

19 August 2019

Property | Real Estate

I-BHD (IBHD MK)

Neutral (Maintained)

Greenlight For RCULS Extension

Target Price (Return)	MYR0.36 (6%)
Price:	MYR0.34
Market Cap:	USD38m
Avg Daily Turnover (MYR/USD)	0.31m/0.07m

- Maintain NEUTRAL with a lower TP of MYR0.36** from MYR0.40, 6% upside plus c.3% FY19F yield, based on a 70% discount to RNAV. We remain cautious on the stock, given the lack of property launches YTD. However, we see potential upside from its investment properties – Central I-City Mall, which commenced operation in March 2019, the upcoming Double Tree Hotel as well as the Office Tower slated for completion in 2021.
- Central I-City Mall** has commenced operation in March 2019 with 1m sqf of net lettable area (NLA) located in I-City, Shah Alam. The mall is a 40:60 joint development project between I-BHD and one of Thailand's retail property developers, Central Pattana (CPN TB, BUY, TP: THB93.00). CPN is Thailand's largest and most sophisticated developer of retail property, with 32 shopping centres in Thailand. With the experience and expertise of CPN, the mall has managed to attract quality tenants such as Sogo, Jaya Grocer and TGV Cinemas. On our visit to the mall, we were impressed with the design and architecture of the mall, whilst the size of the shopper crowd was encouraging especially during the weekend.
- Redeemable Convertible Unsecured Loan Stocks (RCULS) extension.** Last Friday, management received the green light from its shareholders for a MYR201m RCULS A and B that is maturing in August 2019. Both RCULS are extended for three years at 5% pa. We believe none of the MYR264m RCULS-A or MYR138m RCULS-B will be converted into I-Bhd shares, given the group just obtained the approval for a RCULS extension.
- Proposed rights issue.** Meanwhile, the group proposed a rights issue to raise gross proceeds of c.MYR150m. The proceeds shall be allocated to fund the construction of I-Bhd's investment property 8 Kia Peng, the corporate office tower and Double Tree Hilton, as well as its on-going property development project. The proposals are expected to be completed in 4Q19. Management has guided that the group would procure undertakings from the major shareholders Sumurwang SB and Sumur Ventures SB, representing c.66.7% of the issued share capital, with a commitment of c.MYR100m to the rights issue.
- Keep NEUTRAL and trim down our TP to MYR0.36** from MYR0.40, after including changes in the enlarged share base from the out-of-money RCULS and the new rights issue. Our TP is based on a 70% discount to RNAV. We stay NEUTRAL as the outlook for the property market will likely remain challenging. Upside risk include higher than expected earnings from the Central Plaza Mall, while downside risk include further delays in new launches.

Analyst

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Share Data

Avg Daily Turnover (MYR/USD)	0.07m/0.02m
52-wk Price low/high (MYR)	0.325 - 0.55
Free Float (%)	23
Shares outstanding (m) @MYR1 par	1014
Expected Share Price Return	6%
Expected Dividend Return	3%
Expected Total Return	9%

Shareholders (%)

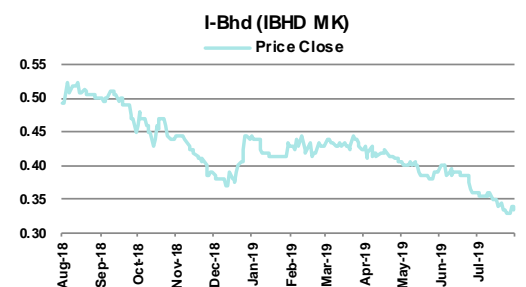
Sumurwang Sdn Bhd	58.3
Sumur Ventures Sdn Bhd	8.4
Lim Khuan Eng	1.5

Additional Data

Bursa Code	4521
Listing Market	Main Market
Beta	1.15
3-Month Average Volume ('000)	165
ROA (%)	3.5%

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(11.8)	(6.9)	(17.3)	(22.1)	(35.6)
Relative	(6.5)	(2.6)	(16.6)	(16.9)	(25.2)



Forecasts and Valuations	Dec-17	Dec-18	Dec-19F	Dec-20F	Dec-21F
Total turnover (MYRm)	455	375	285	317	332
Recurring net profit (MYRm)	63.2	58.8	44.5	49.9	50.4
Recurring net profit growth (%)	(5.2)	(7.0)	(24.4)	12.1	1.1
Recurring EPS (MYR)	0.06	0.06	0.04	0.03	0.03
Recurring P/E (x)	7.9	8.5	11.2	15.5	15.3
P/BV (x)	0.55	0.52	0.51	0.66	0.64
DPS (MYR)	0.02	0.02	0.01	0.01	0.01
Dividend Yield (%)	3.8	3.5	2.7	1.9	2.0
Return on average assets (%)	4.4	3.5	2.8	3.2	3.0
Net debt to equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Interest coverage (x)	NA	NA	NA	NA	NA

Source: Company data, RHB

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Financial Exhibits

Asia	Financial summary	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21
Malaysia	Core EPS (MYR)	0.06	0.06	0.04	0.03	0.03
Property	EPS (MYR)	0.06	0.06	0.04	0.03	0.03
I-BHD	DPS (MYR)	0.02	0.02	0.01	0.01	0.01
IBHD MK	BVPS (MYR)	0.86	0.90	0.93	0.71	0.73
	ROE (%)	7.14	6.30	4.59	4.63	4.33
	ROA (%)	4.39	3.69	2.84	3.19	3.04
Valuation basis						
RNAV						
Key drivers	Valuation metrics	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21
MYR9bn GDV of IoT ready mixed-development township consisting of residential, leisure park, shopping mall, convention centres and hotels	Core P/E (x)	5.7	6.1	8.1	11.2	11.1
	P/B (x)	0.4	0.4	0.4	0.5	0.5
	Dividend yield (%)	5.25	4.89	3.70	2.68	2.71
	EV/EBITDA (x)	1.4	1.8	1.4	1.2	0.3
Key risks	Income statement (MYRm)	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21
Upside risk include higher than expected earnings from the Central Plaza Mall, while downside risk include further delays in new launches.	Total turnover	455	375	285	317	332
	Gross profit	140	129	81	90	94
	EBITDA	109	105	74	84	87
	Operating profit	93	80	46	53	54
	Net interest	-	-	-	-	-
	Exceptional items	-	-	-	-	-
	Pre-tax profit	90	77	58	66	68
	Taxation	(27)	(18)	(14)	(16)	(16)
	Net profit	63	59	44	50	51
	Core net profit	63	59	44	50	50
Company Profile	Cash flow (MYRm)	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21
IBHD engaged in property development, property investment and leisure segments in Klang Valley. The company main project is the 72 acres i-City located in Shah Alam, Selangor.	Cash flow from operations	75	217	47	87	100
	Capex	(84)	(50)	(60)	(60)	(60)
	Cash flow from investing activities	(85)	(251)	(60)	(60)	(60)
	Cash flow from financing activities	(19)	(18)	(13)	135	(15)
	Cash at beginning of period	180	213	175	254	457
	Net change in cash	33	(38)	79	203	72
	Ending balance cash	213	175	254	457	529
	Balance sheet (MYRm)	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21
	Total cash and equivalents	213	175	254	457	529
	Tangible fixed assets	458	482	514	543	570
	Intangible assets	-	-	-	-	-
	Total investments	103	353	353	353	353
	Total other assets	742	660	336	314	262
	Total assets	1,515	1,670	1,457	1,667	1,714
	Short-term debt	-	-	-	-	-
	Total long-term debt	-	-	-	-	-
	Total liabilities	602	716	472	497	508
	Shareholders' equity	913	954	985	1,170	1,206
	Minority interests	0	-	-	-	-
	Total equity	913	954	985	1,170	1,206
	Total liabilities & equity	1,515	1,670	1,457	1,667	1,714
	Key metrics	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21
	Revenue growth (%)	18.7	(17.6)	(24.1)	11.4	4.8
	Core net profit growth (%)	(5.2)	(7.0)	(24.4)	12.1	1.1
	Core EPS growth (%)	(5.2)	(7.0)	(24.4)	(27.7)	1.1
	Gross margin (%)	30.7	34.5	28.4	28.4	28.2
	Core net profit margin (%)	13.9	15.7	15.6	15.7	15.2
	Dividend payout ratio (%)	30.0	30.0	30.0	30.0	30.0

Source: Company data, RHB

19 August 2019

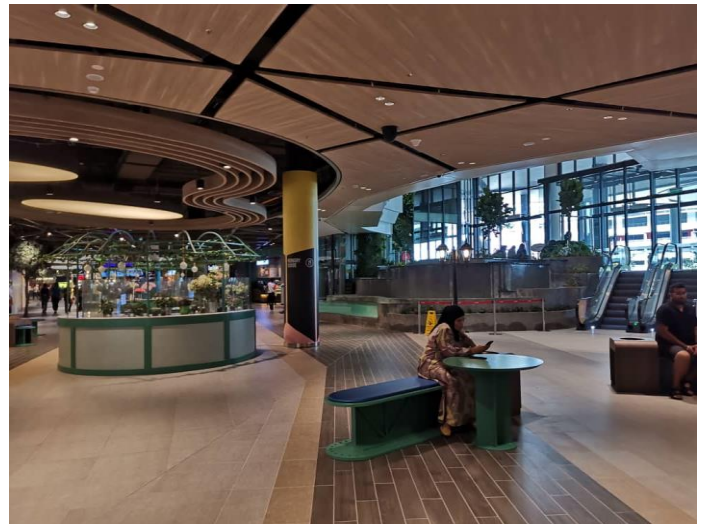
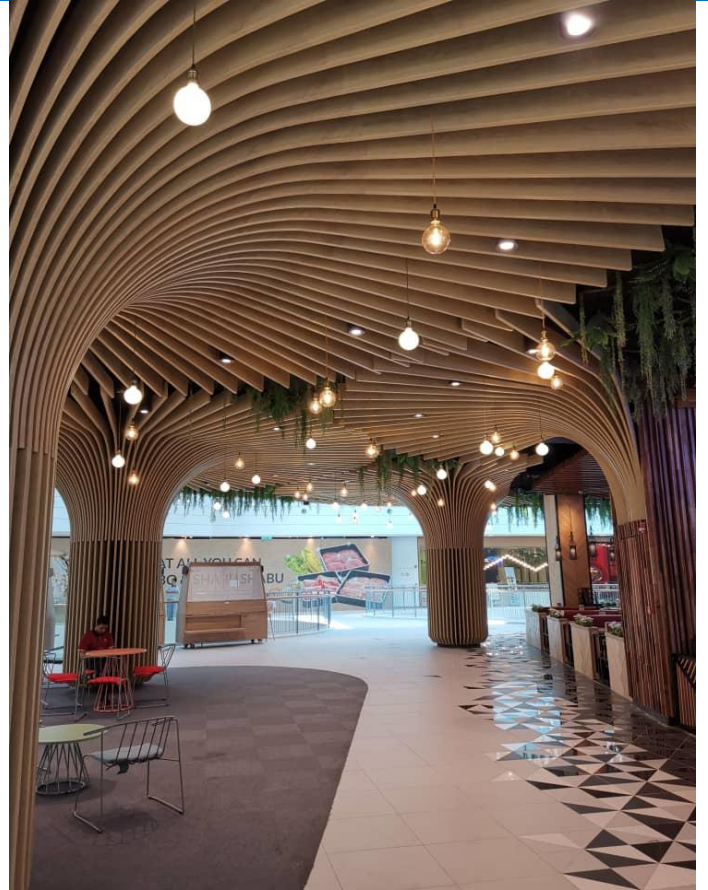
Property | Real Estate

Figure 1: I-BHD's valuation table

Projects	Type of Development	Total GDV (MYRm)	Development Period	NPV @ 9.9% (MYRm)
i-City				
Liberty	Residential	179	3-4 years	2
Parisian	Residential	189	3-4 years	2
Hyde	Residential	268	3-4 years	9
Hill 10 Residence	Residential	123	3-4 years	14
Smart Office	Offices	230	3-4 years	38
Tower 1 (Hill 11)	Residential	278	3-4 years	46
Tower 2 (Hill 12)	Residential	281	3-4 years	47
90k sqf retail	Retails	162	3-4 years	27
The Jewel	Mixed Developments	3,900	6-8 years	545
Dome	Mixed Developments	1,000	4-5 years	152
8 Kia Peng	Residential / SOHO	882	3-4 years	99
Unbilled sales (MYRm)				52
Shareholders' funds as at end FY18 (MYRm)				954
Total RNAV (MYRm)				1,987
No. of shares (m)				1,645
RNAV per share (MYR)				1.21
Discount				70%
TP (MYR)				0.36

Source: RHB

Figure 2: Central I-City Mall



Source: RHB

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