

Tropicana Corp (TRCB MK)

Property - Real Estate

Market Cap: USD426m

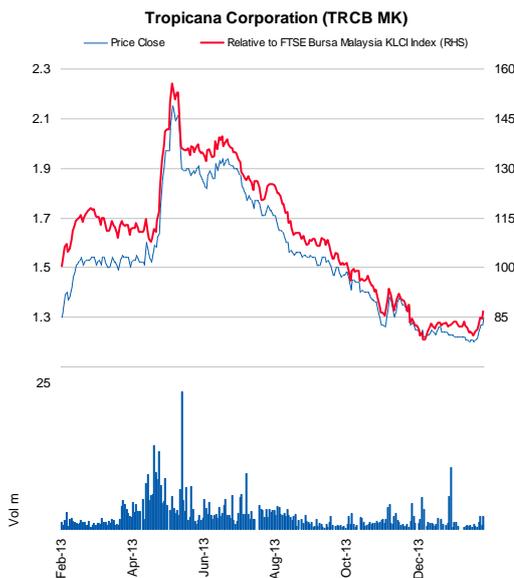
Buy (Maintained)

Target Price: MYR2.19

Price: MYR1.30

Strong Growth Ahead

Macro	◆◆◆
Risks	◆◆◆
Growth	◆◆◆
Value	◆◆◆



Source: Bloomberg

Avg Turnover (MYR/USD)	1.78m/0.54m
Cons. Upside (%)	50.0
Upside (%)	68.6
52-wk Price low/high (MYR)	1.20 - 2.15
Free float (%)	28

Shareholders (%)	
Tan Sri Dato' Danny Tan	71.4

Tropicana Corp's FY13 earnings came in stronger than expected, attributed to higher revenue from property development as well as higher land sales in 4Q13. Earnings growth prospects remain favourable, underpinned by its strong unbilled sales of MYR2.18bn. Management is targeting sales of above MYR2bn for FY14, buoyed by some MYR3.2bn in new launches. Maintain BUY and FV of MYR2.19.

- ◆ **Above expectations.** Tropicana Corp (TRCB) FY13 net profit of about MYR188.2m (11.2% y-o-y) was slightly above our estimate. 4Q13 earnings were boosted by profits from land sales and higher progress billings. The company's earnings prospects remain positive, underpinned by new sales amounting to MYR2.16bn in FY13 (9M13: MYR1.85bn) and high unbilled sales totalling MYR2.18bn.
- ◆ **More than MYR2bn launches planned for FY14.** TRCB is targeting for launches of up to MYR3.2bn for FY14, although this figure could be lower given the softer outlook for the property sector. However, it is confident of delivering new sales totalling about MYR2bn in FY14. It will sharpen its focus on the central and northern region, and 40% of the offerings will be landed properties. About MYR566m worth of GDV has been launched so far, including MYR252m in Tropicana Heights in Kajang (landed) and MYR314m in Tropicana Macalister, Penang (high rise). Both projects have received positive response, with take-up rates of 62% and 36% respectively.
- ◆ **Degearing efforts to continue.** TRCB will continue with its efforts to degear in FY14 through more land sales and disposing of its non-core assets. Although the group's net gearing stood at 0.55x as at end-FY13, this could increase to 0.8x as management has allocated total capex of MYR800m for FY14. TRCB continues to actively seek buyers for its investment properties, including Tropicana City Mall. Meanwhile, gains from land sales in FY14 may come in higher than the MYR339m recorded in FY13 given the rise in land prices, as well as the larger land parcels to be put up for sale.
- ◆ **Maintain BUY.** Our FY14 earnings forecast go up by a slight 2% on updating our FY13 numbers. We maintain our FV of MYR2.19, based on a 25% discount to RNAV.

Forecasts and Valuations	Dec-11	Dec-12	Dec-13	Dec-14F	Dec-15F
Total turnover (MYRm)	375	630	1,476	1,624	1,436
Reported net profit (MYRm)	65	169	362	203	218
Recurring net profit (MYRm)	57	60	188	203	218
Recurring net profit growth (%)	50.0	4.6	215.8	7.7	7.5
Recurring EPS (MYR)	0.09	0.10	0.20	0.18	0.18
DPS (MYR)	0.02	0.05	0.08	0.04	0.04
Recurring P/E (x)	14.6	13.6	6.6	7.4	7.4
P/B (x)	0.57	0.50	0.56	0.55	0.55
Dividend Yield (%)	1.7	3.7	6.2	3.2	3.2
Return on average equity (%)	6.7	10.9	15.6	7.5	7.4
Return on average assets (%)	3.2	4.8	7.3	3.7	3.8
Net debt to equity (%)	73.1	75.0	51.9	39.8	21.8
Our vs consensus EPS (%)				(2.0)	0.6

Source: Company data, RHB estimates

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Figure 1: Review of Tropicana's quarterly results

FYE Dec (MYRm)	4QFY12	3QFY13	4QFY13	q-o-q (%)	y-o-y (%)	FY12	FY13	y-o-y (%)	Comments
Revenue	234.1	363.4	444.7	22.4	90.0	630.1	1,475.5	>100	Higher revenue was attributed to the positive take-up rates for its property development projects, as well as from land sales.
EBIT	98.1	130.2	203.4	56.2	>100	279.4	581.9	>100	
Interest expense	(13.9)	(27.7)	(18.2)	(34.1)	31.6	(31.7)	(77.9)	>100	
Pretax profit	60.8	49.3	325.2	>100	>100	220.6	503.6	>100	
Tax	1.0	(19.7)	(65.4)	>100	n.m	(41.9)	(125.3)	>100	
Minority Interest	(1.6)	(5.9)	(3.3)	(44.9)	>100	(9.5)	(16.1)	69.6	
Reported Net Profit	60.2	23.7	256.5	>100	>100	169.2	362.3	>100	
Core Net Profit	60.2	23.7	82.4	>100	36.8	169.2	188.2	11.2	Above expectations.
<i>EBIT Margin (%)</i>	<i>41.9</i>	<i>35.8</i>	<i>45.7</i>			<i>44.4</i>	<i>39.4</i>		
<i>Pretax Margin (%)</i>	<i>26.0</i>	<i>13.6</i>	<i>73.1</i>			<i>35.0</i>	<i>34.1</i>		
<i>Effective tax rate (%)</i>	<i>(1.6)</i>	<i>39.9</i>	<i>20.1</i>			<i>19.0</i>	<i>24.9</i>		
<i>Net Margin (%)</i>	<i>25.7</i>	<i>6.5</i>	<i>18.5</i>			<i>26.9</i>	<i>12.8</i>		

Source: Company

Figure 2: Tropicana's RNAV estimates

Projects	Acres	GDV (MYR mil)	Stake	NPV @ 11%
Tropicana Cheras	26.70	275.8	100%	20.1
Tropicana Avenue	5.60	412.3	100%	28.3
Tropicana Danga Bay	31.00	6,800.0	60%	274.2
Tropicana Danga Bay H&R	5.97	1,060.0	70%	31.2
Tropicana Gardens	17.60	2,000.0	70%	87.3
W Hotel @ The Residences	1.30	900.0	100%	47.8
Dijaya Trop. Plaza	1.10	105.0	100%	5.4
Tropicana Metropark (Subang)	88.49	6,800.0	100%	337.8
Tropicana Danga Cove (Permas Jaya Johor)	227.00	10,000.0	50%	286.4
Tropicana Heights Kajang	198.52	2,163.5	100%	141.5
Jalan Sultan Ismail	1.17	650.0	100%	39.9
Penang World City	102.56	9,802.4	55%	208.0
Canal City	1,172.00	8,600.0	100%	231.0

Injected landbanks

Sunway Kenari	5.57	634.5	100%	34.5
Jalan Harapan PJ	2.82	218.1	100%	11.9
Lot 914-916 Jalan Macalister Penang	2.09	294.0	100%	16.0
Lot 184-186 Jalan Selangor PJ	1.06	83.3	100%	4.5
Lot 4271 Jalan Tun Razak JB	21.93	5,000.0	100%	245.5
Jalan Kia Peng	1.45	331.8	100%	18.3
Jalan Bukit Bintang	3.26	684.5	100%	37.8
Jalan Ampang	0.90	99.5	100%	5.5
Rahang land (Neg. Sembilan)	2.42	127.1	100%	2.7
Pekan Bkt Kepayang, Neg. Sembilan)	2.00	130.3	100%	2.8
SS13 Subang Jaya	2.46	197.4	100%	10.2
Lot 2480 Jln Kepong Besar	0.84	66.7	100%	3.6
Lot 1982 Jln Sungei Besi	3.02	248.7	100%	12.8
The Landmark, Jalan Bundusan KK	1.31	100.9	100%	5.6
Double Up, Off Jln Lintas KK	1.15	112.7	100%	5.8
Sadong Jaya, KK	1.00	120.2	100%	6.2
Jalan Albert Kwok, KK	0.91	63.7	100%	3.3
Lido Junction, Penampang	1.67	186.8	100%	7.5
Jalan Segama, Lahad Datu	1.25	27.4	100%	1.2
Tawau City land	0.80	35.6	100%	1.3
Taman Tshun Ngen, Sandakan	1.52	64.0	100%	2.2
Unbilled sales				95.1
Subtotal				2,273.1

Investment properties	Location	BV (MYR mil)	MV (MYR mil)	Net surplus (MYR mil)
Tropicana City Mall & Office	Klang Valley	503.1	648.6852	145.6
Dijaya Plaza, KL	City Centre	125.4	131.1464	5.7
Bangunan Metro, Klang	Klang Valley	17.0	17	0.0
Jaya Square, Petaling Jaya	Klang Valley	18.0	18	0.0
Intan Square, Petaling Jaya	Klang Valley	23.0	23	0.0
Wisma TT, Petaling Jaya	Klang Valley	25.0	25	0.0
Casa Klang, Jalan Meru	Klang Valley	30.0	30	0.0
Casa Square, Puchong	Klang Valley	45.0	45	0.0
Coliseum Square, Ipoh	Perak	23.0	23	0.0
Bangunan Keningau	Sabah	5.5	5.5	0.0
Bangunan Magma, Off Jalan Damai, KK	Sabah	5.8	5.8	0.0
New Pantai Building, Tanjung Aru, KK	Sabah	7.8	7.8	0.0
Bangunan Moretune	Sabah	11.0	11	0.0
Bangunan Tiara, Sandakan	Sabah	12.2	12.2	0.0
Bangunan D. Junction	Sabah	21.0	21	0.0
Penampang Point	Sabah	19.5	19.5	0.0
Bangunan Blue 7, Penampang	Sabah	26.5	26.5	0.0
NTA (adjusted for RCULS)				2,186.2
Warrants & ESOS				217.6
Placement proceeds				366.8
Total RNAV				5,043.7
Share base (mil)				951.2
No. of warrants & ESOS (mil)				217.6
Enlarged share base (mil) - incl. RCULS				1,725.9
RNAV per share (MYR)				2.92
Discount				25%
Fair value (MYR)				2.19

Source: Company

Financial Exhibits

Profit & Loss (MYRm)	Dec-11	Dec-12	Dec-13	Dec-14F	Dec-15F
Total turnover	375	630	1,476	1,624	1,436
Cost of sales	(217)	(351)	(894)	(1,101)	(953)
Gross profit	158	279	582	523	484
Gen & admin expenses	(76)	(150)	(300)	(333)	(298)
Other operating costs	33	130	184	119	119
Operating profit	115	260	466	310	305
Operating EBITDA	132	277	489	333	329
Depreciation of fixed assets	(16)	(17)	(23)	(24)	(24)
Operating EBIT	115	260	466	310	305
Net income from investments	6	6	84	69	92
Interest income	5	4	9	6	6
Interest expense	(11)	(32)	(78)	(80)	(76)
Other non-recurring income	(28)	(17)	23	6	7
Pre-tax profit	87	221	504	311	335
Taxation	(15)	(42)	(125)	(77)	(83)
Minority interests	(8)	(9)	(16)	(31)	(33)
Profit after tax & minorities	65	169	362	203	218
Reported net profit	65	169	362	203	218
Recurring net profit	57	60	188	203	218

Source: Company data, RHB estimates

Cash flow (MYRm)	Dec-11	Dec-12	Dec-13	Dec-14F	Dec-15F
Operating profit	115	260	466	310	305
Depreciation & amortisation	16	17	23	24	24
Change in working capital	(250)	(59)	(417)	(176)	69
Other operating cash flow	(27)	(165)	62	107	128
Operating cash flow	(146)	53	133	264	526
Interest received	5	4	9	6	6
Interest paid	(11)	(32)	(78)	(80)	(76)
Tax paid	(15)	(42)	(125)	(77)	(83)
Cash flow from operations	(166)	(17)	(61)	113	373
Capex	(734)	(895)	-	(78)	-
Other investing cash flow	41	-	(229)	200	108
Cash flow from investing activities	(692)	(895)	(229)	122	108
Dividends paid	(17)	(10)	(38)	(89)	(50)
Proceeds from issue of shares	85	891	236	-	-
Increase in debt	781	875	52	-	-
Other financing cash flow	(83)	(733)	(194)	(59)	(58)
Cash flow from financing activities	766	1,022	55	(147)	(107)
Cash at beginning of period	241	120	214	497	640
Total cash generated	(92)	111	(235)	88	374
Implied cash at end of period	148	231	(21)	585	1,015

Source: Company data, RHB estimates

Financial Exhibits

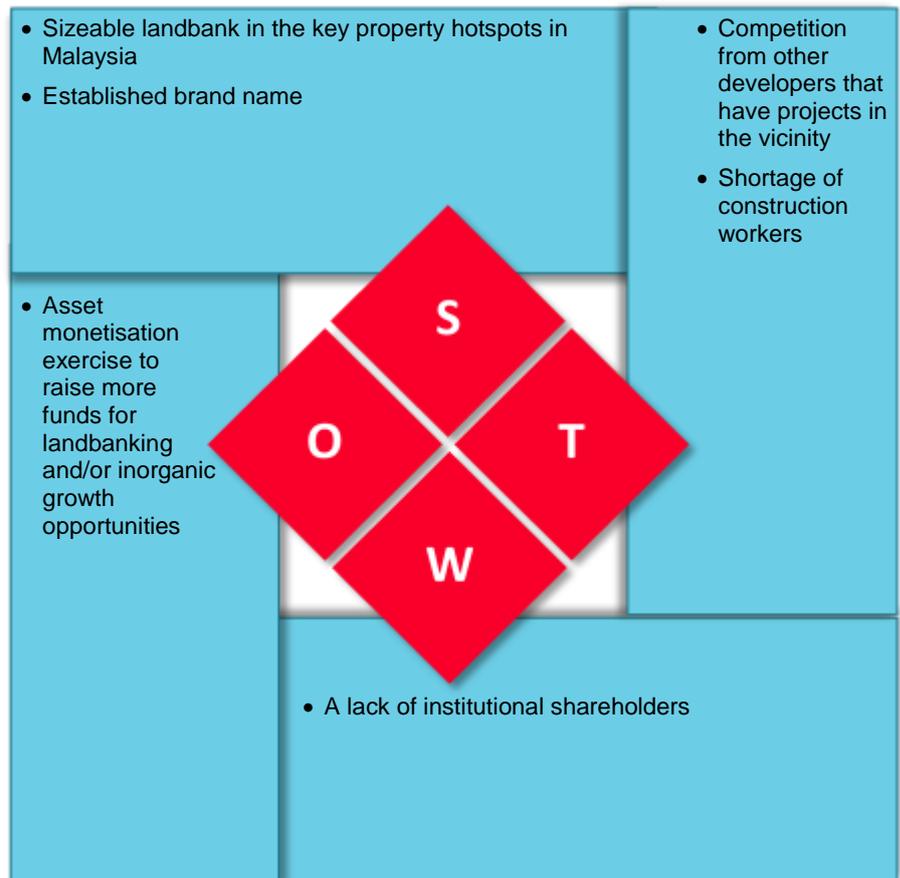
Balance Sheet (MYRm)	Dec-11	Dec-12	Dec-13	Dec-14F	Dec-15F
Total cash and equivalents	146	225	497	640	1,025
Inventories	343	437	621	755	637
Accounts receivable	58	164	383	474	436
Other current assets	195	149	356	356	356
Total current assets	743	975	1,858	2,226	2,454
Total investments	1,303	2,492	2,878	2,678	2,578
Tangible fixed assets	451	1,030	554	609	577
Intangible assets	5	17	-	-	-
Total other assets	35	4	135	141	148
Total non-current assets	1,795	3,543	3,568	3,428	3,303
Total assets	2,538	4,518	5,426	5,654	5,757
Short-term debt	146	224	351	351	351
Accounts payable	239	331	475	524	436
Other current liabilities	7	8	57	57	57
Total current liabilities	391	563	883	932	845
Total long-term debt	846	1,642	1,567	1,482	1,390
Other liabilities	144	124	242	242	242
Total non-current liabilities	990	1,766	1,809	1,724	1,632
Total liabilities	1,381	2,330	2,692	2,656	2,476
Share capital	458	793	1,107	1,192	1,284
Retained earnings reserve	171	321	-	148	305
Other reserves	410	947	1,463	1,463	1,463
Shareholders' equity	1,039	2,061	2,570	2,803	3,052
Minority interests	118	128	164	195	228
Total equity	1,157	2,189	2,734	2,998	3,281
Total liabilities & equity	2,538	4,518	5,426	5,654	5,757

Source: Company data, RHB estimates

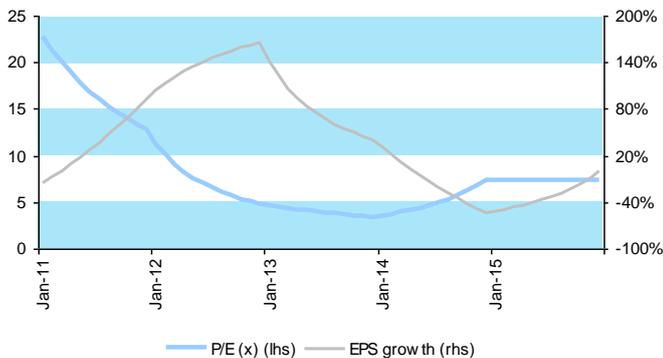
Key Ratios (MYR)	Dec-11	Dec-12	Dec-13	Dec-14F	Dec-15F
Revenue growth (%)	29.9	67.9	134.2	10.0	(11.5)
Operating profit growth (%)	98.3	125.2	79.4	(33.6)	(1.5)
Net profit growth (%)	50.4	160.0	114.1	(44.1)	7.5
EPS growth (%)	92.8	165.4	41.0	(53.7)	(0.2)
Bv per share growth (%)	106.6	14.6	(10.7)	1.3	1.0
Operating margin (%)	30.8	41.2	31.6	19.1	21.2
Net profit margin (%)	17.3	26.9	24.6	12.5	15.2
Return on average assets (%)	3.2	4.8	7.3	3.7	3.8
Return on average equity (%)	6.7	10.9	15.6	7.5	7.4
Net debt to equity (%)	73.1	75.0	51.9	39.8	21.8
DPS	0.02	0.05	0.08	0.04	0.04
Recurrent cash flow per share	(0.26)	(0.03)	(0.06)	0.10	0.30

Source: Company data, RHB estimates

SWOT Analysis

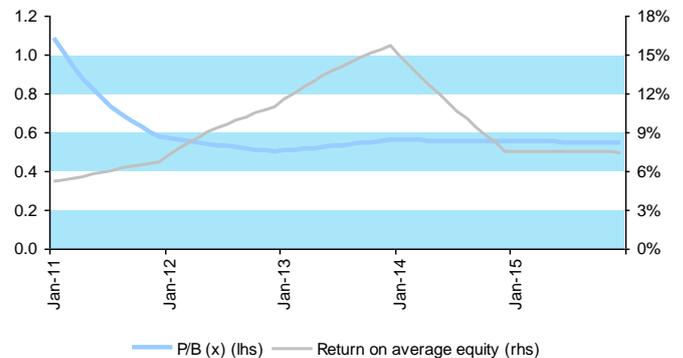


P/E (x) vs EPS growth



Source: Company data, RHB estimates

P/BV (x) vs ROAE

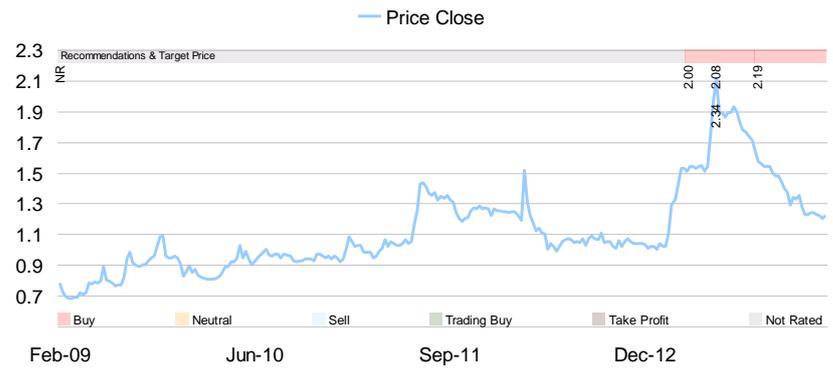


Source: Company data, RHB estimates

Company Profile

Tropicana Corporation is a developer in Malaysia. The company is known for its flagship developments, Tropicana Golf and Country Resort and Tropicana Indah, in Petaling Jaya

Recommendation Chart



Source: RHB estimates, Bloomberg

Date	Recommendation	Target Price	Price
2013-08-28	Buy	2.19	1.65
2013-05-22	Buy	2.34	1.97
2013-05-20	Buy	2.08	1.85
2013-03-19	Buy	2.00	1.54

Source : RHB estimates, Bloomberg

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