



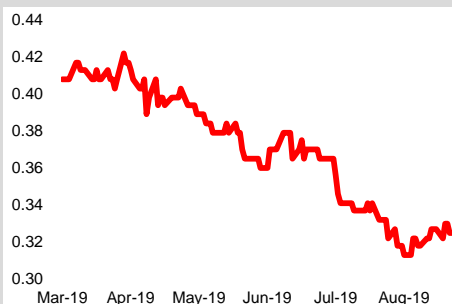
#### DESCRIPTION

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** RM0.65  
**Current Price** RM0.325  
**Expected Return** 100.0%

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

#### SHARE PRICE CHART



52 Week Range (RM) RM0.32 – RM0.55  
 3-Month Average Vol ('000) 187.8

#### SHARE PRICE PERFORMANCE

	1M	3M	12M
Absolute Returns	-2.2	-14.4	-34.6
Relative Returns	-4.4	-14.5	-30.0

#### KEY STOCK DATA

Market Capitalisation (RMm) 329.7  
 No. of Shares (m) 1,014.5

#### MAJOR SHAREHOLDERS

	%
Sumurwang	58.4
Sumur Ventures	8.5
Lim Khuan Eng	1.5

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## Toughening It Out

The Group reported another slow quarter, with 2QFY19 net profit of RM10.8m (-51.4% YoY, +68.5% QoQ) contributing to a 1HFY19 net profit of RM17.3m (-63.1% YoY) as challenging operating conditions continued to weigh. The numbers are below our and consensus expectations at only 43.0% and 38.8% of full-year estimates respectively. Near-term sales focus continues to be on clearing its existing inventory in Shah Alam and stepping-up on the sales in its 8Kia Peng project in downtown Kuala Lumpur. We trim FY19-FY21 earnings estimates by an average 15% on further changes to sales and launch assumptions. 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 RM0.65 (RM0.75 previously) as we raise our discount on fully-diluted RNAV to 65% to factor in on-going weakness in operating conditions. Valuations have not accounted for additional shares to be issued should preference shares from its rights issues (subject to shareholder approval) be converted, though not likely to be immediately dilutive.

§ **2QFY19 earnings overview.** Property development (pretax: -37.3% YoY, +111.8% QoQ) continued to be the mainstay despite the noticeably lowered contributions. The property investment segment is showing encouraging signs nonetheless, with revenue for the quarter up 48.7% YoY and 5.4% QoQ. Elevated operating costs as a result of its portfolio only being at the startup phases saw losses recorded in the segment however, albeit reducing. Unbilled sales slipped to RM123.5m as at end-June, down from the RM138.2m at end-March.

§ **Business overview.** The Group's recent focus, in addition to clearing existing unsold inventory, has been to build on its property investment portfolio as a base for steady (and strong) recurring income streams in years ahead. On track for completion this year-end is its GBI-rated Corporate Office Tower and the Double Tree by Hilton Hotel early-2021. Opening of the Central I-City mall which is anticipated to contribute more significantly in the coming quarters will also bring the Group's own ~150,000 square feet of retail space and 9,000 parking bays into play more prominently. Early-2020 will see the launch of at least 1 project with gross development value of ~RM300m, a welcome development given the lack of considerable action (development-wise) in the last 18 months.

§ **Funding its growth.** The Group recently announced two corporate exercises, 1) the raising of up to RM150m via a rights issue of preference shares and 2) the extension in maturity of its RM201m RCULs issue by a further 3 years to 2022, the latter an important development and already having secured shareholder approval on 19 August as it allows the Group to reserve cash for its business growth instead. The relatively short 3-year tenure of the preference share issue is a slight surprise, though we are encouraged to see the major shareholders' unwavering support towards the successes of the Group. Please refer to our report dated 11 July 2019.

#### 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 <sup>1</sup> (Sen)	4.7	4.5	2.7	2.6	4.2	-2.3%
FD P/E <sup>1</sup> (x)	6.9	7.3	12.1	12.6	7.8	
DPS <sup>1</sup> (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

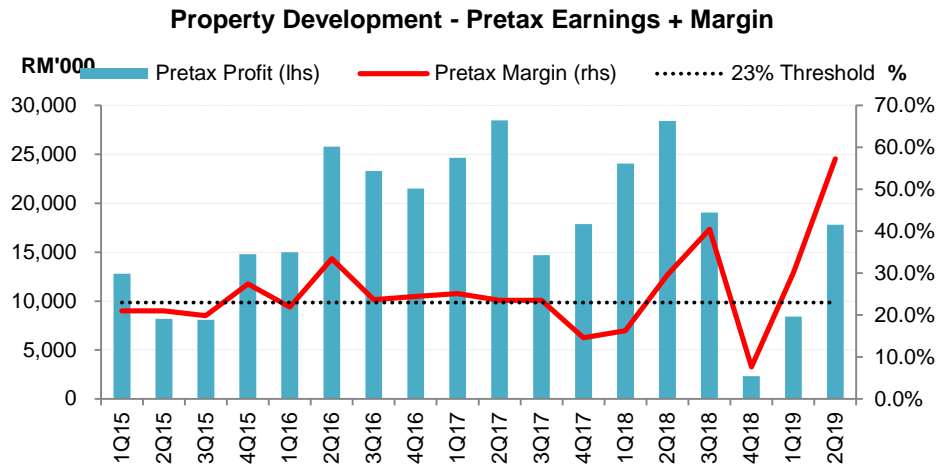
Note: <sup>1</sup> Fully-diluted share base: 1,315m shares (excluding warrants) \* re-stated for MFRS15

**Table 1: Results Summary**

<u>FY Dec</u> <u>(RM'm)</u>	<u>2Q</u> <u>FY19</u>	<u>2Q</u> <u>FY18</u>	<u>1Q</u> <u>FY19</u>	<u>YoY</u> <u>chg</u> <u>(%)</u>	<u>QoQ</u> <u>chg</u> <u>(%)</u>	<u>1H</u> <u>FY19</u>	<u>1H</u> <u>FY18</u>	<u>YoY</u> <u>chg</u> <u>(%)</u>	<u>Comments</u>
Revenue	42.2	107.2	41.1	-60.6	2.8	83.3	266.5	-68.8	No launches in 2018 + YTD
Cost of sales	-15.1	-68.3	-21.5	-77.8	-29.5	-36.6	-188.3	-80.5	
<b>Gross profit</b>	<b>27.1</b>	<b>38.9</b>	<b>19.6</b>	<b>-30.4</b>	<b>38.2</b>	<b>46.6</b>	<b>78.2</b>	<b>-40.4</b>	
Other income	0.6	1.1	1.8	-49.2	-69.0	2.4	3.8	-36.2	
Admin expenses	-10.8	-11.0	-12.9	-2.0	-16.5	-23.7	-28.0	-15.1	
Associate	-1.9	-0.3	0.0	>100.0	n.a.	-1.9	-0.3	>100.0	
<b>Pre-tax profit</b>	<b>14.9</b>	<b>28.7</b>	<b>8.5</b>	<b>-48.0</b>	<b>75.9</b>	<b>23.4</b>	<b>53.7</b>	<b>-56.5</b>	
Income tax	-4.1	-6.4	-2.0	-36.1	100.3	-6.1	-6.9	-11.7	
Minorities	0.0	0.0	0.0	>100.0	n.a.	0.0	0.0	n.a.	
<b>Net profit</b>	<b>10.8</b>	<b>22.3</b>	<b>6.4</b>	<b>-51.4</b>	<b>68.5</b>	<b>17.3</b>	<b>46.8</b>	<b>-63.1</b>	
EPS (sen)	1.1	2.2	0.6	-51.4	68.5	1.7	4.6	-63.1	
Gross Margin (%)	64.1	36.3	47.7	-	-	56.0	29.3	64.1	
Pre-tax Margin (%)	35.3	26.8	20.6	-	-	28.1	20.2	35.3	
Net Margin (%)	25.7	20.8	15.7	-	-	20.7	17.6	25.7	
<b>SEGMENTAL</b> <b>(RM'm)</b>	<b>2Q</b> <b>FY19</b>	<b>2Q</b> <b>FY18</b>	<b>1Q</b> <b>FY19</b>	<b>YoY</b> <b>chg</b> <b>(%)</b>	<b>QoQ</b> <b>chg</b> <b>(%)</b>	<b>Comments</b>			
<b>Revenue</b>									
Prop development	31.1	96.1	27.9	-67.6%	11.3%	RM124m unbilled sales			
Prop investment	2.3	1.6	2.2	48.7%	5.4%				
Leisure	8.3	8.3	10.6	0.9%	-21.2%				
Others	0.5	1.3	0.3	-64.4%	31.8%				
<b>Total</b>	<b>42.2</b>	<b>107.2</b>	<b>41.1</b>	<b>-60.6%</b>	<b>2.8%</b>				
<b>Pretax Profit</b>									
Prop development	17.8	28.4	8.4	-37.3%	111.8%				
Prop investment	-2.6	-0.7	-1.3	251.0%	103.7%				
Leisure	0.2	0.3	1.5	-10.2%	-84.7%				
Others	-0.5	0.8	-0.2	n.a.	240.5%				
<b>Total</b>	<b>14.9</b>	<b>28.7</b>	<b>8.5</b>	<b>-48.0%</b>	<b>75.9%</b>				

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
<b>Core Net Profit</b>	<b>61.7</b>	<b>58.7</b>	<b>35.4</b>	<b>33.8</b>	<b>55.0</b>
<b>Growth</b>					
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
<b>Total Assets</b>	<b>1,527.7</b>	<b>1,678.8</b>	<b>1,708.2</b>	<b>1,742.4</b>	<b>1,809.9</b>
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
<b>Total Liabilities</b>	<b>589.9</b>	<b>703.7</b>	<b>726.6</b>	<b>737.1</b>	<b>766.1</b>
<b>Total Equity</b>	<b>937.8</b>	<b>975.1</b>	<b>981.7</b>	<b>1,005.4</b>	<b>1,043.9</b>
<b>Total Equity and Liabilities</b>	<b>1,527.7</b>	<b>1,678.8</b>	<b>1,708.2</b>	<b>1,742.4</b>	<b>1,809.9</b>

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**

<b>OUTPERFORM</b>	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12 months.
<b>NEUTRAL</b>	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
<b>UNDERPERFORM</b>	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
<b>TRADING BUY</b>	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.
<b>TRADING SELL</b>	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
<b>NOT RATED</b>	The stock is not within regular research coverage.

### **SECTOR**

<b>OVERWEIGHT</b>	The sector is expected to outperform a relevant benchmark over the next 12 months.
<b>NEUTRAL</b>	The sector is expected to perform in line with a relevant benchmark over the next 12 months.
<b>UNDERWEIGHT</b>	The sector is expected to underperform a relevant benchmark over the next 12 months.

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