

29 November 2019

Property | Real Estate

I-BHD (IBHD MK)

Neutral (Maintained)

Delays In Launches a Cause For Concern

- **Maintain NEUTRAL, with a new MYR0.23 TP from MYR0.35, 12% expected total yield**, based on a higher 75% discount to RNAV. I-BHD's earnings missed expectations as sluggish sales persisted for the quarter due to a lack of new launches to date. Meanwhile, the launches of Hill 11 Residence and Hill 12 Residence have been delayed to FY20, given the depressing condition of the property market currently, but we believe the potential of Central i-City Shopping Centre should provide some upside.
- **Results came in below expectations.** 9M19 net profit of MYR22.3m missed – making up 67% of our full-year estimates. Revenue fell 62% YoY due to the significantly lower contribution coming from the group's property development segment for the quarter, premised on the lack of new project launches to date. The trend of slow sales persisted, as new sales of only MYR13m were registered for the quarter, up slightly from MYR12m in 2Q19. Unbilled sales reported for 3Q19 stood at MYR112.9m from MYR123.5m as at 2Q19. 9M19 net profit consequently fell 58% YoY.
- **Property development still waiting for a pick up.** Hill 10 Residence's (launched FY17) take-up rate was 94% as at Sep 2019, unchanged from 2Q19, while the take-up rate for 8Kia Peng (launched FY16) currently stands at 26%, a marginal increase from the 25% registered in 2Q19. The completion of 8Kia Peng is slated for the end of the year, with construction progress reaching around 77% as at Sep 2019. Initially targeted to be launched in 4Q19, the launch of Hill 11 Residence (GDV: MYR278m) and Hill 12 Residence (GDV: MYR281m) have been delayed to 1H20 and 4Q20. Despite the delay, given the rising popularity of the newly-opened i-City mall, we believe these launches should be met with encouraging demand.
- **Paying more attention to investment properties.** Central i-City Shopping Centre (total NLA: c.1m sqf) – commanding average rental rate of MYR8 psf – began operations in March, currently houses anchor tenants such as Sogo, Village Grocer, and TGV Cinemas. The Corporate Office Tower (GDV: MYR230m), located in Plot 2, is targeted to be completed in December, but we believe that rental contributions for the tower will start trickling in from 2H20. Note that DoubleTree by Hilton is also scheduled to open its doors in FY21. I-BHD has been building its recurring income portfolio by also investing in parking spaces within i-City, which should be able to offer handsome returns in the long run, given that footfall to i-City mall is targeted to increase to 1m/month from 800,000/month currently.
- **We slash our FY19F-20F earnings 14% and 8%**, as we take into account the delay in the launches of Hill 11 Residence and Hill 12 Residence. As such, our TP is cut to MYR0.23, based on a higher discount to RNAV of 75%.

Forecasts and Valuation	Dec-17	Dec-18	Dec-19F	Dec-20F	Dec-21F
Total turnover (MYRm)	455	375	114	164	193
Net profit (MYRm)	63.2	58.8	28.3	32.1	42.1
Net profit growth (%)	(5.2)	(7.0)	(51.9)	13.7	30.9
Recurring EPS (MYR)	0.06	0.06	0.03	0.02	0.03
Recurring P/E (x)	3.5	3.8	7.9	10.7	8.2
P/B (x)	0.24	0.23	0.23	0.30	0.29
P/CF (x)	0.02	0.02	0.01	0.01	0.01
Dividend Yield (%)	8.5	7.9	3.8	2.8	3.7
EV/EBITDA (x)	4.4	3.5	1.9	2.3	2.7
ROAE (%)	net cash	net cash	net cash	net cash	net cash
Net debt to equity (%)	na	na	na	na	na

Source: Company data, RHB

Target Price (Return)	MYR0.23 (+9%)
Price:	MYR0.21
Market Cap:	USD57m
Avg Daily Turnover (MYR/USD)	0.69m/0.16m

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Share Data

Avg Daily Turnover (MYR/USD)	0.69m/0.16m
52-wk Price low/high (MYR)	0.21 - 0.45
Free Float (%)	27
Shares outstanding (m) @MYR1 par	1061
Expected Share Price Return	9%
Expected Dividend Return	3%
Expected Total Return	12%

Shareholders (%)

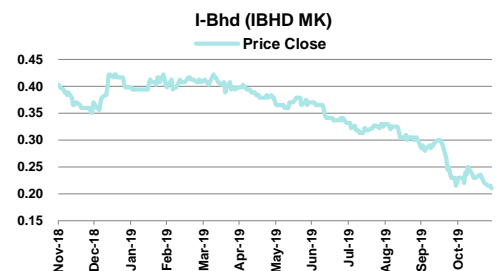
Sumurwang SB	55.7
Sumur Ventures SB	8.1
Lim Khuan Eng	1.4

Additional Data

Bursa Code	4521
Listing Market	Main Market
Beta	0.567
3-Month Average Volume ('000)	2,901
ROA (%)	1.9

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(44.7)	(8.7)	(36.4)	(47.5)	(50.6)
Relative	(38.4)	(9.6)	(36.0)	(45.6)	(44.5)



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Financial Exhibits

Asia	Financial summary	Dec-17	Dec-18	Dec-19F	Dec-20F	Dec-21F
Malaysia	Core EPS (MYR)	0.06	0.06	0.03	0.02	0.03
Property	EPS (MYR)	0.06	0.06	0.03	0.02	0.03
I-BHD	DPS (MYR)	0.02	0.02	0.01	0.01	0.01
IBHD MK	BVPS (MYR)	0.86	0.90	0.92	0.70	0.71
	ROE (%)	7.14	6.30	2.93	3.03	3.62
	ROA (%)	4.39	3.69	1.89	2.26	2.71
Valuation basis						
RNAV.						
Key drivers						
MYR9bn GDV worth of mixed-development consisting of residential, leisure park, shopping mall, convention centres and hotels.	Valuation metrics	Dec-17	Dec-18	Dec-19F	Dec-20F	Dec-21F
	Core P/E (x)	3.5	3.8	7.9	10.7	8.2
	P/B (x)	0.2	0.2	0.2	0.3	0.3
	Dividend yield (%)	8.51	7.91	3.80	2.79	3.65
	EV/EBITDA (x)	0.1	0.5	(3.0)	(3.7)	(3.9)
Key risks						
Upside risk includes higher-than-expected earnings from the i-City Shopping Centre, while downside risk includes further delays in new launches.	Income statement (MYRm)	Dec-17	Dec-18	Dec-19F	Dec-20F	Dec-21F
	Total turnover	455	375	114	164	193
	Gross profit	140	129	49	59	76
	EBITDA	109	105	62	70	86
	Operating profit	93	80	34	40	53
	Net interest	-	-	-	-	-
	Exceptional items	-	-	-	-	-
	Pre-tax profit	90	77	37	42	55
	Taxation	(27)	(18)	(9)	(10)	(13)
	Net profit	63	59	28	32	42
	Core net profit	63	59	28	32	42
Company Profile						
I-BHD engages in segments encompassing property development, property investment and leisure in the Klang Valley. The company's main project is the 72-acre i-City located in Shah Alam, Selangor.	Cash flow (MYRm)	Dec-17	Dec-18	Dec-19F	Dec-20F	Dec-21F
	Cash flow from operations	75	217	94	57	82
	Capex	(84)	(50)	(60)	(60)	(60)
	Cash flow from investing activities	(85)	(251)	(60)	(60)	(60)
	Cash flow from financing activities	(19)	(18)	(8)	140	(13)
	Cash at beginning of period	180	213	175	408	606
	Net change in cash	33	(38)	232	198	76
	Ending balance cash	213	175	408	606	682
	Balance sheet (MYRm)	Dec-17	Dec-18	Dec-19F	Dec-20F	Dec-21F
	Total cash and equivalents	213	175	408	606	682
	Tangible fixed assets	458	482	514	543	570
	Intangible assets	-	-	-	-	-
	Total investments	103	353	353	353	353
	Total other assets	742	660	40	23	28
	Total assets	1,515	1,670	1,315	1,525	1,577
	Short-term debt	-	-	-	-	-
	Total long-term debt	-	-	-	-	-
	Total liabilities	602	716	341	379	401
	Shareholders' equity	913	954	974	1,146	1,176
	Minority interests	0	-	-	-	-
	Total equity	913	954	974	1,146	1,176
	Total liabilities & equity	1,515	1,670	1,315	1,525	1,577
	Key metrics	Dec-17	Dec-18	Dec-19F	Dec-20F	Dec-21F
	Revenue growth (%)	18.7	(17.6)	(69.6)	43.5	17.9
	Core net profit growth (%)	(5.2)	(7.0)	(51.9)	13.7	30.9
	Core EPS growth (%)	(5.2)	(7.0)	(51.9)	(26.6)	30.9
	Gross margin (%)	30.7	34.5	42.9	36.2	39.5
	Core net profit margin (%)	13.9	15.7	24.8	19.6	21.8
	Dividend payout ratio (%)	30.0	30.0	30.0	30.0	30.0

Source: Company data, RHB

Figure 1: I-BHD's results review

FYE Dec (MYRm)	3Q18	2Q19	3Q19	QoQ (%)	YoY (%)	9M18	9M19	YoY (%)	Comments
Revenue	60.7	42.2	42.2	0.1	(30.4)	327.2	125.5	(61.6)	Revenue tanked due to lower unbilled sales, given the lack of new launches.
EBITDA	23.1	20.0	23.2	16.1	0.4	81.7	55.2	(32.5)	
Depreciation	(4.8)	(3.1)	(2.7)	(13.7)	(43.7)	(9.5)	(9.4)	(0.5)	
EBIT	18.3	16.8	20.5	21.6	12.0	72.3	45.8	(36.7)	
Interest expense	0.0	0.0	0.0	nm	nm	0.0	0.0	nm	
Pretax profit	17.2	14.9	11.7	(21.5)	(31.8)	70.9	35.1	(50.5)	
Tax	(11.5)	(4.1)	(6.7)	63.4	(42.0)	(18.4)	(12.8)	(30.6)	
Minority Interest	0.0	(0.0)	(0.0)	50.0	(170.6)	0.0	(0.0)	(203.4)	
Net Profit	5.7	10.8	5.0	(53.6)	(11.6)	52.5	22.3	(57.5)	
Core Profit	5.7	10.8	5.0	(53.6)	(11.6)	52.5	22.3	(57.5)	Below expectations.
EPS (sen)	0.54	1.02	0.47	(53.6)	(11.6)	4.95	2.10	(57.5)	
<i>EBITDA Margin (%)</i>	<i>38.1</i>	<i>47.3</i>	<i>54.8</i>			<i>25.0</i>	<i>44.0</i>		
<i>EBIT Margin (%)</i>	<i>30.1</i>	<i>39.9</i>	<i>48.4</i>			<i>22.1</i>	<i>36.5</i>		
<i>Pretax Margin (%)</i>	<i>28.3</i>	<i>35.3</i>	<i>27.7</i>			<i>21.7</i>	<i>28.0</i>		
<i>Effective tax rate (%)</i>	<i>67.0</i>	<i>27.4</i>	<i>56.9</i>			<i>26.0</i>	<i>36.4</i>		
<i>Net Margin (%)</i>	<i>9.4</i>	<i>25.6</i>	<i>11.9</i>			<i>16.0</i>	<i>17.8</i>		

Source: Company data, RHB

Figure 2: I-BHD's valuation table

Projects	Type of Development	Total GDV (MYRm)	Development Period	NPV @ 11% (MYRm)
i-City				
Liberty	Residential	179	3-4 years	0
Parisian	Residential	189	3-4 years	1
Hyde	Residential	268	3-4 years	3
Hill 10 Residence	Residential	123	3-4 years	0
Smart Office	Offices	230	3-4 years	26
Tower 1 (Hill 11)	Residential	278	3-4 years	23
Tower 2 (Hill 12)	Residential	281	3-4 years	21
90k sqf retail	Retails	162	3-4 years	26
The Jewel	Mixed Developments	3,800	6-8 years	263
Dome	Mixed Developments	900	4-5 years	111
8 Kia Peng	Residential / SOHO	882	3-4 years	33
Unbilled sales (MYRm)				52
Shareholders' funds as at end FY18 (MYRm)				
Total RNAV (MYRm)				1,513
No. of shares (m)				1,645
RNAV per share (MYR)				0.92
Discount				75%
TP (MYR)				0.23

Source: Company data, RHB

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Trading Buy:	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
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