



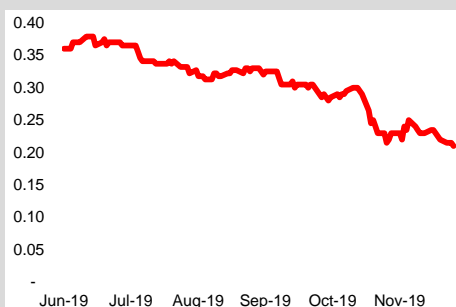
DESCRIPTION

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

12-Month Target Price	RM0.47
Current Price	RM0.21
Expected Return	123.8%

Market	Main
Sector	Property
Bursa Code	4251
Bloomberg Ticker	IBHD MK
Shariah Compliant	Yes

SHARE PRICE CHART



52 Week Range (RM)	RM0.21 – RM0.45
3-Month Average Vol ('000)	2,900.9

SHARE PRICE PERFORMANCE

	1M	3M	12M
Absolute Returns	-6.5	-34.8	-46.7
Relative Returns	-9.5	-36.1	-47.4

KEY STOCK DATA

Market Capitalisation (RMm)	238.8
No. of Shares (m)	1,061.3

MAJOR SHAREHOLDERS

	%
Sumurwang	58.4
Sumur Ventures	8.5
Lim Khuan Eng	1.5

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Investment Property Losses Weigh

The Group reported another slow quarter in 3QFY19, with net profit of only RM5.2m (-11.6% YoY, -53.6% QoQ), though the numbers were marred by widening associate losses post-opening of the Central Mall. As a result, cumulative 9MFY19 net profit of RM22.3m (-57.5% YoY) is again below our and consensus expectations at 63.0% and 67.3% of full-year estimates respectively. While we keep estimates unchanged in anticipation of slightly stronger 4Q numbers, we caution for downside risks however. Longer-term trend is intact nonetheless, underpinned by a remaining ~65% of its gross development value in Shah Alam yet to be realized. We still like I-Berhad's value proposition and affirm our **Outperform** call. Our TP is lowered to RM0.47 (RM0.65 previously) however as we make changes to our fully-diluted RNAV, largely on account of the larger share base post-rights issue. While the 3-year tenured preference shares are not likely to be converted immediately, we err on the side of conservatism.

§ **3QFY19 earnings overview.** Property development (pretax: +4.5% YoY, +11.8% QoQ) is still a key contributor despite the markedly lower contribution in absolute terms. Startup losses post-opening of the Central Mall are weighing on property investment contributions, with pretax losses widening to RM9.5m (+358.7% YoY, +266.0% QoQ). Unbilled sales continue to decline amid the lack of new launches, now at RM112.9m as at end-September, down from RM123.5m at end-June.

§ **Business overview.** The Group's on-going focus, in addition to clearing existing unsold inventory, is to build on its property investment portfolio as a base for steady recurring income. i-City's Golden Triangle "status", as mentioned by the state's Menteri Besar, augurs well for longer-term value appreciation of its assets and by extension, property development values. We continue to look forward to early-2020 with the launch of 1 project anticipated (GDV: ~RM300m), a welcome development given the lack of considerable action (development-wise) for almost 2 years now.

§ **Successful fund raising...** The Group is likely to have raised up to RM151.2m via its rights issue of preference shares (RCCPS), given the recent announcement of a 23.6% over-subscription rate. As at 11 October, two of its investment properties, the Grade-A GBI-rated office tower and Double Tree hotel, required cumulative funding of about RM189.9m for completion, of which RM86.4m of the proceeds will now be channeled towards. RM64.0m is allocated to the 8 Kia Peng project in downtown KL which is now about 75% built and slated for completion in 1Q2020.

§ **... though near-term earnings impact limited.** While we continue to like the longer-term prospects of the Group, this fund-raising exercise is likely to be highly dilutive medium-term, with significant generation of earnings from its property investment portfolio only likely from 2021/2022 onwards, about the time when the RCCPS will be converted. Sluggish operating conditions on the development front are equally a bane.

KEY FORECAST TABLE (RM m)

FY Dec (RM m)	2017A *	2018A*	2019F	2020F	2021F	CAGR
Revenue	455.2	375.1	202.4	185.6	332.4	-6.1%
Pre-tax Profit	89.8	76.8	46.6	44.5	72.4	-4.2%
Net Profit	61.7	58.7	35.4	33.8	55.0	-2.3%
FD EPS ¹ (Sen)	3.3	3.2	1.9	1.8	3.0	-2.3%
FD P/E ¹ (x)	6.3	6.6	11.0	11.5	7.1	
DPS ¹ (Sen)	1.6	1.5	0.9	0.8	1.4	
Dividend Yield	2.6	2.4	1.4	1.4	2.2	

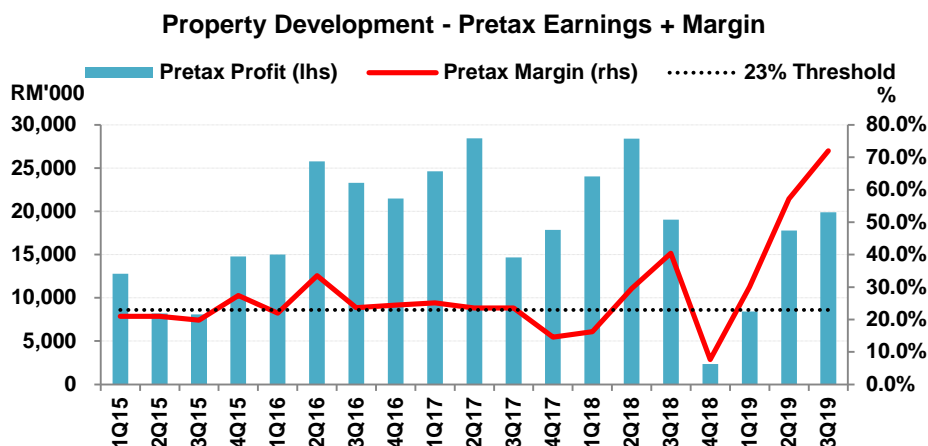
Source: Company, PublicInvest Research estimates

Note: ¹ Fully-diluted: 1,857m shares (excluding RCULs conversion) * re-stated for MFRS15

Table 1: Results Summary

<u>FY Dec (RM'm)</u>	<u>3Q</u> <u>FY19</u>	<u>3Q</u> <u>FY18</u>	<u>2Q</u> <u>FY19</u>	<u>YoY</u> <u>chg</u> <u>(%)</u>	<u>QoQ</u> <u>chg</u> <u>(%)</u>	<u>9M</u> <u>FY19</u>	<u>9M</u> <u>FY18</u>	<u>YoY</u> <u>chg</u> <u>(%)</u>	<u>Comments</u>
Revenue	42.2	60.7	42.2	-30.4	0.1	124.9	327.2	-61.8	No launches in 2018 + YTD
Cost of sales	-11.0	-30.2	-15.1	-63.5	-27.2	-47.7	-218.6	-78.2	
Gross profit	31.2	30.4	27.1	2.6	15.4	77.2	108.6	-28.9	
Other income	3.4	2.3	0.6	46.0	>100	6.5	6.1	5.9	
Admin expenses	-14.2	-14.5	-10.8	-2.2	31.1	-37.9	-42.5	-10.7	
Associate	-8.8	-1.1	-1.9	>100	>100	-10.7	-1.4	>100	Wider losses from opening of Central Mall
Pre-tax profit	11.7	17.2	14.9	-31.8	-21.5	35.1	70.9	-50.5	
Income tax	-6.7	-11.5	-4.1	-42.0	63.4	-12.8	-18.4	-30.6	
Minorities	0.0	0.0	0.0	n.a.	n.a.	0.0	0.0	n.a.	
Net profit	5.0	5.7	10.8	-11.6	-53.6	22.3	52.5	-57.5	
EPS (sen)	0.5	0.6	1.1	-11.6	-53.6	2.2	5.2	-57.5	
Gross Margin (%)	73.9	50.2	64.1	-	-	61.8	33.2	-	
Pre-tax Margin (%)	27.7	28.3	35.3	-	-	28.1	21.7	-	
Net Margin (%)	11.9	9.4	25.7	-	-	17.8	16.0	-	
SEGMENTAL (RM'm)	3Q FY19	3Q FY18	2Q FY19	YoY chg (%)	QoQ chg (%)				Comments
Revenue									
Prop development	27.6	47.1	31.1	-41.3%	-11.2%				RM113m unbilled sales
Prop investment	2.2	1.8	2.3	23.3%	-5.9%				
Leisure	11.9	11.5	8.3	3.4%	42.2%				
Others	0.6	0.4	0.5	65.0%	32.5%				
Total	42.2	60.7	42.2	-30.4%	0.1%				
Pretax Profit									
Prop development	19.9	19.0	17.8	4.5%	11.8%				
Prop investment	-9.5	-2.1	-2.6	358.7%	266.0%				
Leisure	2.5	1.6	0.2	51.8%	992.6%				
Others	-1.2	-1.5	-0.5	-15.0%	130.5%				
Total	11.7	17.2	14.9	-31.8%	-21.5%				

n.a. = not applicable

Figure 1: Pretax Profit - Property Development


Source: Company, PublicInvest Research

KEY FINANCIAL DATA
INCOME STATEMENT DATA

FYE Dec (RMm)	2017A	2018A	2019F	2020F	2021F
Revenue	455.2	375.1	202.4	185.6	332.4
Cost of Sales	-315.5	-245.8	-129.4	-117.8	-215.8
Gross Profit	139.7	129.3	73.1	67.9	116.6
Other Income	7.4	3.5	2.8	3.6	3.9
Administration Expenses	-57.3	-56.0	-29.4	-26.9	-48.2
Pre-tax Profit	89.8	76.8	46.6	44.5	72.4
Income Tax	-28.2	-18.0	-11.2	-10.7	-17.4
Effective Tax Rate (%)	31.4%	23.5%	24.0%	24.0%	24.0%
Minorities	0.0	-0.1	0.0	0.0	0.0
Core Net Profit	61.7	58.7	35.4	33.8	55.0

Growth

Revenue	18.7%	-17.6%	-46.0%	-8.3%	79.1%
Gross Profit	11.5%	-7.4%	-43.5%	-7.1%	71.9%
Net Profit	-7.4%	-4.9%	-39.7%	-4.4%	62.6%

Source: Company, PublicInvest Research estimates

BALANCE SHEET DATA

FYE Dec (RMm)	2017A	2018A	2019F	2020F	2021F
Investment properties	384.7	439.8	487.3	534.8	582.3
Property development costs	650.5	774.8	787.3	799.8	812.3
Cash and bank balances	174.4	18.8	60.1	41.2	21.9
Other assets	318.1	445.3	373.5	366.7	393.4
Total Assets	1,527.7	1,678.8	1,708.2	1,742.4	1,809.9
Payables	367.1	485.0	352.1	361.7	388.9
Liabilities – ICULS and RCULS	193.9	0.0	209.6	219.2	223.8
Deferred tax	10.3	5.3	6.3	6.3	6.3
Other liabilities	18.6	213.4	158.5	149.8	147.0
Total Liabilities	589.9	703.7	726.6	737.1	766.1
Total Equity	937.8	975.1	981.7	1,005.4	1,043.9
Total Equity and Liabilities	1,527.7	1,678.8	1,708.2	1,742.4	1,809.9

Source: Company, PublicInvest Research estimates

PER SHARE DATA & RATIOS

FYE Dec	2017A	2018A	2019F	2020F	2021F
Book Value Per Share	0.95	0.97	0.98	1.00	1.04
NTA Per Share	0.95	0.97	0.98	1.00	1.04
EPS (Sen)	4.7	4.5	2.7	2.6	4.2
DPS (Sen)	1.6	1.5	0.9	0.8	1.4
Payout Ratio (%)	33.7%	32.9%	32.9%	32.9%	32.9%
ROA (%)	4.0%	3.5%	2.1%	1.9%	3.0%
ROE (%)	6.6%	6.0%	3.6%	3.4%	5.3%

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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