



PUBLIC INVESTMENT BANK

PublicInvest Research Result Review

Monday, July 17, 2017

KDN PP17686/03/2013(032117)

DESCRIPTION

The developer of an ultrapolis in Shah Alam spanning across 72 acres, with a gross development value of over RM9bn, an eventual RM1bn property investment portfolio, and a leisure component

12-Month Target Price RM0.91

Current Price RM0.60

Expected Return 51.7%

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) 886.5

SHARE PRICE PERFORMANCE

1M 3M 12M

Absolute Returns -1.9 -0.3 19.2

Relative Returns 1.2 -0.4 12.9

KEY STOCK DATA

Market Capitalisation (RMm) 604.2

No. of Shares (m) 1,007.0

MAJOR SHAREHOLDERS

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

Under-appreciated Growth

I-Berhad recorded a net profit of RM19.6m (+33.7% YoY, +5.4% QoQ) for 2QFY17, bringing cumulative 1HFY17 net profit to RM38.2m (+27.3% YoY). Making up 44.2% of our full-year estimates, we continue to deem the results in line as we see stronger earnings recognitions in subsequent quarters on the back of its RM334.7mn in unbilled sales. 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). We reckon I-Berhad is under-appreciated owing to its predominant single-location focus, but which we believe very much unwarranted given its steadily growing earnings (Figure 1) and encouraging sales numbers. Our **Outperform** call is affirmed with an unchanged target price of RM0.91 based on a c. 50% discount to RNAV.

▪ **Earnings overview.** In the absence of meaningful property investment and leisure-related contributions, property development continues to drive earnings growth in the interim. Divisional pretax profit of RM49.2m for 1HFY17 is 20.9% higher than the previous corresponding period's RM40.7m, underpinned by steady construction progress of its on-going developments. The i-SOHO project was completed and handed over to purchasers in early 2Q 2017, allowing the Group to realize a portion of its unbilled sales, which in turn has ballooned its current cash-holdings to RM243.3m (c.18.5sen per share on fully-diluted basis).

▪ **Business overview.** The i-Suite development will be handed over to purchasers by Q4 2017 while the Liberty, Parisien and Hyde Towers are on track for delivery in late-2018/early-2019. The four towers have achieved combined average sales of 86%. While unbilled sales have fallen to RM334.7m as at mid-2017 from RM447.9m in the previous quarter, this does not include the recently-launched Hill10 Residences (RM120m gross development value) which saw a healthy 70% take-up rate. Marketed as one of the most luxurious properties of its kind in Shah Alam, we are encouraged by the successful sales numbers as it marks a watershed moment for property development in the area given its benchmark pricing amid reportedly lackluster operating conditions, and strongly reinforces our belief in the eventual realization of the Group's remaining c.RM7bn GDV.

▪ **Other developments.** Structural works on the mall have reached about 70% completion and remains very much on track for a 2018 opening, providing a boost to property investment-related earnings. Works on the DoubleTree by Hilton hotel is also underway, with completion likely in 2019. Slated for launch this year-end or early next year, depending on regulatory approvals, are another 2 residential towers with estimated combined GDVs of RM520m.

FY Dec (RM m)	2015A	2016A	2017F	2018F	2019F	CAGR
Revenue	257.4	383.6	477.1	555.2	608.7	24.0%
Pre-tax Profit	54.5	88.2	113.9	131.0	142.3	27.1%
Net Profit	43.0	66.6	86.5	99.5	108.1	25.9%
FD EPS ¹ (Sen)	3.3	5.1	6.6	7.6	8.2	25.9%
FD P/E ¹ (x)	18.3	11.8	9.1	7.9	7.3	
DPS ¹ (Sen)	1.3	1.9	2.6	3.0	3.2	
Dividend Yield	2.1	3.1	4.2	4.8	5.3	

Source: Company, PublicInvest Research estimates

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

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Table 1: Results Summary

FY Dec (RM'm)	2Q17	2Q16	1Q17	Y-o-Y chg (%)	Q-o-Q chg (%)	1H FY17	1H FY16	Y-o-Y chg (%)	Comments
Revenue	127.8	86.7	102.8	47.5	24.3	230.7	167.1	38.0	Property development growth
Cost of sales	-89.9	-61.4	-69.4	46.5	29.5	-159.3	-115.2	38.3	
Gross profit	37.9	25.3	33.4	49.7	13.5	71.3	51.9	37.3	
Other income	3.0	8.6	2.0	-65.5	46.7	5.0	9.8	-49.1	Disposal gain in FY16
Admin expenses	-13.6	-10.3	-12.4	32.8	10.1	-26.0	-22.0	18.3	
Associate	-0.7	0.0	0.0	n.a	>100	-0.7	0.0	n.a.	
Pre-tax profit	26.6	23.6	23.0	12.6	15.4	49.6	39.7	25.0	
Income tax	-7.0	-8.9	-4.5	-22.1	56.6	-11.4	-9.7	18.0	
Minorities	0.0	0.0	0.0	-6.7	40.0	0.0	0.0	41.2	
Net profit	19.6	14.7	18.6	33.7	5.6	38.2	30.0	27.2	
EPS (sen)	2.0	1.5	1.8	33.7	5.6	3.8	3.0	27.2	
Note: EPS based on current share base of 1,006.0m n.a. = not applicable									
Gross Margin (%)	29.7	29.2	32.5	-	-	30.9	31.1	-	
Pre-tax Margin (%)	20.8	27.2	22.4	-	-	21.5	23.8	-	
Net Margin (%)	15.4	16.9	18.1	-	-	16.6	18.0	-	
SEGMENTAL (RM'm)	2Q17	2Q16	1Q17	Y-o-Y chg (%)	Q-o-Q chg (%)	Comments			
Revenue									
Development	116.9	77.0	92.2	51.8	26.8	RM335m unbilled sales			
Investment	1.2	1.1	1.2	11.4	2.1				
Leisure	9.4	8.3	9.2	13.7	2.8				
Others	0.2	0.2	0.2	-1.3	-5.4				
Total	127.8	86.7	102.8	47.5	24.3				
Pretax Profit									
Development	26.9	25.8	22.2	4.6	21.2				
Investment	-0.6	-0.5	-0.5	11.4	25.3				
Leisure	-1.0	-2.4	0.1	-57.2	n.a.				
Others	1.2	0.8	1.2	61.6	8.1				
Total	26.6	23.6	23.0	12.6	15.4				

n.a. = not applicable

Figure 1: Pretax Profit - Property Development

Source: Company, PublicInvest Research

KEY FINANCIAL DATA

FYE Dec (RMm)	2015A	2016A	2017F	2018F	2019F
Revenue	257.4	383.6	477.1	555.2	608.7
Cost of Sales	-176.4	-258.3	-310.3	-361.1	-395.8
Gross Profit	81.0	125.3	166.8	194.1	212.9

Other Income	9.2	12.2	5.8	5.1	4.3
Administration Expenses	-35.7	-49.3	-58.7	-68.3	-74.8
Pre-tax Profit	54.5	88.2	113.9	131.0	142.3
Income Tax	-11.4	-11.4	-21.6	-27.3	-31.4
Effective Tax Rate (%)	21.0%	13.0%	18.9%	20.9%	22.1%
Minorities	0.0	0.0	0.0	-0.1	-0.1
Core Net Profit	43.0	66.6	86.5	99.5	108.1
Growth					
Revenue	-1.4%	49.0%	24.4%	16.4%	9.6%
Gross Profit	-19.9%	54.6%	33.2%	16.4%	9.6%
Net Profit	-19.5%	54.9%	29.9%	15.0%	8.7%

Source: Company, PublicInvest Research estimates

FYE Dec (RMm)	2015A	2016A	2017F	2018F	2019F
Investment properties	284.8	312.3	322.3	332.3	342.3
Property development costs	469.9	553.1	634.5	730.3	835.9
Cash and bank balances	96.5	179.7	165.6	146.4	124.4
Other assets	322.4	281.4	294.3	303.6	309.9
Total Assets	1,173.5	1,326.5	1,416.8	1,512.7	1,612.6
Payables	170.9	253.0	265.7	276.7	285.6
Liabilities – ICULS and RCULS	193.0	203.3	213.5	223.7	233.9
Deferred tax	5.4	6.3	6.3	6.3	6.3
Other liabilities	1.3	7.9	12.9	17.9	22.8
Total Liabilities	370.6	470.4	498.3	524.5	548.7
Total Equity	802.9	856.2	918.5	988.1	1,063.9
Total Equity and Liabilities	1,173.5	1,326.5	1,416.8	1,512.7	1,612.6

Source: Company, PublicInvest Research estimates

FYE Dec	2015A	2016A	2017F	2018F	2019F
Book Value Per Share	1.10	0.86	0.92	0.98	1.06
NTA Per Share	1.10	0.86	0.92	0.98	1.06
EPS (Sen)	3.3	5.1	6.6	7.6	8.2
DPS (Sen)	1.5	2.0	2.6	3.0	3.2
Payout Ratio (%)	12.9%	33.9%	30.0%	30.0%	30.0%
ROA (%)	3.7%	5.0%	6.1%	6.6%	6.7%
ROE (%)	5.4%	7.8%	9.4%	10.1%	10.2%

Source: Company, PublicInvest Research estimates

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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