

25 July 2018

Property | Real Estate

I-BHD

Neutral (Maintained)

8 Kia Peng's Take-Up Rate Improves Slightly

Maintain NEUTRAL on I-BHD, with new MYR0.57 TP from MYR0.52, 13% expected total return. We believe 2Q18's stronger-than-expected earnings will be positive to its share price over the near term. New sales and unbilled sales have grown YoY. The outlook for the property market is still uncertain, however, so some pipeline launches may be held back this year, in our opinion.

1H18 net profit of MYR46.8m beat. Revenue improved 10.9% YoY, due to higher recognition of sales from construction in progress. Earnings improved 11.1% YoY mainly due to a lower effective tax rate, given the over provision of deferred tax in the prior year and cost adjustment as a result of the changes in national tax regime.

Better new sales numbers. During the quarter, I-BHD achieved MYR75.7m in new sales (vs MYR53.1m in 2Q17), mainly due to higher sales from the Hill 10 and 8 Kia Peng projects. It recorded cumulative new sales of MYR145.6m YTD, on track to meet its full-year target of MYR280-350m. With growing sales, unbilled sales stood at MYR305.4m, 12% higher from the previous quarter. Management expects unbilled sales to grow this year, on increased sales contribution from 8 Kia Peng.

Hill 10 almost fully booked. Hill 10 Residence, the only project launched last year, achieved an encouraging take-up rate of 94%. Despite hefty prices, we believe the good take-up rate is mainly from the upcoming mall – Central Plaza @ i-City – slated for completion in 4Q18. However, in view of challenging property market conditions, we think some pipeline projects eg Hill 11 residence (GDV of MYR278m), Hill 12 residence (GDV: MYR281m) and Smart Office (GDV: MYR230m) may be held back this year.

8 Kia Peng saw some improvement. We believe I-BHD's performance over the near term will be heavily dependent on the 8 Kia Peng project, as billings from Hill 10 are still slow. 8 Kia Peng was launched in early FY16, and the take-up rate has improved to 20% (vs 12% in 1Q18). We expect sales to grow this year, with the booking rate at 25%. Given the slow take-up, construction progress has been slow, and it has only reached 38% completion (targeted for completion by end-2019).

We raise our FY18-20 earnings forecasts by 6%, 2% and 3%, due to higher billings from 8 Kia Peng. FY19F-20F earnings could be flat due to a lack of launches this year.

Maintain NEUTRAL, with higher TP of MYR0.57, using a lower discount to RNAV of 55% (from 60%) as we believe the higher-than-expected earnings will be positive to the share price over the short term.

Target Price:	MYR0.57
Price:	MYR0.52
Market Cap:	MYR525m
Bloomberg Ticker:	IBHD MK

Share Data

Avg Daily Turnover (MYR/USD)	0.06m/0.02m
52-wk Price low/high (MYR)	0.46 - 0.60
Free Float (%)	23
Shares outstanding (m) @MYR1 par	1,061
Expected Share Price Return	9%
Expected Dividend Return	4%
Expected Total Return	13%

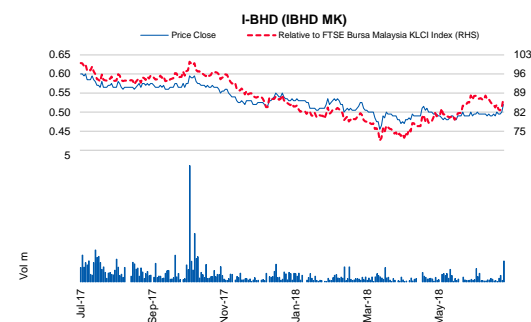
Shareholders (%)

Sumurwang	58.6
Sumur Ventures	8.5
Lim Khuan Eng	1.4

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	1.0	6.1	8.3	(1.9)	(14.1)
Relative	3.2	2.3	14.8	2.5	(14.0)

Source: Bloomberg



Source: Bloomberg

Additional Data

Bursa Code	4521
Listing Market	Main Market
Beta	1.15
3-Month Average Volume ('000)	143
ROA (%)	5.2%

Forecasts and Valuations	Dec-16	Dec-17	Dec-18F	Dec-19F	Dec-20F
Total turnover (MYRm)	384	465	434	500	554
Reported net profit (MYRm)	66.6	75.5	78.2	78.2	86.1
Recurring net profit (MYRm)	67.7	77.6	78.2	78.2	86.1
Recurring net profit growth (%)	61.9	14.6	0.8	(0.0)	10.1
Recurring EPS (MYR)	0.06	0.07	0.07	0.07	0.08
DPS (MYR)	0.02	0.02	0.02	0.02	0.02
Recurring P/E (x)	8.16	7.12	7.06	7.06	6.41
P/B (x)	0.65	0.61	0.57	0.54	0.51
Dividend Yield (%)	3.6	4.1	4.3	4.2	4.7
Return on average equity (%)	8.1	8.6	8.4	7.9	8.2
Return on average assets (%)	5.2	5.2	4.8	4.6	5.1
Net debt to equity (%)	2.4	netcash	6.6	9.6	3.6
Our vs consensus EPS (adjusted)					

Source: Company data, RHB

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Financial Exhibits

Financial model updated on : 2018-07-24

Asia	Financial summary	Dec-16	Dec-17	Dec-18F	Dec-19F	Dec-20F
Malaysia	Recurring EPS (MYR)	0.06	0.07	0.07	0.07	0.08
Property	EPS (MYR)	0.06	0.07	0.07	0.07	0.08
I-BHD	DPS (MYR)	0.02	0.02	0.02	0.02	0.02
Bloomberg	BVPS (MYR)	0.80	0.85	0.91	0.96	1.01
IBHD MK	Weighted avg adjusted shares (m)	1,061	1,061	1,061	1,061	1,061
Neutral						
	Valuation basis					
	Based on 55% discount to RNAV					
	Key drivers					
	MYR9bn GDV of IoT ready mixed-development township consisting of residential areas, leisure park, shopping mall, convention centres and hotels.					
	Key risks					
	Significant slowdown in the property market due to loan application rejection remains the key hurdle.					
	Company Profile					
	I-BHD is 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.					
	Valuation metrics	Dec-16	Dec-17	Dec-18F	Dec-19F	Dec-20F
	Recurring P/E (x)	8.16	7.12	7.06	7.06	6.41
	P/E (x)	8.28	7.31	7.06	7.06	6.41
	P/B (x)	0.65	0.61	0.57	0.54	0.51
	FCF Yield (%)	24.3	1.5	29.4	(3.5)	11.2
	Dividend Yield (%)	3.6	4.1	4.3	4.2	4.7
	EV/EBITDA (x)	4.95	3.35	1.98	2.19	1.63
	EV/EBIT (x)	5.91	4.02	2.42	2.73	1.99
	Income statement (MYRm)	Dec-16	Dec-17	Dec-18F	Dec-19F	Dec-20F
	Total turnover	384	465	434	500	554
	Gross profit	125	147	148	152	167
	EBITDA	107	130	133	135	146
	Depreciation and amortisation	(17)	(22)	(24)	(27)	(27)
	Operating profit	90	108	109	109	119
	Net interest	0	0	(6)	(6)	(6)
	Pre-tax profit	88	105	103	103	113
	Taxation	(22)	(30)	(25)	(25)	(27)
	Minority interests	0	0	0	0	0
	Recurring net profit	68	78	78	78	86
	Cash flow (MYRm)	Dec-16	Dec-17	Dec-18F	Dec-19F	Dec-20F
	Change in working capital	81	(17)	108	(67)	4
	Cash flow from operations	168	92	212	41	122
	Capex	(34)	(84)	(50)	(60)	(60)
	Cash flow from investing activities	(59)	(85)	(251)	(60)	(60)
	Proceeds from issue of shares	1	4	0	0	0
	Dividends paid	(13)	(23)	(23)	(23)	(26)
	Cash flow from financing activities	(32)	(21)	(24)	(25)	(27)
	Cash at beginning of period	96	180	213	136	102
	Net change in cash	77	(14)	(62)	(44)	35
	Ending balance cash	174	166	151	92	137
	Balance sheet (MYRm)	Dec-16	Dec-17	Dec-18F	Dec-19F	Dec-20F
	Total cash and equivalents	180	213	136	102	161
	Tangible fixed assets	390	458	482	514	543
	Total investments	44	103	353	353	353
	Total other assets	2	1	1	1	1
	Total assets	1,366	1,515	1,749	1,651	1,753
	Other liabilities		0			
	Total liabilities	516	608	787	635	676
	Shareholders' equity	850	907	962	1,016	1,077
	Total equity	850	907	962	1,016	1,077
	Net debt	21	(13)	64	98	38
	Total liabilities & equity	1,366	1,515	1,749	1,651	1,753
	Key metrics	Dec-16	Dec-17	Dec-18F	Dec-19F	Dec-20F
	Revenue growth (%)	49.0	21.3	(6.6)	15.0	10.8
	Recurrent EPS growth (%)	61.9	14.6	0.8	(0.0)	10.1
	Gross margin (%)	32.7	31.6	34.1	30.5	30.1
	Operating EBITDA margin (%)	27.9	27.9	30.5	27.1	26.3
	Net profit margin (%)	17.4	16.2	18.0	15.6	15.5
	Dividend payout ratio (%)	29.9	30.0	30.0	30.0	30.0
	Capex/sales (%)	8.9	18.0	11.5	12.0	10.8
	Interest cover (x)			18.1699557	18.1653778	19.906005

Source: Company data, RHB

Figure 1: I-BHD's results review

FYE Dec (MYRm)	2Q17	1Q18	2Q18	QoQ (%)	YoY (%)	1H17	1H18	YoY (%)	Comments
Revenue	131.9	159.3	107.2	(32.7)	(18.8)	240.4	266.5	10.9	Higher revenue mainly due to higher recognition of sales from construction in progress.
EBITDA	32.5	26.8	31.9	19.1	(2.0)	61.9	58.7	(5.2)	
Depreciation	(3.8)	(1.7)	(2.9)	69.2	(22.7)	(7.7)	(4.7)	(39.3)	
EBIT	28.7	25.0	29.0	15.7	0.8	54.2	54.0	(0.4)	
Interest expense	0.0	0.0	0.0	nm	nm	0.0	0.0	nm	
Pretax profit	28.1	25.0	28.7	14.7	2.2	53.5	53.7	0.4	
Tax	(7.0)	(0.5)	(6.4)	>100	(8.4)	(11.4)	(6.9)	(39.4)	Lower tax due to the over provision of deferred tax in prior year and cost adjustment as a result of the changes in the national tax regime
Minority Interest	0.0	0.0	0.0	(70.0)	(78.6)	0.0	0.0	(45.8)	
Net Profit	21.1	24.5	22.3	(8.9)	5.6	42.1	46.8	11.1	
Core Profit	21.1	24.5	22.3	(8.9)	5.6	42.1	46.8	11.1	Above expectation
EPS (sen)	2.0	2.3	2.1	(8.9)	5.6	4.0	4.4	11.1	
<i>EBITDA Margin (%)</i>	24.7	16.8	29.8			25.7	22.0		
<i>EBIT Margin (%)</i>	21.8	15.7	27.0			22.5	20.3		
<i>Pretax Margin (%)</i>	21.3	15.7	26.8			22.3	20.2		
<i>Effective tax rate (%)</i>	24.8	2.2	22.3			21.3	12.9		
<i>Net Margin (%)</i>	16.0	15.4	20.8			17.5	17.6		

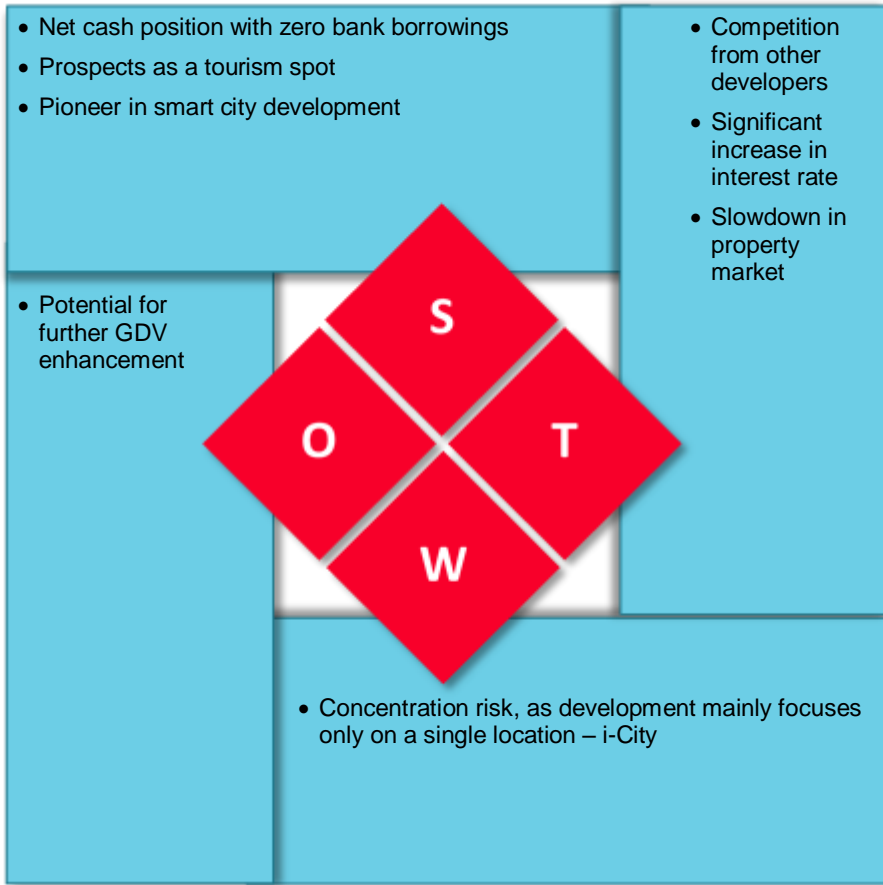
Source: Company data, RHB

Figure 2: IBHD's RNAV table

Projects	Type of Development	Total GDV (MYRm)	Development Period	NPV @ 11.1% (MYRm)
i-City				
Liberty	Residential	179	3-4 years	2
Parisian	Residential	189	3-4 years	1
Hyde	Residential	268	3-4 years	7
Hill 10 Residence	Residential	123	3-4 years	11
Smart Office	Offices	230	3-4 years	28
Tower 1 (Hill 11)	Residential	278	3-4 years	34
Tower 2 (Hill 12)	Residential	281	3-4 years	34
90k sqf retail	Retails	162	3-4 years	20
The Jewel	Mixed Developments	3,900	6-8 years	393
Dome	Mixed Developments	1,000	4-5 years	111
8 Kia Peng	Residential / SOHO	882	3-4 years	71
Unbilled sales (MYRm)				31
Shareholders' funds as at end FY17 (MYRm)				913
Total RNAV (MYRm)				1,654
No. of shares (m)				1,316
RNAV per share (MYR)				1.26
Discount				55%
TP (MYR)				0.57

Source: Company data, RHB

SWOT Analysis



Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2018-05-30	Neutral	0.52	0.49
2018-02-27	Neutral	0.52	0.54
2017-12-15	Neutral	0.50	0.53

Source: RHB, Bloomberg

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