to be between -5% and +10% over a 12-month period
<b>SELL</b>	Total return is expected to be below -5% over a 12-month period
<b>NOT RATED</b>	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.*

<b>OVERWEIGHT</b>	Industry, as defined by the analyst's coverage universe, is expected to outperform the KLCI benchmark over the next 12 months
<b>NEUTRAL</b>	Industry, as defined by the analyst's coverage universe, is expected to perform inline with the KLCI benchmark over the next 12 months
<b>UNDERWEIGHT</b>	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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