

28 February 2020

Property | Real Estate

I-BHD (IBHD MK)

Neutral (Maintained)

Cautiously Optimistic For FY20F

Target Price (Return)	MYR0.23 (+9%)
Price:	MYR0.21
Market Cap:	USD59m
Avg Daily Turnover (MYR/USD)	1.03m/0.25m

- Maintain NEUTRAL and MYR0.23 TP, 12% expected total yield**, based on a 75% discount to RNAV. FY19 earnings missed expectations, which comes as no surprise, given the lack new project launches since FY18. We are only cautiously optimistic of I-BHD despite the promising outlook of its i-City Shopping Centre, given the further delay in the launching of Hills 11 and 12 Residences amid the COVID-19 outbreak and an unexciting property market environment.
- Missed expectations... again.** FY19 core net profit was MYR25.9m (-56% YoY), below expectations – at 91% of our full-year estimate. Revenue plunged 54% YoY, which comes as no surprise, given the expected abysmal performance of the property development segment that had been impacted by a lack of new launches since 2018. 4Q19 saw new sales of only MYR5.3m, which is lower than the MYR17m registered in 4Q18, and MYR13 and MYR12m registered in 3Q19 and 2Q19. FY19 full-year sales was MYR43.3m, a significant drop from the MYR204m reported for FY18. Compared to 3Q19's MYR112.9m and 2Q19's MYR123.5m, unbilled sales as at end-2019 stood at a paltry MYR97.2m. DPS for FY19 was 0.73 sen vs 1.66 sen in FY18.
- Going full throttle in FY20?** Largely unchanged since 2Q19, Hill 10 Residence's (launched FY17) take-up rate as at Dec 2019 stood at 93%, while the take-up rate for 8Kia Peng (launched FY16) still stands at c.26%. Initially slated for completion at the end of FY19, 8Kia Peng is now expected to be completed sometime in 1H20. Although the slow progress is worrying, construction progress for 8KiaPeng has reached around 87% as at Dec 2019. Management is maintaining a cautious stance on the launch of Hill 11 (GDV: MYR278m) and Hill 12 (GDV: MYR281m) Residences in the new year amid the COVID-19 outbreak. As such, the launch of Hill 11 Residence has been delayed to 2H20 from the initial target of 1H20, while the launch of Hill 12 Residence would be dependent on the sales progress of Hill 11.
- Outlook for FY20.** Aside from the targeted launches and completion of 8Kia Peng expected for this year, I-BHD is set to experience a decent 2020. In tandem with Selangor's vision to make i-City the heart of the state's Golden Triangle, we believe the group's efforts to transform the REIT to a wholesome township may prove successful in the new year. With Central i-City Shopping Centre (total NLA: c.1m sqf, MYR8 psf), targeting to pull in shopper traffic by as much as 1m/month and the Corporate Office Tower in Plot 2 (GDV: MYR230m, completed in Dec 2019) expected to attract office crowds into the vicinity, we are cautiously optimistic of its value-unlocking potential.
- Cut earnings, maintain TP.** As results missed, we cut FY20F-21F earnings by 11-13%, in view of the further delay in launches of Hill 11 and Hill 12 Residences amid market muteness and COVID-19. We also introduce FY22F earnings of MYR36m. Our TP is based on a 75% discount to RNAV.

Analyst

Loong Kok Wen, CFA
+603-9280 8861
loong.kok.wen@rhbgroup.com



Share Data

Avg Daily Turnover (MYR/USD)	1.03m/0.25m
52-wk Price low/high (MYR)	0.195 - 0.45
Free Float (%)	30
Shares outstanding (m) @MYR1 par	1061
Expected Share Price Return	9%
Expected Dividend Return	3%
Expected Total Return	12%

Shareholders (%)

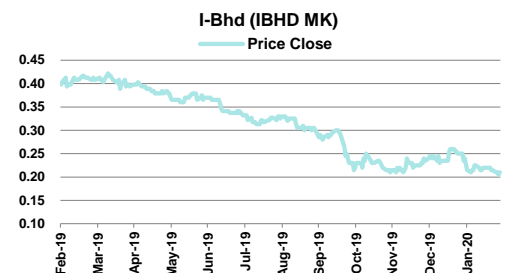
Sumurwang	53.0
Sumur Ventures	7.7
Lim Khuan Eng	1.4

Additional Data

Bursa Code	4521
Listing Market	Main Market
Beta	1.094
3-Month Average Volume ('000)	4,319
ROA (%)	2.64

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(14.3)	(16.0)	(2.3)	(36.4)	(50.6)
Relative	(9.1)	(11.7)	2.8	(31.0)	(38.5)



Forecasts and Valuation	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
Total turnover (MYRm)	375	172	164	193	246
Recurring net profit (MYRm)	58.8	25.9	28.0	37.2	36.4
Recurring net profit growth	(7.0)	(56.0)	8.0	32.8	(2.1)
Recurring EPS (MYR)	0.06	0.02	0.02	0.02	0.02
Recurring P/E (x)	3.8	8.6	12.3	9.3	9.5
P/BV (x)	0.23	0.23	0.30	0.30	0.29
DPS (MYR)	0.02	0.01	0.01	0.01	0.01
Dividend Yield (%)	7.9	3.5	2.4	3.2	3.2
Return on average assets (%)	3.5	1.7	1.9	2.4	2.3
Net debt to equity (%)	net cash	net cash	net cash	net cash	net cash

Source: Company data, RHB

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Financial Exhibits

Asia	Financial summary	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
Malaysia	Core EPS (MYR)	0.06	0.03	0.02	0.02	0.02
Property	EPS (MYR)	0.06	0.03	0.02	0.02	0.02
I-BHD	DPS (MYR)	0.02	0.01	0.01	0.01	0.01
IBHD MK	BVPS (MYR)	0.90	0.92	0.70	0.71	0.73
	ROE (%)	6.30	3.16	2.64	3.21	3.07
	ROA (%)	3.69	2.01	1.94	2.40	2.26
Valuation basis						
RNAV.						
Key drivers						
MYR9bn GDV worth of mixed-development consisting of residential, leisure park, shopping mall, convention centres and hotels.	Valuation metrics	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
	Core P/E (x)	3.8	7.3	12.3	9.3	9.5
	P/B (x)	0.2	0.2	0.3	0.3	0.3
	Dividend yield (%)	7.91	3.5	2.43	3.23	3.16
	EV/EBITDA (x)	0.5	(1.5)	(4.0)	(4.1)	(1.8)
Key risks						
Upside risk includes higher-than-expected earnings from the i-City Shopping Centre, while downside risk includes further delays in new launches.	Income statement (MYRm)	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
	Total turnover	375	172	164	193	246
	Gross profit	129	101	59	76	90
	EBITDA	105	87	55	70	84
	Operating profit	80	59	24	37	48
	Net interest	-	-	-	-	-
	Exceptional items	-	-	-	-	-
	Pre-tax profit	77	40	35	46	48
	Taxation	(18)	(14)	(7)	(9)	(11)
	Net profit	59	26	28	37	36
	Core net profit	59	26	28	37	36
Company Profile						
I-BHD engages in segments encompassing property development, property investment and leisure in the Klang Valley. The company's main project is the 72-acre i-City located in Shah Alam, Selangor.	Cash flow (MYRm)	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
	Cash flow from operations	217	74	73	47	42
	Capex	(50)	(60)	(60)	(60)	(60)
	Cash flow from investing activities	(251)	(60)	(60)	(60)	(60)
	Cash flow from financing activities	(18)	(9)	142	(11)	(11)
	Cash at beginning of period	213	175	353	568	634
	Net change in cash	(38)	178	215	66	(137)
	Ending balance cash	175	353	568	634	497
	Balance sheet (MYRm)	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
	Total cash and equivalents	175	353	568	634	497
	Tangible fixed assets	482	514	543	570	594
	Intangible assets	-	-	-	-	-
	Total investments	353	353	353	353	353
	Total other assets	660	140	60	15	195
	Total assets	1,670	1,361	1,524	1,572	1,639
	Short-term debt	-	-	-	-	-
	Total long-term debt	-	-	-	-	-
	Total liabilities	716	385	379	401	442
	Shareholders' equity	954	975	1,145	1,171	1,196
	Minority interests	-	-	-	-	-
	Total equity	954	975	1,145	1,171	1,196
	Total liabilities & equity	1,670	1,361	1,524	1,572	1,639
	Key metrics	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
	Revenue growth (%)	(17.6)	(54.1)	(4.8)	17.9	27.2
	Core net profit growth (%)	(7.0)	(48.1)	(8.4)	32.8	(2.1)
	Core EPS growth (%)	(7.0)	(48.1)	(40.9)	32.8	(2.1)
	Gross margin (%)	34.5	58.9	36.2	39.5	36.6
	Core net profit margin (%)	15.7	17.7	17.1	19.3	14.8
	Dividend payout ratio (%)	30.0	30.0	30.0	30.0	30.0

Source: Company data, RHB

Figure 1: I-BHD's results review

FYE Dec (MYRm)	4Q18	3Q19	4Q19	QoQ (%)	YoY (%)	FY18	FY19	YoY (%)	Comments
Revenue	48.0	42.2	46.5	10.1	(3.1)	375.1	172.0	(54.1)	Revenue tanked due to lower unbilled sales, given the lack of new launches.
EBITDA	13.9	23.2	21.2	(8.7)	51.7	95.7	76.3	(20.2)	
Depreciation	(6.5)	(2.7)	(7.5)	>100	15.6	(16.0)	(16.9)	6.0	
EBIT	7.5	20.5	13.7	(33.2)	83.2	79.7	59.4	(25.5)	
Interest expense	0.0	0.0	0.0	nm	nm	0.0	0.0	nm	
Pretax profit	5.9	11.7	5.0	(57.3)	(15.3)	76.8	40.1	(47.8)	
Tax	0.4	(6.7)	(1.5)	(77.8)	(493.1)	(18.0)	(14.3)	(21.0)	
Minority Interest	0.0	(0.0)	0.1	(825.0)	>100	0.1	0.1	0.0	
Net Profit	6.3	5.0	3.6	(28.3)	(42.8)	58.8	25.9	(56.0)	
Core Profit	6.3	5.0	3.6	(28.3)	(42.8)	58.8	25.9	(56.0)	Below expectations.
EPS (sen)	0.59	0.47	0.34	(28.3)	(42.8)	5.54	2.44	(56.0)	
<i>EBITDA Margin (%)</i>	<i>29.1</i>	<i>54.8</i>	<i>45.5</i>			<i>25.5</i>	<i>44.4</i>		
<i>EBIT Margin (%)</i>	<i>15.6</i>	<i>48.4</i>	<i>29.4</i>			<i>21.3</i>	<i>34.5</i>		
<i>Pretax Margin (%)</i>	<i>12.3</i>	<i>27.7</i>	<i>10.8</i>			<i>20.5</i>	<i>23.3</i>		
<i>Effective tax rate (%)</i>	<i>(6.4)</i>	<i>56.9</i>	<i>29.6</i>			<i>23.5</i>	<i>35.6</i>		
<i>Net Margin (%)</i>	<i>13.1</i>	<i>11.9</i>	<i>7.8</i>			<i>15.7</i>	<i>15.1</i>		

Source: Company data, RHB

Figure 2: I-BHD's valuation table

Projects	Type of Development	Total GDV (MYRm)	Development Period	NPV @ 11% (MYRm)
i-City				
Liberty	Residential	179	3-4 years	0
Parisian	Residential	189	3-4 years	1
Hyde	Residential	268	3-4 years	3
Hill 10 Residence	Residential	123	3-4 years	0
Smart Office	Offices	230	3-4 years	26
Tower 1 (Hill 11)	Residential	278	3-4 years	23
Tower 2 (Hill 12)	Residential	281	3-4 years	21
90k sqf retail	Retails	162	3-4 years	26
The Jewel	Mixed Developments	3,800	6-8 years	263
Dome	Mixed Developments	900	4-5 years	111
8 Kia Peng	Residential / SOHO	882	3-4 years	33
Unbilled sales (MYRm)				52
Shareholders' funds as at end FY18 (MYRm)				954
Total RNAV (MYRm)				1,513
No. of shares (m)				1,645
RNAV per share (MYR)				0.92
Discount				75%
TP (MYR)				0.23

Source: Company data, RHB

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Trading Buy:	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
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KUALA LUMPUR

RHB Investment Bank Bhd
Level 3A, Tower One, RHB Centre
Jalan Tun Razak
Kuala Lumpur 50400
Malaysia
Tel : +603 9280 8888
Fax : +603 9200 2216

JAKARTA

PT RHB Sekuritas Indonesia
Revenue Tower 11th floor, District 8 - SCBD
Jl. Jenderal Sudirman Kav. 52-53
Jakarta 12910
Indonesia
Tel : +6221 5093 9888
Fax :+6221 5093 9777

HONG KONG

RHB Securities Hong Kong Ltd.
12th Floor, World-Wide House
19 Des Voeux Road
Central
Hong Kong
Tel : +852 2525 1118
Fax : +852 2810 0908

BANGKOK

RHB Securities (Thailand) PCL
10th Floor, Sathorn Square Office Tower
98, North Sathorn Road, Silom
Bangrak, Bangkok 10500
Thailand
Tel: +66 2088 9999
Fax :+66 2088 9799

SINGAPORE

**RHB Securities Singapore
Pte Ltd.**
10 Collyer Quay
#09-08 Ocean Financial Centre
Singapore 049315
Tel : +65 6533 1818
Fax : +65 6532 6211