

15 December 2017

Property | Real Estate

## I-BHD

**Neutral**

### Growth Underpinned By i-City

We initiate coverage on I-BHD, with a **NEUTRAL** call and **MYR0.50 TP** (3% downside) based on a 60% discount to RNAV. Its development projects are concentrated in i-City, which carries a MYR6.7bn GDV for future development. While we are upbeat on the demand for Hill 10, the outlook for the property market remains unexciting. We expect earnings to be lower next year due to the slow take-up rate in 8Kia Peng, but also anticipate it to recover in 2019 onwards, given the other launches in the company's pipeline.

**MYR6.7bn i-City is I-BHD's key sales driver.** Over 90% of its earnings and portfolio GDV stem from its 72-acre flagship project in Shah Alam, i-City. The project is the company's key sales driver and its single largest exposure to the group. As at June, of the total GDV of MYR9.5bn for i-City, MYR1.7bn has been sold and MYR1.1bn allocated for investment properties. The remaining MYR6.7bn would be for future development.

**Encouraging demand for Hill 10.** I-BHD launched Hill 10 Residence in June, with a total GDV of MYR250m. The project, located on top of the DoubleTree by Hilton Hotel, carries a hefty price tag of MYR1,000 psf. Given the pricing, we were surprised with the 90% booking rate (60% has been converted to sales). We believe the good take-up rate is mainly attributed to the upcoming mall – Central Plaza @ i-City, which is expected to be opened in 4Q18.

**8Kia Peng is only 8%-sold (GDV: MYR882m).** On the other hand, I-BHD's only project outside i-City, 8Kia Peng, was not well-received. The project was launched early last year, and the take-up rate is only at 8% currently – while construction progress has reached 20% (targeted to be completed by 2019). Despite the weak sales, management has indicated that the company's cash balance and incoming cash flow would be able to cover the remaining construction cost of MYR270m.

**Expect lower earnings next year.** I-BHD recorded MYR212m in sales in 9M17 (vs MYR333m in FY16), and management has a sales target of MYR300m for FY17. We expect FY18 earnings to be lower by 22.5% YoY, given the slow take-up rate in 8Kia Peng and depleting unbilled sales of only MYR351m as at 3Q17 (vs MYR573m in Dec 2016). However, we expect earnings may pick up in FY19, underpinned by sales from Hill 10 and other pipeline launches, eg Hill 11 and Hill 12.

**Dividend policy.** The company has a dividend payout policy of 30%. We expect it to pay 1.4 sen and 1.9 sen DPS in FY18 and FY19 respectively. This translates into a dividend yield of about 3%.

**Initiate coverage with a NEUTRAL recommendation.** Despite the weak sales in 8Kia Peng, i-City should continue to anchor the company's future earnings. Our TP of MYR0.50 is based on a 60% discount to RNAV. The valuation is in line with the historical mean discount to RNAV.

Target Price: MYR0.50  
Price: MYR0.53  
Market Cap: MYR534m  
Bloomberg Ticker: IBHD MK

#### Share Data

Avg Daily Turnover (MYR/USD) 0.22m/0.05m  
52-wk Price low/high (MYR) 0.52 - 0.66  
Free Float (%) 23  
Shares outstanding (m) @MYR1 par 1,061  
Expected Share Price Return -6%  
Expected Dividend Return 3%  
Expected Total Return -3%

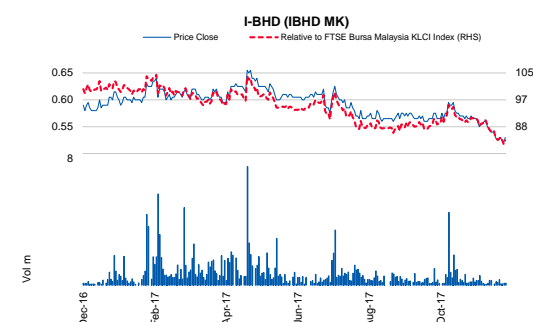
#### Shareholders (%)

Sumurwang SB 58.6  
Sumur Ventures SB 8.5  
Lim Khuan Eng 1.4

#### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(10.2)	(6.2)	(6.2)	(12.4)	(9.4)
Relative	(16.0)	(6.2)	(3.5)	(9.8)	(15.0)

Source: Bloomberg



Source: Bloomberg

#### Additional Data

Bursa Code 4251  
Listing Market Main Market  
Beta 0.90  
3-Month Average Volume ('000) 3,217  
ROA (%) 5.2%

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#### Important Disclosure:

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Forecasts and Valuations	Dec-15	Dec-16	Dec-17F	Dec-18F	Dec-19F
Total turnover (MYRm)	257	384	460	369	488
Reported net profit (MYRm)	43.0	66.6	69.2	62.1	70.9
Recurring net profit (MYRm)	41.8	66.6	69.2	62.1	70.9
Recurring net profit growth (%)	(20.1)	59.4	3.8	(10.3)	14.3
Recurring EPS (MYR)	0.04	0.06	0.07	0.06	0.07
DPS (MYR)	0.01	0.02	0.02	0.02	0.02
Recurring P/E (x)	13.5	8.4	8.1	9.1	7.9
P/B (x)	0.70	0.66	0.63	0.60	0.57
Dividend Yield (%)	2.5	3.5	3.7	3.3	3.8
Return on average equity (%)	5.5	8.1	7.9	6.8	7.4
Return on average assets (%)	3.7	5.2	5.0	4.1	4.6
Net debt to equity (%)	12.7	2.4	3.5	7.7	16.0
Our vs consensus EPS (adjusted)					

Source: Company data, RHB

## Financial Exhibits

Financial model updated on: 2017-12-14.

Asia		<b>Financial summary</b>	<b>Dec-15</b>	<b>Dec-16</b>	<b>Dec-17F</b>	<b>Dec-18F</b>	<b>Dec-19F</b>
Malaysia		Recurring EPS (MYR)	0.04	0.06	0.07	0.06	0.07
Property		EPS (MYR)	0.04	0.06	0.07	0.06	0.07
<b>I-BHD</b>		DPS (MYR)	0.01	0.02	0.02	0.02	0.02
Bloomberg	IBHD MK	BVPS (MYR)	0.76	0.80	0.84	0.88	0.93
<b>Neutral</b>		Weighted avg adjusted shares (m)	1,061	1,061	1,061	1,061	1,061
<b>Valuation basis</b>			<b>Dec-15</b>	<b>Dec-16</b>	<b>Dec-17F</b>	<b>Dec-18F</b>	<b>Dec-19F</b>
Based on a 60% discount to RNAV.							
<b>Key drivers</b>							
MYR9bn GDV in its Internet of Things (IoT)-ready mixed-development township, which consists of residential units, a leisure park, shopping mall, convention centres and hotels.							
<b>Key risks</b>							
Significant slowdown in the property market, as loan rejection remains the key hurdle.							
<b>Company Profile</b>							
I-BHD is engaged in property development, property investment and leisure segments in the Klang Valley. The company's main project is the 72-acre i-City located in Shah Alam, Selangor.							
		<b>Valuation metrics</b>	<b>Dec-15</b>	<b>Dec-16</b>	<b>Dec-17F</b>	<b>Dec-18F</b>	<b>Dec-19F</b>
		Recurring P/E (x)	13.5	8.4	8.1	9.1	7.9
		P/E (x)	13.1	8.4	8.1	9.1	7.9
		P/B (x)	0.70	0.66	0.63	0.60	0.57
		FCF Yield (%)	(10.8)	23.8	5.4	31.7	(11.2)
		Dividend Yield (%)	2.5	3.5	3.7	3.3	3.8
		EV/EBITDA (x)	9.52	4.74	4.16	2.58	2.96
		EV/EBIT (x)	12.4	5.6	5.1	3.3	3.7
		<b>Income statement (MYRm)</b>	<b>Dec-15</b>	<b>Dec-16</b>	<b>Dec-17F</b>	<b>Dec-18F</b>	<b>Dec-19F</b>
		Total turnover	257	384	460	369	488
		Gross profit	81	132	145	127	150
		EBITDA	69	114	121	113	128
		Depreciation and amortisation	(16)	(17)	(22)	(24)	(27)
		Operating profit	53	96	99	90	101
		Net interest	0	(7)	(7)	(7)	(7)
		Income from associates & JVs	(0)	(1)	(1)	(1)	(1)
		Pre-tax profit	54	88	91	82	93
		Taxation	(11)	(22)	(22)	(20)	(22)
		Minority interests	(0)	0	0	0	0
		Recurring net profit	42	67	69	62	71
		<b>Cash flow (MYRm)</b>	<b>Dec-15</b>	<b>Dec-16</b>	<b>Dec-17F</b>	<b>Dec-18F</b>	<b>Dec-19F</b>
		Change in working capital	(77)	81	(12)	144	(103)
		Cash flow from operations	(38)	168	80	228	(3)
		Capex	(23)	(34)	(50)	(50)	(60)
		Cash flow from investing activities	(23)	(59)	(50)	(251)	(60)
		Proceeds from issue of shares	11	1	0	0	0
		Dividends paid	(15)	(13)	(21)	(19)	(21)
		Cash flow from financing activities	(6)	(32)	(23)	(19)	(23)
		Cash at beginning of period	163	96	180	188	146
		Net change in cash	(67)	77	8	(41)	(86)
		Ending balance cash	96	174	188	146	60
		<b>Balance sheet (MYRm)</b>	<b>Dec-15</b>	<b>Dec-16</b>	<b>Dec-17F</b>	<b>Dec-18F</b>	<b>Dec-19F</b>
		Total cash and equivalents	96	180	188	146	60
		Tangible fixed assets	382	390	418	444	478
		Total investments	5	44	93	343	343
		Total other assets	1	2	2	2	2
		Total assets	1,174	1,366	1,424	1,570	1,539
		Total liabilities	371	516	532	634	554
		Shareholders' equity	803	850	892	936	985
		Total equity	803	850	892	936	985
		Net debt	102	21	31	72	158
		Total liabilities & equity	1,174	1,366	1,424	1,570	1,539
		<b>Key metrics</b>	<b>Dec-15</b>	<b>Dec-16</b>	<b>Dec-17F</b>	<b>Dec-18F</b>	<b>Dec-19F</b>
		Revenue growth (%)	(1.4)	49.0	19.8	(19.8)	32.4
		Recurrent EPS growth (%)	(54.2)	59.4	3.8	(10.3)	14.3
		Gross margin (%)	31.5	34.5	31.5	34.4	30.7
		Operating EBITDA margin (%)	26.9	29.7	26.2	30.8	26.2
		Net profit margin (%)	16.7	17.4	15.1	16.8	14.5
		Dividend payout ratio (%)	32.1	29.9	30.0	30.0	30.0
		Capex/sales (%)	8.8	8.9	10.9	13.6	12.3
		Interest cover (x)		13.87374806	15.08281152	13.65250387	15.43460833

Source: Company data, RHB

## Valuation And Recommendation

**Initiate coverage with a NEUTRAL recommendation.** Our TP of MYR0.50 is based on a 60% discount to RNAV. Our valuation is on a fully-diluted basis. This is because we expect the redeemable convertible unsecured loan stock (RCULS) owner – also a major shareholder of the company – may exercise its RCULS to increase its stake. We think the discount is justifiable, as I-BHD's historical average discount to RNAV is 61%.

Bank Negara Malaysia (BNM) has recently highlighted the issue of the oversupply of property – given the rising unsold units and concerns over commercial space that is sitting idle. Completed residential units that have not been sold rose by 40% in 1H17 compared to the same period last year. This means that the property market may still take some time to recover.

Given the weak market conditions, we remain cautious in our earnings forecast and RNAV valuation. Based on our TP, the implied P/E is 9x FY18F.

**Figure 1: I-BHD's RNAV breakdown**

Project	Type of Development	Total GDV (MYRm)	Development Period	NPV @ 9.7% (MYRm)
<b>i-City</b>				
Liberty	Residential	179	3-4 years	2
Parisian	Residential	189	3-4 years	1
Hyde	Residential	268	3-4 years	7
Hill 10 Residence	Residential	123	3-4 years	11
Smart Office	Offices	230	3-4 years	29
Tower 1 (Hill 11)	Residential	278	3-4 years	35
Tower 2 (Hill 12)	Residential	281	3-4 years	35
90k sqf retail	Retails	162	3-4 years	20
The Jewel	Mixed Developments	3,900	6-8 years	412
Dome	Mixed Developments	1,000	4-5 years	115
<b>8 Kia Peng</b>	Residential / SOHO	882	3-4 years	40
Unbilled sales (MYRm)				42
Shareholders' funds as at end FY16 (MYRm)				896
Total RNAV (MYRm)				1,644
No. of shares (m)				1,316
RNAV per share (MYR)				1.25
Discount				60%
TP (MYR)				<b>0.50</b>

### ICULS

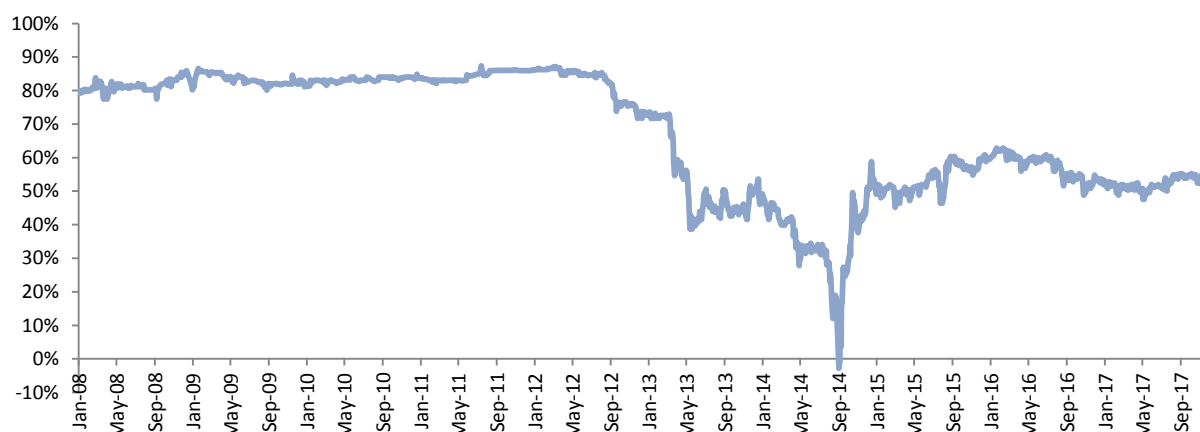
No of shares outstanding	53.13m
Conversion price	MYR0.68
Expiry date	Oct 2019

### RCULS

No of shares outstanding	254.3m
Conversion price RCULS-A	MYR0.84
Conversion price RCULS-B	MYR0.71
Expiry date	Aug 2020

Source: RHB, Company data

Figure 2: I-BHD's historical discount to RNAV



Source: Bloomberg, RHB

Figure 3: Property sector valuations

	Price (MYR/s)	Target (MYR/s)	Mkt Cap (MYRm)	P/E (x) FY 18 F	P/E (x) FY 19 F	EPS Growth (%) FY 18 F	EPS Growth (%) FY 19 F	P/BV (x) FY 18 F	P/CF(x) FY 18 F	ROE (%) FY 18 F	DY (%) FY 18 F	Rec	RNAV/s	Discount/ premium to RNAV
IOI Prop	1.89	2.50	8,894	12.5	12.7	(18.9)	(2.0)	0.5	5.0	4.4	3.2	Buy	4.17	-55%
Mah Sing	1.52	1.70	3,783	11.2	10.4	(4.8)	7.8	1.0	8.1	9.6	3.6	Buy	2.43	-37%
MRCB	1.07	1.23	3,702	40.8	33.8	3.3	20.5	1.0	7.3	2.4	0.9	Buy	1.63	-34%
Matrix^	2.20	2.45	1,278	6.0	5.7	6.0	5.8	1.0	5.0	17.6	6.8	Buy	3.26	-33%
Paramount	1.75	2.37	741	10.0	9.0	35.6	12.1	0.8	5.2	8.1	5.4	Buy	2.96	-41%
E&O^	1.48	2.10	1,911	18.1	19.4	(26.8)	(6.9)	1.1	3.3	5.9	3.4	Trading Buy	4.67	-68%
Sime Darby Property	1.20	1.60	8,161	20.9	19.5	(13.7)	7.1	0.8	(74.0)	4.8	2.1	Neutral	2.66	-55%
UEM Sunrise	1.05	1.17	4,781	12.9	13.5	18.9	(4.8)	0.6	(11.8)	5.1	1.9	Neutral	2.93	-64%
UOA Dev	2.43	2.60	4,126	9.9	9.4	8.9	4.5	1.0	6.5	10.8	6.6	Neutral	3.71	-35%
MCT	0.80	0.86	1,101	15.8	14.8	(9.9)	7.0	1.5	10.4	10.3	0.0	Neutral	1.58	-49%
Tambun Indah	1.02	1.10	440	7.9	7.1	(35.0)	12.0	0.7	3.7	9.3	5.1	Neutral	2.45	-58%
Hua Yang^	0.61	0.76	213	9.7	6.4	+>100.0	51.0	0.4	6.3	3.8	2.5	Sell	3.03	-80%
<b>Sector Avg</b>				<b>13.2</b>	<b>12.6</b>	<b>(8.1)</b>	<b>6.5</b>							

Note: Data is as at 30 Nov 2017

Note 2: ^FY17-FY18 valuations refer to those of FY18-19

Source: Bloomberg, RHB

## Key Risks

Key upside risks to our recommendation and TP include a sharp recovery in the property market which leads to higher-than-expected take-up rates. This would be made possible if there are significant changes in government policy that could affect property developers positively.

Meanwhile, the key downside risks include:

- Delays in approvals and launches.** Delays in pipeline launches are likely to cause our earnings forecasts to deviate, as earnings contributions would only come in later than expected;
- Further weakening of property market.** Continued oversupply of residential properties while affordability remains an issue;
- Weaker-than-expected GDP growth,** which may result in further weakness in the property market due to weak consumer sentiment and business conditions;
- Significant increase in interest rates.** An unexpected substantial increase in BNM's overnight policy rate (OPR) is likely to have an adverse impact on the property market.



## Investment Case

**Riding on accessibility to public transportation.** We believe i-City is poised to benefit from the existing and upcoming public transportation networks in the surrounding areas, such as Light Rail Transit Line 3 (LRT3), KTM Komuter and Bus Rapid Transit (BRT). There are to be two LRT3 stations located near i-City – one of them is close to Plot 3 and another is within walking distance to Plot 5 (Figure 4). Upon the completion of LRT3 in 2020, this would ease travel for i-City residents within the Greater Kuala Lumpur area.

Figure 4: LRT3 station at i-City to be completed by 2020



Source: Google

The LRT3 line is expected to naturally ease congestion along the Federal Highway with a total of seven stations within the Shah Alam area, ie Bukit Raja, i-City, UiTM, Sirim, Section 14, Persiaran Hishamuddin and Stadium. The i-City LRT3 station and i-City are also connected to the KTM Padang Jawa Station via bus services.

Figure 5: i-City KTM station (Station 12) with free bus services to the station



Source: Company, Selangor state website

Besides the LRT network, i-City is likely to also benefit from the 34km BRT, which is targeted for completion in 2021. The BRT is planned to be developed along the Federal Highway from the Kuala Lumpur City Centre (KLCC) to Klang. The majority of the BRT line stations would also be connected to the KTM and LRT rail lines. The closest station to i-City is located in Seksyen 2, which is also an integration station to LRT3 – this could further enhance accessibility of i-City properties.

Figure 6: BRT project map



Source: Land Public Transport Commission (SPAD)

**Encouraging demand for Hill 10.** In Jun 2017, I-BHD launched Hill 10 Residence, which is the residential component in the first block of Central Tower (i-City Plot 3). Central Tower comprises three blocks of residences/hotel. Hill 10 Residences has a total GDV of MYR250m. It consists of 200 fully furnished units that are Internet of Things (IoT)-ready, and is located on top of the DoubleTree by Hilton Hotel. Hill 10 would span the floors from levels 24 to 42, with a cantilever rooftop infinity pool at Level 43. The units range from 480sqf to 880sqf, and have a launch price of MYR1,000psf. Hill 10 and the DoubleTree hotel are expected to be completed in 2019.

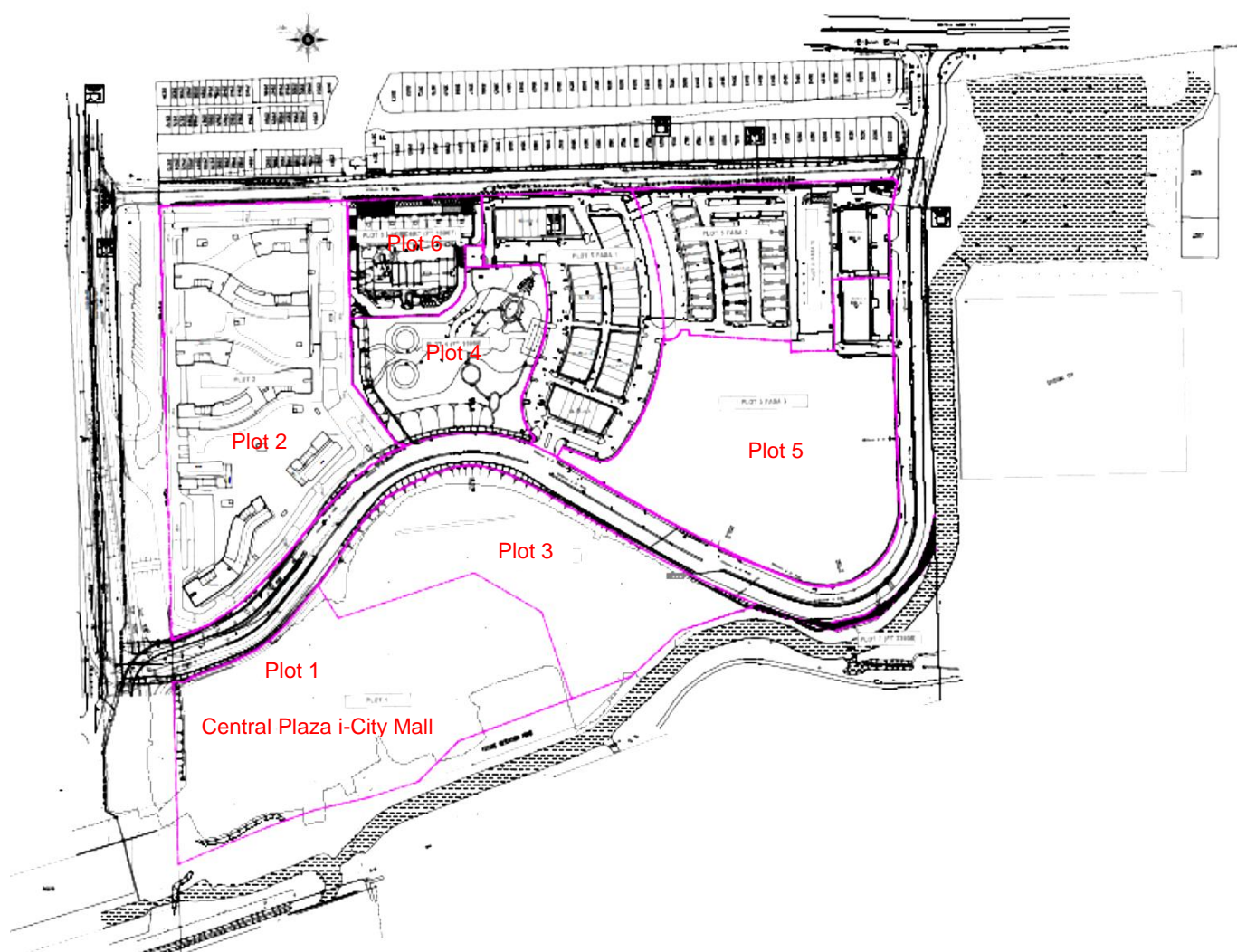
Despite the hefty price tag for its location, we are impressed with the project's booking rate of 90% (of which 60% has already been converted to sales), as we understand that pricing in the Shah Alam area is mostly around MYR500-700psf. Hill 10's above-average pricing is mainly attributed to its fully-furnished features and the fact that it is located on top of the hotel. Also, we believe the good take-up rate is largely supported by the upcoming mall, Central Plaza @i-City, which is expected to be open in 4Q18.

**MYR6.7bn in i-City's future development.** Since over 90% of I-BHD's earnings and portfolio GDV are from i-City, the project is the company's key sales driver and has the single largest exposure to the group. In 2014, I-BHD launched Plot 2 home office suites—Liberty, Parisien and Hyde. As at June, the take-up rates for Liberty and Parisien have achieved 85% and 89% respectively, while that for Hyde still remained slow at 63%. The construction progress has reached about 40%, and they are expected to be handed over in late 2018-early 2019.

As at June, of the total GDV of MYR9.5bn for i-City, MYR1.7bn has been sold and MYR1.1bn has been allocated for investment properties. The balance MYR6.7bn will be for future development.



Figure 7: i-City's plots



Source: Company

**Pipeline launches.** Pipeline launches in i-City include Hill 11 residence (GDV: MYR278m), Hill 12 residence (GDV: MYR281m) and smart offices (GDV of MYR230m) that are slated to be launched next year. Management is hopeful that the project will be able to replicate the success of Hill 10's recent launches.

**8Kia Peng.** 8Kia Peng is I-BHD's maiden project in Kuala Lumpur, with a total GDV of MYR882m. The 50-story tower consists of 442 fully-furnished small office/home office (SOHO) and serviced apartment units ranging from 660sqf to 1,140sqf per unit, located at Jalan Kia Peng, Kuala Lumpur. Almost two years after its launch, with its ASP of MYR2,200psf, its take-up rate is only at 8%, while construction progress has already reached 20%. The project is expected to be completed by 2019. The total construction cost for 8Kia Peng is MYR490m, including land costs. Having said that, management indicates that the remaining construction cost of MYR270m can be fully covered by its internal funds, including both its current cash balance and incoming operating cash flow.

The acquisition of 1.05 acres of land for 8Kia Peng was funded through the issuance of RCULS in Oct 2014 for MYR132m, with Sumuracres SB, a wholly-owned subsidiary of Sumurwang Properties SB.

Sumurwang Properties SB, in turn, is wholly-owned by Sumurwang SB (Sumurwang) – in which I-BHD executive chairman Tan Sri Lim Kim Hong has a substantial stake. The conversion price is fixed at MYR0.84 per share and convertible from the second to fifth year of the RCULS issue date.

Figure 8: Status of i-City's projects as at June

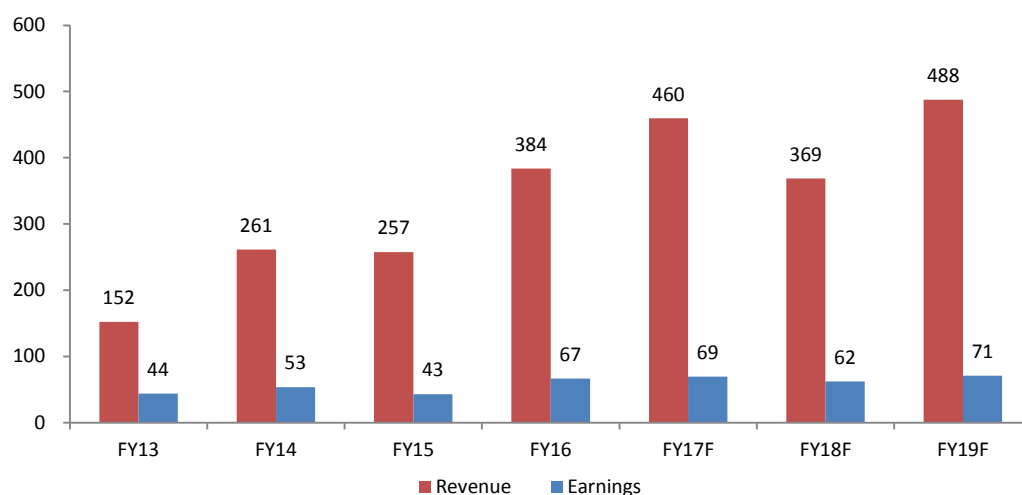
Projects	Description	GDV (RM m)	Status June 2017 (%)	
			Sales	Construction
Plot 1 Shopping mall	1 m sq net leasable area Central Plaza i-City mall	799 GDC	Long term investment at construction stage	
Plot 2 Home Office Suites	I-SOHO 956 units	407	100%	100%
	I-Suites 825 units	444	91%	72%
	Liberty 350 units	179	85%	40%
	Parisien 350 units	189	89%	40%
	Hyde 517 units	268	63%	40%
	364 retail units	470	To be determined	80%
TOTAL		1,957		
Plot 3 Central Tower	Hill10 Residence @ i-City 204 Units	123	July 2017 launch	10%
	280k sqft office	230	2018 launch	
	Tower 1 - 272 units	278	2017/18 launch	
	Tower 2 - 312 units	281	2018 launch	
	90k sqft retail	162	2018 launch	
	Double Tree by Hilton Hotel	200 GDC	Long term investment at design development stage	
	Convention Centre	50	Long term investment at design development stage	
TOTAL		1,124		
Plot 4 Dome	Office cum residential towers with 0.9 m sqft GFA	1,000	Concept stage	
Plot 5 MSC Offices The Jewel	Block A-F	115	100%	Completed
	Block JKL	75	Inventory	Completed
	i-SOVO 220 units	65	100%	Completed
	Best Western Hotel	50	Completed/Long Term Investment	
	Data Centre	30	Completed/Long Term Investment	
	Office, residential, hotel, retail with 3.8 m sqft GFA	3,900	To be determined	Design stage
	TOTAL		4,235	
Plot 6 i-Residence	366 units	235	100%	100%
Total GDV		9,550	Completed/under construction	
· GDV Sold todate		(1,729)		
· GDV from Investment Property		(1,129)		
Balance available for future sales/launches		6,692		

Source: Company data

**Expect earnings to be lower next year.** I-BHD achieved MYR212m sales in 9M17 (vs MYR333m in FY16), and management has a sales target of MYR300m for FY17. We expect FY18 earnings to be lower by 22.5% YoY, given the slow take-up rate in 8Kia Peng and depleting unbilled sales of only MYR351m as at 3Q17 (vs MYR573m in Dec 2016). However, FY19 earnings should pick up, underpinned by sales from Hill 10 and other pipeline launches such as Hill 11 and Hill 12.

Having said that, contributions from Central Plaza Mall are set to only begin in 2019. The leisure segment, which is currently incurring losses, is expected to recover in 2019/2020 after the full completion of Plot 2 development. This is in addition to the potential spillover from Central Plaza Mall.

Figure 9: I-BHD's revenue and earnings trend



Source: Company data



**Dividend policy of 30% of PAT.** I-BHD has a dividend payout policy of 30%. We expect the company to pay 1.4 sen and 1.9 sen DPS in FY18 and FY19 respectively. This will translate into a dividend yields of about 2-3%, which is not attractive enough, in our view.

**Gearing.** Financially, I-BHD has unconverted debt securities, ie irredeemable convertible unsecured loan stock (ICULS) valued at MYR2.5m, and RCULS of MYR200.2m – issued in Oct 2014 and Aug 2015 respectively. Taking into account the unconverted debt, the net gearing stands at 1.5% in Dec 2016. Having said that, both of ICULS and RCULS are currently out of money.

## Business Overview

I-BHD's business activities can generally be categorised into three main divisions, namely property development, property investment and leisure. Based on its audited FY16 numbers, the property development segment contributed the most (86%) to total revenue. This was followed by leisure (12%) and property investment (2%). In terms of bottomline, property development contributed over 95%, while the property investment arm was in the red.

**Figure 10: I-BHD's business activities**



**Property development**  
86%  
of FY16 revenue

Source: Company



**Leisure**  
12%  
of FY16 revenue



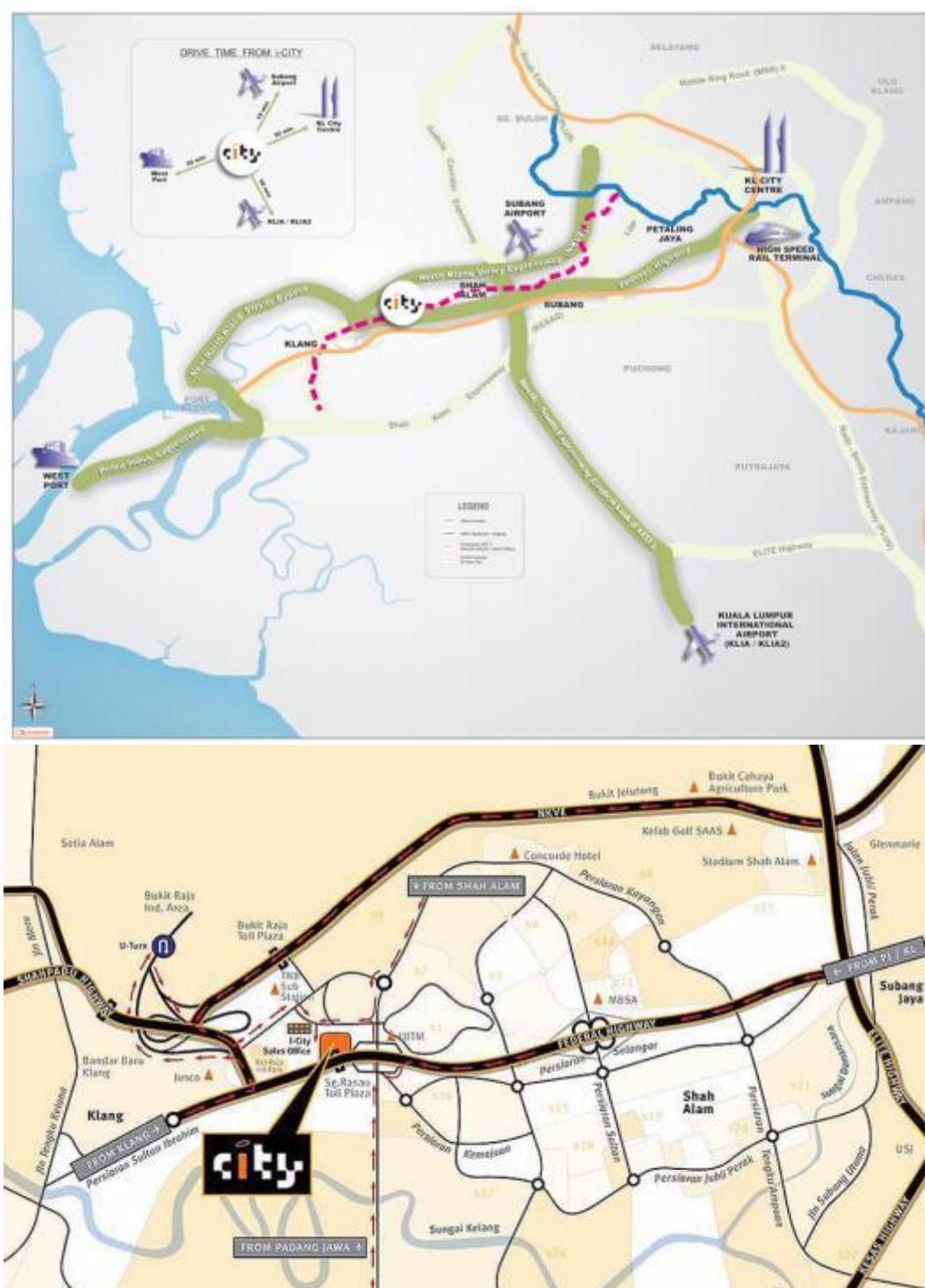
**Property investment**  
2%  
of FY16 revenue

**Property development.** The property development segment is the key earnings contributor, accounting for 86% of group revenue in FY16. Currently, the division has two major development projects:

- i. i-City in Shah Alam (GDV: MYR9bn);
- ii. 8Kia Peng luxury apartments in the vicinity of KLCC (GDV: MYR820m).

i-City is a 72-acre mixed development project comprising commercial, residential and leisure components. The company owns 63.4% of i-City's 72-acre land after the corporate exercise in 2014, while the balance 36.6% is held by the land owner under the JV agreement.

Figure 11: i-City's location



Source: Company

Meanwhile, 8Kia Peng Residences is a 50-storey tower consisting of 442 fully-furnished SOHO and serviced apartment units. The unit sizes range from 660sqf to 1,140sqf per piece. The apartment is located within walking distance to KLCC.

**Leisure.** The leisure segment contributes 12% of the total revenue in FY16. This segment comprises the Leisure Park at i-City and Best Western i-City Hotel operations. The Leisure Park at i-City houses five theme parks, including City of Digital, Snowwalk, Citywalk, Waterworld, and Funworld. The newly launched Red Carpet 2 is a 28,000-sqf home-grown wax museum.

**Property investment.** The property investment segment contributed 2% of the company's total revenue in FY16. This segment comprises hotels, shopping mall, data centres, convention centres and car parks. The investment property portfolio is now worth MYR356.2m as at FY16, and management aims to grow the size to MYR1bn by 2020.

In the pipeline, Central Plaza @i-City, a shopping mall with 1m sqf in NLA, is slated for completion in 4Q18. The mall is a 40:60 joint development project between I-BHD and one of Thailand's retail property developers, Central Pattana (CPN TB, BUY, TP: THB90.00). Management has already secured 100% committed tenancies for all the retail space. We believe Central Pattana would be able to attract quality tenants to Central Plaza, as it has over 30 years of experience in retail development.

## Company Overview

**History.** I-BHD, previously known as Sanyo Industries SB, was established in 1967 and originally specialised in manufacturing commercial and industrial electronic items and appliances. After being acquired by Sumurwang SB – which is owned by Tan Sri Lim Kim Hong – in 1999, the company changed its core business to property development in 2005.

I-BHD is now involved in property development, property investment and leisure segments in the Klang Valley, mainly in i-City, Shah Alam. The latter is a 72-acre freehold site in Shah Alam, which has grown to a MYR9bn GDV project with 13m sqf of approved built-up area today from a MYR1.5bn GDV project with 5m sqf of approved built-up area back in 2005.

i-City was awarded with MSC Malaysia's Cybercentre status in 2008. It was also approved as a tourism destination by the Ministry of Tourism and Culture and declared an international park by the Selangor State Government in 2009.

**The Management.** The board of directors of I-BHD consists of:

- i. Executive chairman Tan Sri Lim Kim Hong;
- ii. Deputy chairman and non-independent non-executive director Dato' Eu Hong Chew;
- iii. Executive director Puan Sri Tey Siew Thuan;
- iv. Independent non-executive director Madam Goh Yeang Kheng;
- v. Independent non-executive director Mr Ooi Hun Yong.

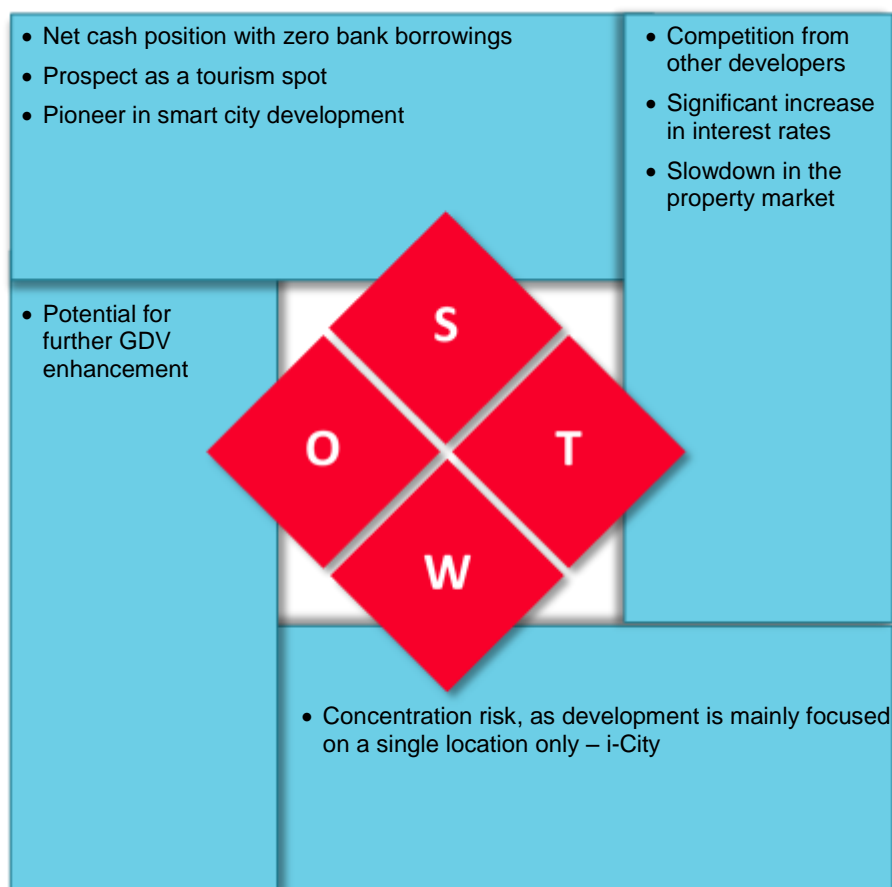
Tan Sri Lim, the group executive chairman of I-BHD, is responsible for overseeing the direction of the group. Previously, he was responsible for the successful listing of Sumurwang SB's manufacturing arm, Dreamland Holdings, on the Kuala Lumpur Stock Exchange in 1987. He acquired I-BHD in 1999 through Sumurwang and directed the company to become an ICT-driven integrated property and leisure player through i-City.

Dato' Eu is the deputy chairman/non-independent non-executive director of the company. He is a member of the company's audit, nominating and remuneration committees. He has over 25 years of experience as the chief executive of Sumurwang, steering the path for the company's manufacturing arm, its investment into the steel business and the acquisition of I-BHD.

Puan Sri Tey is an executive director/ She also heads the company's property development and property investment divisions, where she oversees the operation of these segments besides formulating I-BHD's strategic and financial direction. Puan Sri Tey has also served as the CEO of I-BHD (Feb 2008-Feb 2009).

Mr Ooi is the chairman of the audit, nominating and remuneration committees of I-BHD. He was previously the CFO for Green Ocean Corp and was appointed as the head of commercial and economics of DNEX Petroleum in 2014. Currently, he is also involved in investor relations for I-BHD.

## SWOT Analysis



## Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2017-12-14			

Source: RHB, Bloomberg



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