

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%
-------------------	-------

Source: Affin Hwang, Bloomberg

Sharifah Farah
(603) 2145 0327
farah.jamalulil@affinhwang.com

Outthink. Outperform.

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	
Pretax profit	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
Core pretax	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)	
Net profit	23.2	17.1	(74.0)	42.9	(55.9)	
EPS (sen)	1.6	15.3	(75.4)	3.0	(60.8)	
Core net profit	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

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

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 : research@affinhwang.com
 Tel : + 603 2143 8668
 Fax : + 603 2145 3005