

Outthink. Outperform.

Achieved RM204m property sales (+16% yoy)

Tropicana's 1Q16 core earnings of RM15.2m (-23% yoy) came in below our expectation. The decline in earnings was partially due to gain from asset disposal in 1Q15. Group's unbilled sales remain healthy at RM3.0bn and Tropicana targets to launch more than RM1.5bn worth of properties in 2016. No change to our earnings forecast as we expect higher earnings in subsequent quarters partly through land disposal. Maintain BUY with an unchanged TP of RM1.95.

1Q16 earnings fell 23% yoy

In 1Q16, Tropicana's reported a 23% yoy decline in core net profit to RM15.2m. This is on the back of 27% drop in revenue. Earnings came in below our expectation. Part of the yoy decline in 1Q16 earnings was due to gains from assets disposal amounting to RM5.9m in 1Q15. However, we expect earnings to come in stronger in the subsequent quarters on the back of land sale as well as higher progress billings. As expected no dividend was declared.

Unbilled sales remain high at RM3.0bn

Tropicana achieved RM204m of new property sales in 1Q16 (+16% yoy) Group's unbilled sales stood at a healthy RM3.0bn as at end-March 2016, underpinned by existing projects as well as new launches. In 2016, the group maintains its plan to launch more than RM1.5bn worth of properties, of which the bulk will still be within the central and northern regions. Tropicana will continue to focus on township as well as integrated residential. The new launches will include Tropicana Aman, Shah Alam, Tropicana Heights in Kajang and Tropicana Gardens in Kota Damansara.

Maintain BUY with an unchanged TP of RM1.95

For now, we make no changes to our FY16-18E EPS forecasts as we expect earnings to come in stronger in subsequent quarters partly in anticipation of land disposal. 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	1457.9	1208.0	1244.2
EBITDA (RMm)	486.0	420.3	367.9	291.7	298.6
Pretax profit (RMm)	411.6	297.1	330.2	248.3	261.3
Net profit (RMm)	333.9	223.3	235.2	170.0	180.4
EPS (sen)	23.5	15.3	16.3	11.7	12.5
PER (x)	3.9	5.4	6.4	8.9	8.3
Core net profit (RMm)	320.9	226.5	235.2	170.0	180.4
Core EPS (sen)	25.6	15.3	16.3	11.7	12.5
Core EPS growth (%)	49.0	-40.3	6.2	-27.7	6.1
Core PER (x)	4.1	5.4	6.4	8.9	8.3
Net DPS (sen)	4.0	7.0	4.5	4.5	5.0
Dividend Yield (%)	3.8	6.7	4.3	4.3	4.8
EV/EBITDA (x)	6.8	7.8	9.0	10.5	10.9
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

RM1.04 @ 19 May 2016

BUY (maintain)

Upside 88%

Price Target: RM1.95

Previous Target: RM1.95



Price Performance

	1M	3M	12M
Absolute	+3.0%	-8.8%	-3.3%
Rel to KLCI	+7.7%	-6.5%	+7.1%

Stock Data

Issued shares (m)	1,429.0
Mkt cap (RMm)/(US\$m)	1,486/363.1
Avg daily vol - 6mth (m)	0.9
52-wk range (RM)	0.83-1.17
Est free float	25%
BV per share (RM)	2.17
P/BV (x)	0.48
Net cash/ (debt) (RMm) (1Q16)	(1,089)
ROE (2016F)	9.6%
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)	1Q16	QoQ % chg	YoY % chg	Comment
	286.9	(5.9)	(26.6)	Excluding land sale of RM106.8m in 1Q15, revenue is relatively flat yoy. Progress billings from various projects including Tropicana Aman, Heights and Gardens.
Revenue				
Op costs	(260.0)	0.5	(23.5)	
EBIT	26.9	(41.8)	(47.4)	
EBIT margin (%)	9.4	-5.8ppt	-3.7ppt	
Int expense	(7.8)	(4.6)	(47.1)	Part of interest cost were capitalised
Int and other income	4.7	(37.2)	146.4	Cash balance stood at RM775m
Associates	6.0	(34.0)	119.5	
EI	0.0	nm	nm	
Pretax profit	29.8	(45.4)	(27.4)	1Q15: Includes gain from land sale amounting to RM5.9m
Core pretax	29.8	(45.4)	(27.4)	
Tax	(13.0)	0.0	(32.5)	
Tax rate (%)	43.7	nm	nm	Recognition of deferred tax assets
MI	(1.6)	(61.8)	(78.8)	
Net profit	15.2	(52.2)	(23.3)	
EPS (sen)	1.1	(47.8)	(23.4)	
Core net profit	15.2	(52.2)	(23.3)	Expect higher earnings in subsequent quarters

Source: Affin Hwang, Company data

Fig 2: Planned launched in 2016

Planned new launches	Value (RMm)	% to total	Targeted launch period
Tropicana Garden, RT4	316		1H16
Tropicana Heights	231		1H16
Tropicana Cheras	37		2H16
Tropicana Aman Phase 3	410		1H16
Tropicana Aman Phase 4	308		2H16
Total	1,302	72.7	
Tropicana Danga Bay	331	18.5	2H16
Penang World City, Tower F	158	8.8	1H16
Grand total	1,791		

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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