



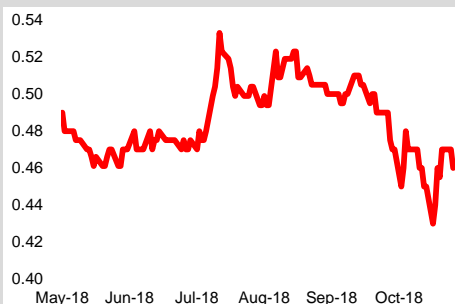
DESCRIPTION

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	RM0.46
Expected Return	97.8%

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

SHARE PRICE CHART



52 Week Range (RM)	RM0.42 – RM0.58
3-Month Average Vol ('000)	166.8

SHARE PRICE PERFORMANCE

	1M	3M	12M
Absolute Returns	-4.1	-6.7	-14.1
Relative Returns	-2.7	-8.2	-18.0

KEY STOCK DATA

Market Capitalisation (RMm)	464.5
No. of Shares (m)	1,009.7

MAJOR SHAREHOLDERS

	%
Sumurwang	58.6
Sumur Ventures	8.5
Lim Khuan Eng	1.5

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Long Term Growth Intact

I-Berhad's 3QFY18 net profit of RM5.7m (-20.7% YoY, -74.5% QoQ) is slightly underwhelming, though very much due to higher-than-normal tax charges in the quarter owing to timing differences. Cumulative 9MFY18 net profit of RM52.5m (+6.5% YoY) is below both our and consensus expectations at 59.2% and 67.1% of full-year estimates respectively. While longer-term earnings growth remains intact, underpinned by a remaining ~60% of its gross development value yet to be realized, we are lowering our near-term FY18 to FY20 estimates by an average 25% to account for much slower sales in its 8Kia Peng project and slight delays in new launches. We still like I-Berhad's value proposition and attractive location in benefitting from the urbanization of the outer Klang Valley region (Klang and Shah Alam) nonetheless, and retain our **Outperform**. Target price of RM0.91 remains unchanged, a ~50% discount to fully-diluted RNAV.

§ **Earnings overview.** Property development will remain a mainstay of the group's growth. Still contributing the bulk to overall numbers, divisional pretax profit of RM19.0m for 3QFY18 is 16.1% higher as compared to the previous year due to MFRS15-related adjustments. Near-term challenges are reflected by QoQ drops in both the revenue and pretax lines. A drop in unbilled sales from RM305m in the immediate preceding quarter to the RM161m currently with no significant replenishments in sight is slightly worrisome, though we are cautiously optimistic over contributions from the 8 Kia Peng project in downtown Kuala Lumpur despite seeing some slowdowns in recent months. Planned launches at i-City in mid-2019 should also help arrest current declining trends somewhat.

Property investment pretax contributions, though seeing losses widen to RM2.1m in 3QFY18, is poised to see a turnaround in fortunes in the coming financial year with the imminent opening of its 40%-owned 1m square feet mall, which will also bring its own ~150,000 square feet retail space into play.

§ **Business overview.** The remaining months of the year will see the three-themed Liberty, Parisien and Hyde Towers with a total of 1,217 units handed over to purchasers. Opening of the RM850m Central i-City mall has been delayed however, now slated for early-January. We understand that tenancy rates are already at about 85% with major anchors already secured. With no launches until nearer the middle of next year, immediate focus will still be on clearing its existing stock in i-City which we gather is about RM100m.

KEY FORECAST TABLE (RM m)

FY Dec (RM m)	2016A	2017A	2018F	2019F	2020F	CAGR
Revenue	383.6	465.1	406.8	387.4	444.7	3.8%
Pre-tax Profit	88.2	105.4	92.4	87.4	99.8	3.1%
Net Profit	66.6	75.5	70.2	66.4	75.8	3.3%
FD EPS ¹ (Sen)	5.1	5.7	5.3	5.0	5.8	3.3%
FD P/E ¹ (x)	9.1	8.0	8.6	9.1	8.0	
DPS ¹ (Sen)	1.9	2.3	2.1	2.0	2.3	
Dividend Yield	3.1	3.7	3.4	3.2	3.7	

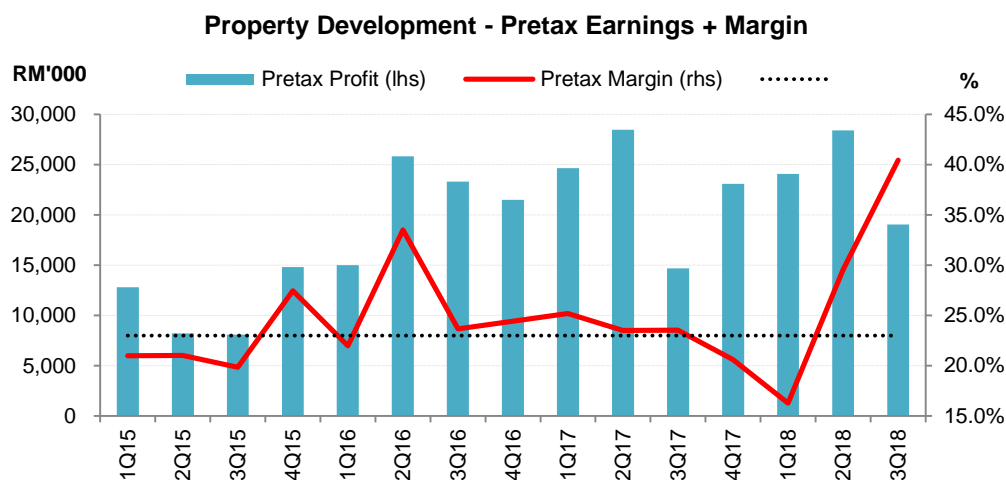
Source: Company, PublicInvest Research estimates

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

Table 1: Results Summary

FYE Dec (RM m)	3Q18	3Q17*	2Q18	YoY chg (%)	QoQ chg (%)	9M FY18	9M FY17	YoY chg (%)	Comments
Revenue	60.7	75.3	107.2	-19.5	-43.4	327.2	315.7	3.6	
Cost of sales	-30.2	-51.5	-68.3	-41.3	-55.7	-218.6	-211.6	3.3	
Gross profit	30.4	23.8	38.9	27.7	-21.7	108.6	104.1	4.3	
Other income	2.3	2.7	1.1	-12.3	107.5	6.1	7.6	-19.8	
Admin expenses	-14.5	-9.2	-11.0	57.9	31.4	-42.5	-40.2	5.5	
Associate	-1.1	-1.2	-0.3	-6.2	322.1	-1.4	-1.9	-25.1	
Pre-tax profit	17.2	16.1	28.7	6.4	-40.2	70.9	69.7	1.8	
Income tax	-11.5	-9.0	-6.4	28.3	79.9	-18.4	-20.4	-9.6	
Minorities	0.0	0.0	0.0	n.a.	466.7	0.0	0.0	20.8	
Net profit	5.7	7.2	22.3	-20.7	-74.5	52.5	49.3	6.5	
EPS (sen)	0.6	0.7	2.2	-20.7	-74.5	5.2	4.9	6.5	
Gross Margin (%)	50.2	31.6	36.3	-	-	33.2	33.0	-	
Pre-tax Margin (%)	28.3	21.4	26.8	-	-	21.7	22.1	-	
Net Margin (%)	9.4	9.5	20.8	-	-	16.0	15.6	-	
SEGMENTAL (RM'm)	3Q18	3Q17 *	2Q18	YoY chg (%)	QoQ chg (%)	Comments			
Revenue									
Development	47.1	62.4	96.1	-24.6	-51.0	RM161m unbilled sales			
Investment	1.8	1.2	1.6	49.5	13.5				
Leisure	11.5	11.5	8.3	-0.2	38.8				
Others	0.4	0.2	1.3	57.8	-71.4				
Total	60.7	75.3	107.2	-19.5	-43.4				
Pretax Profit									
Development	19.0	14.7	28.4	29.6	-33.0				
Investment	-2.1	-1.8	-0.7	16.3	180.0				
Leisure	1.6	2.1	0.3	-20.9	545.9				
Others	-1.5	1.1	0.8	n.a.	n.a.				
Total	17.2	16.1	28.7	6.4	-40.2%				

n.a. = not applicable * re-stated for MFRS 15

Figure 1: Pretax Profit - Property Development


Source: Company, PublicInvest Research

KEY FINANCIAL DATA
INCOME STATEMENT DATA

FYE Dec (RM m)	2016A	2017A	2018F	2019F	2020F
Revenue	383.6	465.1	406.8	387.4	444.7
Cost of Sales	-258.3	-317.9	-269.4	-256.7	-294.6
Gross Profit	125.3	147.2	137.3	130.7	150.1
Other Income	12.2	7.4	5.1	4.3	4.3
Administration Expenses	-49.3	-49.2	-50.0	-47.6	-54.7
Pre-tax Profit	88.2	105.4	92.4	87.4	99.8
Income Tax	-21.6	-30.0	-22.2	-21.0	-23.9
Effective Tax Rate (%)	24.5%	28.4%	24.0%	24.0%	24.0%
Minorities	0.0	0.0	0.0	0.0	0.0
Core Net Profit	66.6	75.5	70.2	66.4	75.8
Growth					
Revenue	49.0%	21.3%	-12.5%	-4.8%	14.8%
Gross Profit	54.6%	17.5%	-6.7%	-4.8%	14.9%
Net Profit	54.9%	13.3%	-7.0%	-5.5%	14.2%

Source: Company, PublicInvest Research estimates

BALANCE SHEET DATA

FYE Dec (RM m)	2016A	2017A	2018F	2019F	2020F
Investment properties	312.3	373.4	383.4	393.4	403.4
Property development costs	550.4	446.4	645.6	666.8	691.5
Cash and bank balances	179.7	213.1	232.6	266.3	302.2
Other assets	323.7	482.5	314.8	313.2	320.6
Total Assets	1,366.0	1,515.4	1,576.4	1,639.7	1,717.7
Payables	301.6	397.0	262.2	263.8	273.5
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	614.6	631.4	656.3
Total Equity	856.2	912.9	961.9	1,008.3	1,061.4
Total Equity and Liabilities	1,366.0	1,515.4	1,576.4	1,639.7	1,717.7

Source: Company, PublicInvest Research estimates

PER SHARE DATA & RATIOS

FYE Dec	2016A	2017A	2018F	2019F	2020F
Book Value Per Share	0.86	0.91	0.96	1.01	1.06
NTA Per Share	0.86	0.91	0.96	1.01	1.06
EPS (Sen)	5.1	5.7	5.3	5.0	5.8
DPS (Sen)	1.9	2.3	2.1	2.0	2.3
Payout Ratio (%)	37.1%	39.3%	39.3%	39.3%	39.3%
ROA (%)	4.9%	5.0%	4.5%	4.0%	4.4%
ROE (%)	7.8%	8.3%	7.3%	6.6%	7.1%

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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