

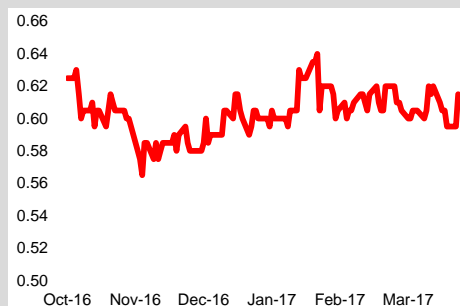


DESCRIPTION

The developer of a soon-to-be booming 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	RM0.615
Expected Return	47.9%
Market	Main
Sector	Property
Bursa Code	4251
Bloomberg Ticker	IBHD MK
Shariah Compliant	Yes

SHARE PRICE CHART



52 Week Range (RM)	RM0.49 – RM0.66
3-Month Average Vol ('000)	1,122.5

SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	-4.0	0.0	4.4
Relative Returns	-0.5	-2.8	4.3

KEY STOCK DATA

Market Capitalisation (RMm)	617.7
No. of Shares (m)	1,004.4

MAJOR SHAREHOLDERS

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

Ching Weng Jin

T 603 2268 3000

F 603 2268 3014

E research@publicinvestbank.com.my

Steady Performance

I-Berhad recorded a net profit of RM23.0m (+21.1% YoY, +31.4% QoQ) for 1QFY17 on the back of an RM102.8m (+27.8% YoY, +0.0% QoQ) revenue. While only making up 21.5% of our full-year estimates, we deem this broadly in line as we anticipate stronger earnings recognitions in subsequent quarters on the back of its RM447.9mn in unbilled sales. We continue to like I-Berhad's value proposition and attractive location and still see it being in a prime position to benefit from the urbanization of the outer Klang Valley region (Klang and Shah Alam). Infrastructure-related rollouts (ie. Light Rail Transit 3 and Bus Rapid Transit) in the vicinity bode well for the longer-term value enhancement of the development given the Transit-Oriented Development (TOD) status. Our **Outperform** call is retained with an unchanged target price of RM0.91 based on a c. 50% discount to RNAV.

§ **Earnings Overview.** Property development remains a clear mainstay of the group's earnings, contributing RM22.2m (+48.5% YoY, +3.3% QoQ) or 92.5% of group pre-tax profit, underpinned by steady construction progress of its on-going developments. Property investment contributions are negligible at this point, though is well on track to achieving its RM1bn asset base by 2018 with about RM409.5m spent to-date. 1Q is a seasonally low quarter for the leisure division, reflected by anemic numbers registered. (Table 1).

§ **Business Overview.** The i-SOHO and i-Suite developments are fully sold, with handover to purchasers expected by Q2 2017 and Q4 2017 respectively. Construction work on the Liberty, Parisien and Hyde Towers projects is on track, in fact likely to see more rapid progress once its car park podiums are completed (anticipated this mid-year). While unbilled sales have fallen to RM447.9m from RM573.3m as at end-2016, this is anticipated to be replenished with the launch of its Hill10 Residences this financial quarter.

§ **Future Developments.** Hill10 Residences @ i-City, aptly named for its affinity to the DoubleTree by Hilton hotel in which it is sited above, is slated for launch in Q2 2017. This 19-storey 204-unit fully-furnished residential development carries an estimated Gross Development Value (GDV) of RM120m. Marketed as one of the most luxurious properties of its kind in Shah Alam, successful sale of this project will be a watershed moment for property development in this neck of the woods given its benchmark pricing, and will strongly reinforce our belief in the eventual realization of the remaining c.RM7bn GDV yet to be tapped on.

Infrastructure-related rollouts (ie. LRT3 and BRT) in the vicinity bodes well, potentially expanding GDV by c. RM1bn through re-development of its low-rise shop-offices at higher plot ratios given the Transit-Oriented Development (TOD) status. Ease of connectivity with other major points of commerce within a 20km radius will greatly enhance the attractiveness of and livability in i-City.

KEY FORECAST TABLE

FYE Dec (RMm)	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)	18.8	12.1	9.3	8.1	7.5	
DPS ¹ (Sen)	1.5	2.0	2.6	3.0	3.2	
Dividend Yield	2.4	3.2	4.2	4.8	5.3	

Source: Company, PublicInvest Research estimates

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

Table 1: Results Summary

<u>FYE Dec (RM'000)</u>	<u>1Q17</u>	<u>1Q16</u>	<u>4Q16</u>	<u>YoY chg (%)</u>	<u>QoQ chg (%)</u>	<u>FY17</u>	<u>FY16</u>	<u>YoY chg (%)</u>	<u>Comments</u>
Revenue	102.8	80.4	102.9	27.8	0.0	477.1	383.6	24.4	Property development growth
Cost of sales	-69.4	-53.8	-66.9	29.0	3.8	-310.3	-258.3	20.1	
Gross profit	33.4	26.6	36.0	25.5	-7.1	166.8	125.3	33.2	
Other income	2.0	1.2	1.6	69.5	26.5	5.8	13.5	-57.1	
Admin expenses	-12.4	-11.7	-13.7	5.6	-9.4	-58.7	-49.3	19.1	
Associate	0.0	0.0	-0.9	n.m.	-98.2	0.0	-1.4	n.m.	
Pre-tax profit	23.0	16.1	23.0	43.2	0.0	113.9	88.2	29.2	
Income tax	-4.5	-0.7	-8.9	>100	-49.9	-27.3	-21.6	26.5	
Minorities	0.0	0.0	0.0	>100	0.0	0.0	0.0	0.0	
Net profit	18.6	15.4	14.2	21.1	31.4	86.6	66.6	30.0	

EPS (sen) 1.9 1.5 1.4 21.1 31.4 8.6 6.6 30.0

Note: EPS based on current share base of 1,003.0m n.a. = not applicable

Gross Margin (%) 32.5 33.1 35.0 - - 35.0 32.7 -
Pre-tax Margin (%) 22.4 20.0 22.4 - - 23.9 23.0 -
Net Margin (%) 18.1 19.1 13.8 - - 18.2 17.4 -

<u>SEGMENTAL (RM'000)</u>	<u>1Q17</u>	<u>1Q16</u>	<u>4Q16</u>	<u>YoY chg (%)</u>	<u>QoQ chg (%)</u>	<u>Comments</u>
Revenue						
Property Development	92.2	68.3	88.1	35.0	4.7	RM448m unbilled sales
Property Investment	1.2	1.2	1.2	-5.3	-1.5	
Leisure	9.2	10.6	12.6	-13.5	-26.9	
Others	0.2	0.3	1.0	-9.0	-76.4	
Total	102.8	80.4	102.9	27.8	0.0	
Pretax Profit						
Property Development	22.2	15.0	21.5	48.5	3.3	
Property Investment	-0.5	-0.5	-0.9	0.9	-51.5	
Leisure	0.1	0.9	4.2	-89.5	-97.7	
Others	1.2	0.6	-1.8	84.3	n.a.	
Total	23.0	16.1	23.0	43.2	0.0	

n.a. = not applicable

KEY FINANCIAL DATA
INCOME STATEMENT 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

BALANCE SHEET DATA

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	292.6	301.9	308.2
Total Assets	1,173.5	1,326.5	1,415.1	1,511.0	1,610.9
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	916.8	986.5	1,062.2
Total Equity and Liabilities	1,173.5	1,326.5	1,415.1	1,511.0	1,610.9

Source: Company, PublicInvest Research estimates

PER SHARE DATA & RATIOS

FYE Dec	2015A	2016A	2017F	2018F	2019F
Book Value Per Share	1.10	0.86	0.91	0.98	1.06
NTA Per Share	1.10	0.86	0.91	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

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.

DISCLAIMER

This document has been prepared solely for information and private circulation only. It is for distribution under such circumstances as may be permitted by applicable law. The information contained herein is prepared from data and sources believed to be reliable at the time of issue of this document. The views/opinions expressed herein are subject to change without notice and solely reflects the personal views of the analyst(s) acting in his/her capacity as employee of Public Investment Bank Berhad ("PIVB"). PIVB does not make any guarantee, representations or warranty neither expressed or implied nor accepts any responsibility or liability as to its fairness liability adequacy, completeness or correctness of any such information and opinion contained herein. No reliance upon such statement or usage by the addressee/anyone shall give rise to any claim/liability for loss of damage against PIVB, Public Bank Berhad, its affiliates and related companies, directors, officers, connected persons/employees, associates or agents.

This document is not and should not be construed or considered as an offer, recommendation, invitation or a solicitation of an offer to purchase or subscribe or sell any securities, related investments or financial instruments. Any recommendation in this document does not have regards to the specific investment objectives, financial situation, risk profile and particular needs of any specific persons who receive it. We encourage the addressee of this document to independently evaluate the merits of the information contained herein, consider their own investment objectives, financial situation, particular needs, risks and legal profiles, seek the advice of their, amongst others, tax, accounting, legal, business professionals and financial advisers before participating in any transaction in respect of any of the securities of the company(ies) covered in this document.

PIVB, Public Bank Berhad, our affiliates and related companies, directors, officers, connected persons/employees, associates or agents may own or have positions in the securities of the company(ies) covered in this document or any securities related thereto and may from time to time add or dispose of, or may be materially interested in, any such securities. Further PIVB, Public Bank Berhad, our affiliates and related companies, associates or agents do and/or seek to do business with the company(ies) covered in this document and may from time to time act as market maker or have assumed an underwriting commitment in the securities of such company(ies), may sell them or buy them from customers on a principal basis, may have or intend to accommodate credit facilities or other banking services and may also perform or seek to perform investment banking, advisory or underwriting services for or relating to such company(ies) as well as solicit such investment advisory or other services from any entity mentioned in this document. The analyst(s) and associate analyst(s) principally responsible for the preparation of this document may participate in the solicitation of businesses described aforesaid and would receive compensation based upon various factors, including the quality of research, investor client feedback, stock pickings and performance of his/her recommendation and competitive factors. Hence, the addressee or any persons reviewing this document should be aware of the foregoing, amongst others, may give rise to real or potential conflicts of interest.

Published and printed by:

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