



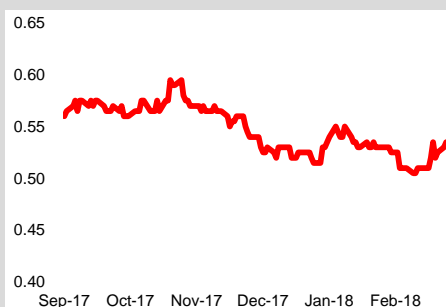
DESCRIPTION

The developer of an ultrapolis in Shah Alam spanning across 72 acres, with a remaining gross development value of RM7bn, an eventual RM1bn property investment portfolio, and a leisure component

12-Month Target Price RM0.91
Current Price RM0.535
Expected Return 70.1%

Market Main
Sector Property
Bursa Code 4251
Bloomberg Ticker IBHD MK
Shariah Compliant Yes

SHARE PRICE CHART



52 Week Range (RM) RM0.51 – RM0.67
3-Month Average Vol ('000) 165.3

SHARE PRICE PERFORMANCE

	1M	3M	12M
Absolute Returns	0.0	-5.4	-9.6
Relative Returns	0.0	-12.2	-20.6

KEY STOCK DATA

Market Capitalisation (RMm) 539.4
No. of Shares (m) 1,008.2

MAJOR SHAREHOLDERS

	%
Sumurwang	59.6
Sumur Ventures	8.6
Tan Sri Lim Kim Hong	0.3

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More To Come

I-Berhad's net profit of RM17.7m (-12.5% YoY, +0.0% QoQ) for 4QFY17 brings cumulative FY17 net profit to RM75.5m, in line with our estimates at 99.1% of full-year forecasts but ahead of consensus at 110%. The Group's earnings growth has been on a consistent and upward trajectory, with its strong fundamentals still largely unrecognized by the investment fraternity which we believe is unwarranted. Pretax margins have averaged 23% per annum due in part to 1) its inexpensive land costs (for plots it owns), and 2) pre-existing joint venture agreement with owner of land not owned (who is incidentally the major shareholder) guaranteeing as such accrues to the Group. We continue to like I-Berhad's value proposition and attractive location in benefitting from the urbanization of the outer Klang Valley region (Klang and Shah Alam). Checks with the company reveals about 40% of buyers coming from within the vicinity and are mostly owner-occupiers, solidifying our conviction in its investment merits. Our **Outperform** call is retained with an unchanged target price of RM0.91 based on a ~50% discount to fully-diluted RNAV.

§ **Earnings overview.** Investments continue afoot in expanding the property investment segment, amongst which also includes its 6,500 completed parking bays, and expected to contribute more significantly in 2018 alongside the opening of the Central Pattana Mall toward year-end. Property development is still the key driver of earnings growth meanwhile, with a 94% share. Divisional pretax profit of RM99.4m for FY17 is 15.4% higher than the previous corresponding period's RM85.5m on the back of steady construction progress of its on-going developments. Earnings visibility will be underpinned by its unbilled sales of RM274m, to be augmented by the recently-launched (and fully-sold) Hill 10 Residences worth some RM120m. With no new launches planned for the year however, we are conservatively lowering FY18 and FY19 estimates by 11% and 16% respectively as we had previously anticipated 2 residential towers with an estimated combined GDV of RM520m to be launched.

§ **Business overview.** Construction of the Liberty, Parisien and Hyde Towers are on track for delivery in late-2018/early-2019, having achieved combined average sales in excess of 90%. Focus for the year, we understand, is to clear this existing stock. 8 Kia Peng, the Group's sole development project out of Shah Alam, is starting to see some traction and is expected to contribute more significantly to the Group this year and next.

KEY FORECAST TABLE (RM m)

FY Dec (RM m)	2016A	2017A	2018F	2019F	2020F	CAGR
Revenue	383.6	465.1	518.8	533.4	614.7	12.5%
Pre-tax Profit	88.2	105.4	116.7	119.1	136.7	11.6%
Net Profit	66.6	75.5	88.7	90.4	103.8	11.7%
FD EPS ¹ (Sen)	5.1	5.7	6.7	6.9	7.9	11.7%
FD P/E ¹ (x)	11.3	10.0	8.5	8.4	7.3	
DPS ¹ (Sen)	1.9	2.3	2.7	2.7	3.1	
Dividend Yield	3.1	3.7	4.3	4.4	5.0	

Source: Company, PublicInvest Research estimates

Note: ¹ Fully-diluted share base: 1,315m shares (excluding warrants)

Table 1: Results Summary

<u>FYE Dec (RM'm)</u>	<u>4Q17</u>	<u>4Q16</u>	<u>3Q17</u>	<u>YoY chg (%)</u>	<u>QoQ chg (%)</u>	<u>FY17</u>	<u>FY16</u>	<u>YoY chg (%)</u>	<u>Comments</u>
Revenue	129.1	102.9	105.3	25.5	22.6	465.1	383.6	21.3	Property development key driver
Cost of sales	-89.2	-66.9	-69.4	33.3	28.5	-317.9	-258.3	23.1	
Gross profit	39.9	36.0	35.9	11.0	11.2	147.2	125.3	17.5	
Other income	2.7	1.6	2.7	68.3	0.6	10.3	13.5	-23.7	
Admin expenses	-14.3	-13.7	-8.8	5.0	62.1	-49.2	-49.3	-0.1	
Associate	-1.1	-0.9	-1.2	18.7	-11.1	-2.9	-1.4	115.5	Mall-related expenses
Pre-tax profit	27.2	23.0	28.6	18.3	-4.6	105.4	88.2	19.6	
Income tax	-9.6	-8.9	-9.0	7.8	6.9	-30.0	-21.6	38.9	
Minorities	0.0	0.0	0.0	-130.0	n.a.	0.0	0.0	-47.5	
Net profit	17.7	14.2	19.6	24.8	-9.9	75.5	66.6	13.3	

EPS (sen) 1.8 1.4 1.9 24.8 -9.9 7.5 6.6 13.3

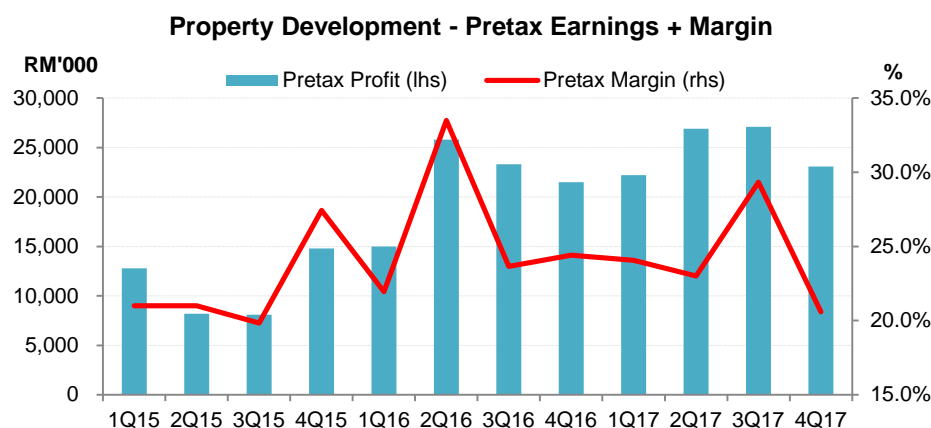
Note: EPS based on current share base of 1,008.0m n.a. = not applicable

Gross Margin (%)	30.9	35.0	34.1			31.6	32.7	
Pre-tax Margin (%)	21.1	22.4	27.1			22.7	23.0	
Net Margin (%)	13.7	13.8	18.6			16.2	17.4	

<u>SEGMENTAL (RM'm)</u>	<u>4Q17</u>	<u>4Q16</u>	<u>3Q17</u>	<u>YoY chg (%)</u>	<u>QoQ chg (%)</u>	<u>Comments</u>
Revenue						
Development	112.1	88.1	92.4	27.3	21.3	RM274m unbilled sales
Investment	1.4	1.2	1.2	17.3	19.0	
Leisure	14.6	12.6	11.5	15.7	26.7	
Others	1.0	1.0	0.2	-2.0	337.4	
Total	129.1	102.9	105.3	25.5	22.6	

Pretax Profit					
Development	23.1	21.5	27.1	7.3	-14.8
Investment	-1.5	-0.9	-1.8	56.0	-17.6
Leisure	5.5	4.2	2.1	29.3	163.9
Others	0.1	-1.8	1.1	n.a.	n.a.
Total	27.2	23.0	28.6	18.3	-4.6

n.a. = not applicable

Figure 1: Pretax Profit - Property Development


Source: Company, PublicInvest Research

KEY FINANCIAL DATA
INCOME STATEMENT DATA

FYE Dec (RMm)	2016A	2017A	2018F	2019F	2020F
Revenue	383.6	465.1	518.8	533.4	614.7
Cost of Sales	-258.3	-317.9	-343.4	-353.1	-406.8
Gross Profit	125.3	147.2	175.4	180.3	207.9
Other Income	12.2	7.4	5.1	4.3	4.3
Administration Expenses	-49.3	-49.2	-63.8	-65.6	-75.6
Pre-tax Profit	88.2	105.4	116.7	119.1	136.7
Income Tax	-21.6	-30.0	-28.0	-28.6	-32.8
Effective Tax Rate (%)	24.5%	28.4%	24.0%	24.0%	24.0%
Minorities	0.0	0.0	0.0	0.0	-0.1
Core Net Profit	66.6	75.5	88.7	90.4	103.8
Growth					
Revenue	49.0%	21.3%	11.5%	2.8%	15.3%
Gross Profit	54.6%	17.5%	19.2%	2.8%	15.3%
Net Profit	54.9%	13.3%	17.5%	2.0%	14.8%

Source: Company, PublicInvest Research estimates

BALANCE SHEET DATA

FYE Dec (RMm)	2016A	2017A	2018F	2019F	2020F
Investment properties	312.3	373.4	383.4	393.4	403.4
Property development costs	550.4	446.4	652.8	683.3	718.9
Cash and bank balances	179.7	213.1	235.8	276.2	320.3
Other assets	323.7	482.5	328.6	331.2	341.5
Total Assets	1,366.0	1,515.4	1,600.5	1,684.1	1,784.1
Payables	301.6	397.0	273.4	278.4	290.5
Liabilities – ICULS and RCULS	194.1	193.9	206.8	211.4	221.0
Deferred tax	6.3	5.8	6.3	6.3	6.3
Other liabilities	7.9	5.8	139.3	149.9	155.5
Total Liabilities	509.8	602.5	625.8	646.0	673.3
Total Equity	856.2	912.9	974.8	1,038.1	1,110.9
Total Equity and Liabilities	1,366.0	1,515.4	1,600.5	1,684.1	1,784.1

Source: Company, PublicInvest Research estimates

PER SHARE DATA & RATIOS

FYE Dec	2016A	2017A	2018F	2019F	2020F
Book Value Per Share	0.86	0.91	0.97	1.03	1.11
NTA Per Share	0.86	0.91	0.97	1.03	1.11
EPS (Sen)	5.1	5.7	6.7	6.9	7.9
DPS (Sen)	1.9	2.3	2.7	2.7	3.1
Payout Ratio (%)	37.1%	39.3%	39.3%	39.3%	39.3%
ROA (%)	4.9%	5.0%	5.5%	5.4%	5.8%
ROE (%)	7.8%	8.3%	9.1%	8.7%	9.3%

Source: Company, PublicInvest Research estimates

RATING CLASSIFICATION

STOCKS

OUTPERFORM	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12 months.
NEUTRAL	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
UNDERPERFORM	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
TRADING BUY	The stock return is expected to exceed a relevant benchmark's return by 5% or higher over the next 3 months but the underlying fundamentals are not strong enough to warrant an Outperform call.
TRADING SELL	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
NOT RATED	The stock is not within regular research coverage.

SECTOR

OVERWEIGHT	The sector is expected to outperform a relevant benchmark over the next 12 months.
NEUTRAL	The sector is expected to perform in line with a relevant benchmark over the next 12 months.
UNDERWEIGHT	The sector is expected to underperform a relevant benchmark over the next 12 months.

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