



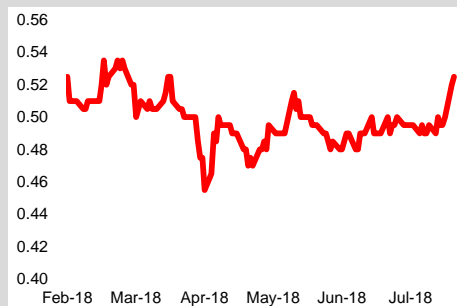
DESCRIPTION

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 RM0.525
Expected Return 73.3%

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

SHARE PRICE CHART



52 Week Range (RM) RM0.45 – RM0.62
3-Month Average Vol ('000) 139.8

SHARE PRICE PERFORMANCE

	1M	3M	12M
Absolute Returns	6.1	8.3	-14.0
Relative Returns	3.0	15.7	-12.5

KEY STOCK DATA

Market Capitalisation (RMm) 529.6
No. of Shares (m) 1,008.8

MAJOR SHAREHOLDERS

	%
Sumurwang	58.6
Sumur Ventures	8.5
Lim Khuan Eng	1.5

Ching Weng Jin
T 603 2268 3000
F 603 2268 3014
E research@publicinvestbank.com.my

Keeping The Momentum

I-Berhad reported a net profit of RM22.3m (+5.6% YoY, -8.9% QoQ) for 2QFY18 to bring cumulative 1HFY18 net profit to RM46.8m (+11.1% YoY), in line with our estimates at 52.7% of full-year forecasts, but ahead of consensus at 63.2%. Earnings growth remains intact and continues to be on an upward trajectory. We believe its relative under-appreciation, presumably on its single-location focus, is unwarranted given its strong fundamentals and consistent delivery. We like I-Berhad's value proposition and attractive location in benefitting from the urbanization of the outer Klang Valley region (Klang and Shah Alam). Our **Outperform** call is affirmed with an unchanged target price of RM0.91 based on a ~50% discount to fully-diluted RNAV, which in itself has scope for further upside considering the transit-oriented development status.

§ **Earnings overview.** Property development contributions continue to drive earnings growth. Divisional pretax profit of RM28.4m for 2QFY18 is 18.1% higher as compared to the immediate preceding quarter's RM24.1m though a touch lower (-0.2% YoY) versus the previous corresponding period's RM28.5m. Margins have improved owing to better sales mix and cost adjustments. The Group's longer-term earnings visibility is secure and will be underpinned by its current unbilled sales of RM305m and increasing contributions from the 8 Kia Peng project in downtown Kuala Lumpur.

The Property Investment portfolio, while still seeing negligible contributions in 2QFY18 with pretax losses of RM736,000 (1QFY18: -RM373,000) is poised to see a marked turnaround in fortunes in the coming financial year with the imminent opening of the mall this year-end.

While the Group's cash holding has fallen a fair bit QoQ, a bit of which has gone into the rapidly-concluding mall construction, overall current ratio remains a healthy and relatively liquid 2.4x with zero borrowings apart from the liability components of the unconverted ICULs and RCULs.

§ **Business overview.** This second half of the year will be a busy time for the Group. The three-themed Liberty, Parisien and Hyde Towers with a total of 1,217 units will be handed over to purchasers this financial quarter (90% sold on average), while the RM850m mall will also be opened in November to add another level of vibrancy to the township and augment Property Investment-related income. With no planned launches for this year, focus will still be on clearing its existing stock in iCity and 8 Kia Peng, the latter being its sole development project out of Shah Alam which continues to see encouraging sales done contrary to the reportedly lackluster market environment for higher-end properties particularly in downtown Kuala Lumpur.

KEY FORECAST TABLE

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)	10.4	9.1	7.8	7.6	6.7	
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)

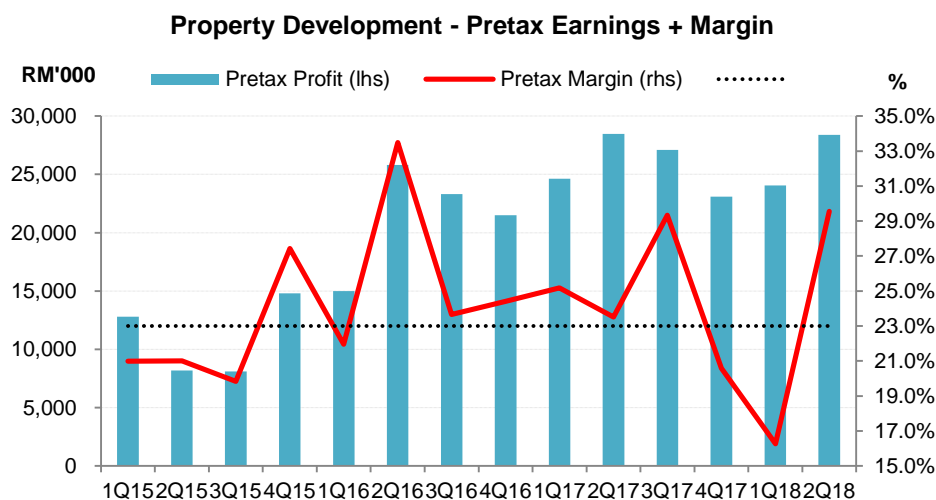
Table 1: Results Summary

<u>FY Dec (RM'm)</u>	<u>2Q18</u>	<u>2Q17*</u>	<u>1Q18</u>	<u>YoY chg (%)</u>	<u>QoQ chg (%)</u>	<u>1H FY18</u>	<u>1H FY17</u>	<u>YoY chg (%)</u>	<u>Comments</u>
Revenue	107.2	131.9	159.3	-18.8	-32.7	266.5	240.4	10.9	
Cost of sales	-68.3	-89.8	-120.0	-23.9	-43.1	-188.3	-160.1	17.6	
Gross profit	38.9	42.1	39.3	-7.8	-1.2	78.2	80.3	-2.6	
Other income	1.1	3.0	2.7	-61.9	-57.7	3.8	5.0	-23.8	
Admin expenses	-11.0	-16.3	-16.9	-32.6	-35.0	-28.0	-31.1	-9.9	
Associate	-0.3	-0.7	0.0	-60.2	1,215.0	-0.3	-0.7	-58.2	
Pre-tax profit	28.7	28.1	25.0	2.2	14.7	53.7	53.5	0.4	
Income tax	-6.4	-7.0	-0.5	-8.4	1,083.0	-6.9	-11.4	-39.4	
Minorities	0.0	0.0	0.0	-78.6	-66.7	0.0	0.0	-50.0	
Net profit	22.3	21.1	24.5	5.6	-8.9	46.8	42.1	11.1	
EPS (sen)	2.2	2.1	2.4	5.6	-8.9	4.6	4.2	11.1	
Gross Margin (%)	36.3	31.9	24.7	-	-	29.3	33.4	-	
Pre-tax Margin (%)	26.8	21.3	15.7	-	-	20.2	22.3	-	
Net Margin (%)	20.8	16.0	15.4	-	-	17.6	17.5	-	

<u>SEGMENTAL (RM'm)</u>	<u>2Q18</u>	<u>2Q17*</u>	<u>1Q18</u>	<u>YoY chg (%)</u>	<u>QoQ chg (%)</u>	<u>Comments</u>
Revenue						
Development	96.1	121.1	147.9	-20.6	-35.0	RM305m unbilled sales
Investment	1.6	1.2	1.5	29.1	6.6	
Leisure	8.3	9.4	9.7	-12.6	-14.8	
Others	1.3	0.2	0.3	455.0	347.5	
Total	107.2	131.9	159.3	-18.8	-32.7	

Pretax Profit					
Development	28.4	28.5	24.1	-0.2	18.1
Investment	-0.7	-0.6	-0.4	29.3	97.3
Leisure	0.3	-1.1	0.7	-124.1	-64.2
Others	0.8	1.2	0.6	-37.4	24.1
Total	28.7	28.1	25.0	2.2	14.7

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 (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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PUBLIC INVESTMENT BANK BERHAD (20027-W)
9th Floor, Bangunan Public Bank
6, Jalan Sultan Sulaiman
50000 Kuala Lumpur
T 603 2268 3000
F 603 2268 3014
Dealing Line 603 2268 3129