

Outthink. Outperform.

## Achieved property sales of RM502m in 1H16

Tropicana's 2Q16 core earnings grew by 30% yoy on the back of 14.6% increase in revenue. Sales was mainly driven by higher progress billings from the central region. In 1H16, the group achieved property sales of RM502m (-32% yoy) No change to earnings at this juncture, as we expect earnings to come in strong in 2H16 on the back of land sale. Maintain BUY with an unchanged TP of RM1.95.

### 2Q16 earnings grew 30% yoy

In 2Q16, Tropicana reported an impressive 30% yoy increase in core net profit of RM30.2m, taking 1H16 core net profit to RM45.4m (+5.7% yoy). This only accounts for 22% of our full year forecast. However, we expect earnings to come in stronger in 2H16 on the back of land sale as well as higher progress billings. Group's revenue in 2Q16 grew by 14.6% yoy on higher progress billings mainly from the Klang Valley projects. As expected no dividend was declared (2Q15: nil).

### Achieved RM502m of property sales in 1H16

For the 1H16, Tropicana achieved new property sales of RM502m (1H15: 790m; -36% yoy), of which 74% were contributed from the central region, followed by 18% from the northern region. Group's unbilled sales stood at a healthy RM2.8bn as at end-June 2016, underpinned by existing projects as well as new launches. Key projects contributors are Tropicana Aman, Gardens, Metropark and Heights.

### To launch another RM1.8bn worth of properties in 2H16

For the remaining year, the group targets to launch a further RM1.8bn worth of properties, of which the bulk will still be within the central region. In the pipeline include, Tropicana Gardens – Dianthus, Aman – Cheria and Heights – Redgefield.

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

For now, we make no changes to our FY16-18E 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	2014	2015	2016E	2017E	2018E
Revenue (RMm)	1758.8	1252.7	1311.9	1339.7	1376.2
EBITDA (RMm)	451.0	319.1	313.5	327.5	337.3
Pretax profit (RMm)	411.6	269.6	282.7	302.8	320.7
Net profit (RMm)	333.9	223.3	198.4	211.2	219.6
EPS (sen)	26.7	15.4	13.7	14.6	15.2
PER (x)	4.0	6.9	7.7	7.3	7.0
Core net profit (RMm)	320.9	226.5	198.4	211.2	219.6
Core EPS (sen)	25.6	15.3	13.7	14.6	15.2
Core EPS growth (%)	49.0	-40.3	-10.4	6.5	4.0
Core PER (x)	4.1	6.9	7.7	7.3	7.0
Net DPS (sen)	4.0	7.0	6.5	6.5	7.5
Dividend Yield (%)	3.8	6.6	6.1	6.1	7.1
EV/EBITDA (x)	7.3	7.7	6.9	6.2	5.6
Chg in EPS (%)			-	-	-
Affin/Consensus (x)			1.2	1.1	1.0

Source: Company, Affin Hwang estimates

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

## Results Update

# Tropicana

TRCB MK  
Sector: Property

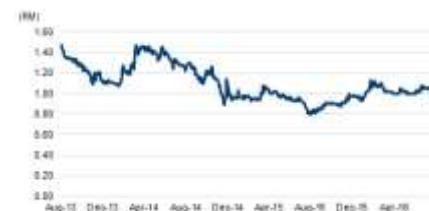
**RM1.06 @ 25 August 2016**

## BUY (maintain)

Upside 88%

## Price Target: RM1.95

Previous Target: RM1.95



## Price Performance

	1M	3M	12M
Absolute	+1.0%	+5.0%	+24.0%
Rel to KLCI	-0.2%	+1.9%	+16.6%

## Stock Data

Issued shares (m)	1,427.9
Mkt cap (RMm)/(US\$m)	1,513.6/376.6
Avg daily vol - 6mth (m)	0.6
52-wk range (RM)	0.84-1.17
Est free float	25%
BV per share (RM)	2.15
P/BV (x)	0.45
Net cash/ (debt) (RMm) (2Q16)	(1,089)
ROE (2016F)	9.6%
Derivatives	Yes
Warr 2019 (SP:RM1.00)	
Shariah Compliant	Yes

## Key Shareholders

Tan Sri Danny Tan	69.5%
-------------------	-------

Source: Affin Hwang, Bloomberg

Sharifah Farah  
(603) 2145 0327  
[farah.jamalullil@affinhwang.com](mailto:farah.jamalullil@affinhwang.com)

Out think. Out perform.

Fig 1: Results Comparison

FYE 31 Dec (RMm)	2QFY16	QoQ	YoY	1H16	YoY	Comment
		% chg	% chg		% chg	
	358.1	24.8	14.6	645.0	(8.3)	Higher progress billings mainly from the <a href="#">Klang-Klang Valley</a> projects - Tropicana Aman, Heights and Metropark
Revenue						Lower advertising costs
Op costs	(333.0)	28.1	23.0	(593.0)	(2.9)	
EBIT	25.1	(6.7)	(39.7)	52.0	(43.9)	
<i>EBIT margin (%)</i>	7.0	-2.4ppt	-6.3ppt	8.1	-5.1ppt	Include gain on disposals
Int expense	(7.6)	(1.9)	(68.5)	(15.4)	(60.4)	Part of interest cost were capitalised
Int and other income	5.7	20.9	(10.2)	10.4	26.1	Cash balance stood at RM809m
Associates	20.9	248.6	833.1	26.9	441.0	
EI	0.0	nm	nm	-	nm	
<b>Pretax profit</b>	44.1	47.7	69.7	73.9	10.2	
<b>Core pretax</b>	44.1	47.7	69.7	73.9	10.2	
Tax	(12.3)	0.0	1146.1	(25.3)	24.9	
<i>Tax rate (%)</i>	27.9	nm	nm	34.3	nm	Non-allowable expenses for tax deduction
MI	(1.5)	(5.1)	(81.3)	(3.2)	(80.1)	
<b>Net profit</b>	30.2	99.2	30.5	45.4	5.7	
EPS (sen)	2.3	119.0	45.6	3.4	13.6	
<b>Core net profit</b>	30.2	99.2	30.5	45.4	5.7	Only accounts for 22% of our forecast

Source: Affin Hwang, Company data

## Disclaimer

### Equity Rating Structure and Definitions

<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

This report is intended for information purposes only and has been prepared by Affin Hwang Investment Bank Berhad (14389-U) (formerly known as HwangDBS Investment Bank Berhad) ("the Company") based on sources believed to be reliable. However, such sources have not been independently verified by the Company, and as such the Company does not give any guarantee, representation or warranty (express or implied) as to the adequacy, accuracy, reliability or completeness of the information and/or opinion provided or rendered in this report. Facts, information, views and/or opinion presented in this report have not been reviewed by, may not reflect information known to, and may present a differing view expressed by other business units within the Company, including investment banking personnel. Reports issued by the Company, are prepared in accordance with the Company's policies for managing conflicts of interest arising as a result of publication and distribution of investment research reports. Under no circumstances shall the Company, its associates and/or any person related to it be liable in any manner whatsoever for any consequences (including but are not limited to any direct, indirect or consequential losses, loss of profit and damages) arising from the use of or reliance on the information and/or opinion provided or rendered in this report. Any opinions or estimates in this report are that of the Company, as of this date and subject to change without prior notice. Under no circumstances shall this report be construed as an offer to sell or a solicitation of an offer to buy any securities. The Company and/or any of its directors and/or employees may have an interest in the securities mentioned therein. The Company may also make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

Comments and recommendations stated here rely on the individual opinions of the ones providing these comments and recommendations. These opinions may not fit to your financial status, risk and return preferences and hence an independent evaluation is essential. Investors are advised to independently evaluate particular investments and strategies and to seek independent financial, legal and other advice on the information and/or opinion contained in this report before investing or participating in any of the securities or investment strategies or transactions discussed in this report.

Third-party data providers make no warranties or representations of any kind relating to the accuracy, completeness, or timeliness of the data they provide and shall not have liability for any damages of any kind relating to such data.

The Company's research, or any portion thereof may not be reprinted, sold or redistributed without the consent of the Company.

The Company, is a participant of the Capital Market Development Fund-Bursa Research Scheme, and will receive compensation for the participation.

This report is printed and published by:  
 Affin Hwang Investment Bank Berhad (14389-U)  
 (formerly known as HwangDBS Investment Bank Berhad)  
 A Participating Organisation of Bursa Malaysia Securities Bhd  
 Chulan Tower Branch,  
 3rd Floor, Chulan Tower,  
 No 3, Jalan Conlay,  
 50450 Kuala Lumpur.  
 www.affinhwang.com  
 Email : [affin.research@affinhwang.com](mailto:affin.research@affinhwang.com)  
 Tel : + 603 2143 8668  
 Fax : + 603 2145 3005