

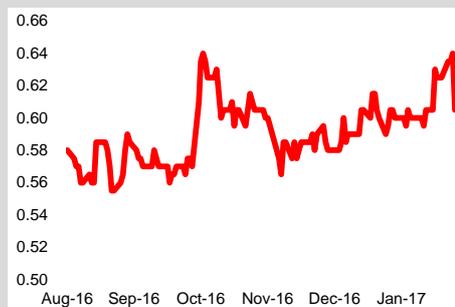


DESCRIPTION

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	RM0.605
Expected Return	50.4%
Market	Main
Sector	Property
Bursa Code	4251
Bloomberg Ticker	IBHD MK
Shariah Compliant	Yes

SHARE PRICE CHART



52 Week Range (RM)	RM0.47 – RM0.66
3-Month Average Vol ('000)	526.1

SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	6.7	5.8	17.4
Relative Returns	-0.4	-6.2	9.5

KEY STOCK DATA

Market Capitalisation (RMm)	607.4
No. of Shares (m)	1,003.9

MAJOR SHAREHOLDERS

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

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Growth Still On Track

I-Berhad's numbers for 2016 came in below our expectations, with revenue and net profit at only 76% and 78% of full-year estimates respectively, in some part due to certain construction delays which hampered billing progress while also being affected by slower rate of approvals for mortgage loans. Works are back on track and slated for completion by 1QFY17. While we conservatively lower our FY17 and FY18 revenue expectations between 13% and 15% to account for changes in our billing assumptions, net profits are adjusted a lower 5% to 7% on account of better margins. We continue to like I-Berhad's value proposition and attractive location and see it still being in a prime position to benefit from the urbanization of the outer Klang Valley region (Klang and Shah Alam) despite on-going challenges in the property market. Our **Outperform** call is reaffirmed with an unchanged target price of RM0.91 based on a c. 50% discount to RNAV. With less than 25% of its Gross Development Value (GDV) crystallized, I-Berhad's story is only just unfolding.

§ **Earnings Overview.** Full-year revenue recorded a 49.0% YoY jump to RM383.6m, underpinned by contributions from its property development segment (+70.4% YoY). Net profit recorded a stronger 59.4% YoY growth to RM66.6m as margins improved. The property investment segment remains a work-in-progress however, with its current performance affected by the expiry of its Ijarah Agreement with Al-Rajhi Bank in late-2015. A decrease in visitor count to the theme park affected performance in the Leisure segment.

§ **Business Overview.** The i-SOHO and i-Suite developments are fully sold while the Liberty and Parisien Towers projects have achieved an average of 80% sales. The Hyde Towers development launched last year is close to being half sold in spite of current market conditions. Unbilled sales are at an encouraging RM573.3m, with new sales of RM333m recorded during the year versus an estimated RM350m in 2015. This consistency bears testament to its product value and the market segment it serves which is still seeing demand. While sales numbers of 8Kia Peng @ KLCC remain relatively anemic, we expect an improvement in market conditions to lift contributions progressively.

Works on the Central i-City mall has progressed to the structural stage, the same for the DoubleTree by Hilton hotel, with both on track for completion by end-2018 and becoming integral parts of its planned RM1bn property investment portfolio, also encompassing wholly-owned car park bays (c. 10,000) anticipated to yield steady streams of healthy recurring income by end-2018.

§ **Future Developments.** Slated for launch in Q2 2017 is a 19-storey 204-unit fully-furnished residential development project sited above the DoubleTree by Hilton hotel dubbed "Converse @ i-City" given its integration of Internet of Things functionalities. GDV is estimated at about RM120m.

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)	15.9	10.3	7.9	6.9	6.3	
DPS ¹ (Sen)	1.5	2.0	2.6	3.0	3.2	
Div Yield (%)	2.4	3.3	4.3	4.9	5.3	

Source: Company, PublicInvest Research estimates

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

Table 1: Results Summary

FYE Dec (RMm)	4Q16	4Q15	3Q16	Y-o-Y chg (%)	Q-o-Q chg (%)	FY16	FY15	Y-o-Y chg (%)	Comments
Revenue	102.9	74.1	113.6	38.8	-9.4	383.6	257.4	49.0	Property development growth
Cost of sales	-66.9	-49.6	-76.2	34.9	-12.3	-258.3	-176.4	46.4	
Gross profit	36.0	24.5	37.3	46.8	-3.6	125.3	81.0	54.6	
Other income	1.6	4.1	2.2	-61.0	-26.2	13.5	9.5	42.5	
Admin expenses	-13.7	-7.0	-13.6	96.5	0.3	-49.3	-35.7	37.9	
Associate	-0.9	-0.3	-0.4	>100	>100	-1.4	-0.3	n.m.	
Pre-tax profit	23.0	21.4	25.4	7.7	-9.5	88.2	54.5	61.9	
Income tax	-8.9	-5.7	-3.0	56.5	>100	-21.6	-11.4	88.9	
Minorities	0.0	0.0	0.0	n.m.	n.m.	0.0	0.0	n.m.	
Net profit	14.2	15.7	22.4	-9.9	-36.9	66.6	43.0	54.9	

EPS (sen) 1.4 1.6 2.2 -9.9 -36.9 6.6 4.3 54.9
 Note: EPS based on current share base of 1,003.0m n.a. = not applicable

Gross Margin (%) 35.0 33.1 32.9 - - 32.7 31.5 -
 Pre-tax Margin (%) 22.4 28.9 22.4 - - 23.0 21.2 -
 Net Margin (%) 13.8 21.2 19.7 - - 17.4 16.7 -

SEGMENTAL (RMm)	4Q16	4Q15	3Q16	Y-o-Y chg (%)	Q-o-Q chg (%)	Comments
Revenue						
Property Development	88.1	54.0	98.5	63.2	-10.6	RM573m unbilled sales
Property Investment	1.2	1.9	1.1	-37.2	5.4	
Leisure	12.6	14.3	13.7	-12.1	-8.1	
Others	1.0	3.9	0.3	-73.9	>100	
Total	102.9	74.1	113.6	38.8	-9.4	
Pretax Profit						
Property Development	21.5	14.8	23.3	45.8	-7.5	
Property Investment	-0.9	1.0	-0.5	N.A.	87.2	
Leisure	4.2	6.0	2.3	-28.9	84.7	
Others	-1.8	-0.3	0.4	>100	N.A.	
Total	23.0	21.4	25.4	7.7	-9.5	

Table 2: Sum-Of-Parts Valuation

DEVELOPMENT	GDV ¹ (RMm)	Discounted Earnings ² (RMm)
Liberty Towers	28.5	4.5
Parisien Towers	50.5	8.0
Hyde Towers	159.3	25.3
i-SOHO (P4) – Retails	470.0	74.7
Serviced Suites	123.0	19.5
280,000 sq ft office	212.0	33.7
Tower Land – P1 Residential	278.0	44.2
Tower Land – P2 Residential	281.0	44.7
Tower Land - Retails	201.0	31.9
JEWEL - Office Towers:	1,099.0	167.0
JEWEL - Residences	2,831.0	430.3
Twins Residences	1,000.0	152.0
Grand i-Residence @ Kia Peng	940.0	149.4
		1,185.3
INVESTMENT		
DCF @ 6% Yield @ 8% Disc.		260.2
LEISURE		
Net Profit @ 5x PE		150.0
Sub-Total (RMm)		1,595.5
Shareholders' Funds @ 31.12.16		856.2
TOTAL (RMm)		2,451.7
Fully-diluted share base (m) ³		1,315.0
Fair-value per share (RM)		1.86

Source: PublicInvest Research

Note: ¹ Remaining GDV ² Discounted @ 10% ³ Excluding warrants

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	-35.7	-49.3	-58.7	-68.3
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	0.0	-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.

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