



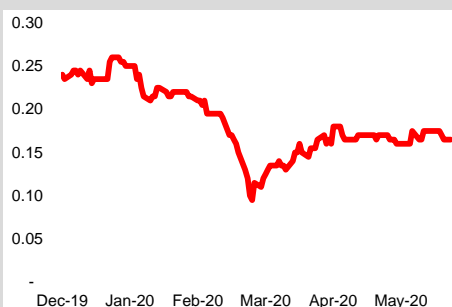
DESCRIPTION

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 RM0.26
Current Price RM0.165
Expected Return 57.6%

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

SHARE PRICE CHART



52 Week Range (RM) RM0.10 – RM0.41
3-Month Average Vol ('000) 3,025.9

SHARE PRICE PERFORMANCE

	1M	3M	12M
Absolute Returns	-2.9	3.1	-55.4
Relative Returns	-11.9	-4.3	-55.2

KEY STOCK DATA

Market Capitalisation (RMm) 184.2
No. of Shares (m) 1,116.4

MAJOR SHAREHOLDERS

	%
Sumurwang	53.0
Sumur Ventures	7.7
Lim Khuan Eng	1.3

Ching Weng Jin

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Difficult Start

The Group saw another weak set of numbers reported, with the previously-steady Leisure segment also slipping into a loss for the quarter. 1QFY20 net profit of only RM1.1m (-84.5% YoY, -68.7% QoQ) is below expectations at 5.3% of our and 4.5% of consensus full-year estimates. In light of current operating conditions amid the Covid-19 pandemic, we are slashing FY20/FY21/FY22 earnings estimates by 39.5%/25.1%/14.2% as we forecast larger losses in its mall operations, while also changing property launch and sales assumptions. We still like I-Berhad's long-term value proposition underpinned by a remaining ~60% of its gross development value in Shah Alam yet to be realized. While our unchanged target price of RM0.26 (based on an already-steep 80% discount to fully-diluted RNAV) appears to provide significant price performance upside, we retain our **Neutral** call given the lack of near-term re-rating catalysts. Longer-term investors may find value in its attractive location which will benefit from the urbanization of the outer Klang Valley region however.

§ **1QFY20 earnings overview.** Property development pretax profit of RM3.1m (-60.3% YoY, -59.8% QoQ) remains the largest contributor despite the lower overall Group numbers. This is magnified by pretax losses of RM400,000 and RM1.1m in its property investment and leisure segments respectively due to business shutdowns following imposition of the Movement Control Order (MCO) to contain the Covid-19 pandemic. 2QFY20 contributions will be equally uninspiring as a result. Property unbilled sales declined further amid the lack of new launches, now at RM94.2m as at end-March from RM98.4m at end-December.

§ **Business overview.** Soft market conditions have seen the Group holding back on property launches, focusing instead on its property investment portfolio. The Group's recent rights issue of preference shares puts it on strong financial footing to ride out this current soft patch, though will be unable to help stem earnings degradation from weak consumer sentiment. Owing to recent inactivity as a result of the extended MCO, its Grade-A GBI-rated office tower will now only be occupied late-3Q/early-4Q while opening of the Double Tree by Hilton Hotel and 2nd Convention Centre are now delayed to mid-2021.

§ **Risks to earnings** will come from further delays in launches. While we had previously accounted for one (valued at ~RM300m) this year, and one (also valued at ~RM300m) next year, we are now assuming delays by 6-9 months, thereby necessitating our earnings cut. Wider-than-expected losses from its mall operations may also weigh, in addition to weakness in its Leisure division. While portions of the latter have reopened, it is unlikely to operate at optimal capacity however given distancing requirements. The gradual clearing of inventories estimated at about RM300m is a plus point.

KEY FORECAST TABLE (RM m)

FY Dec (RM m)	2018A *	2019A *	2020F	2021F	2022F	CAGR
Revenue	375.1	172.0	143.0	150.0	261.6	-8.6%
Pre-tax Profit	76.8	40.1	16.5	27.0	52.3	-9.1%
Net Profit	58.7	25.8	12.5	20.5	39.8	-9.3%
FD EPS ¹ (Sen)	3.2	1.4	0.7	1.1	2.1	-9.3%
FD P/E ¹ (x)	6.6	15.1	31.1	19.0	9.8	
DPS ¹ (Sen)	1.5	0.6	0.3	0.5	0.9	
Dividend Yield	8.9	3.9	1.8	2.9	5.6	

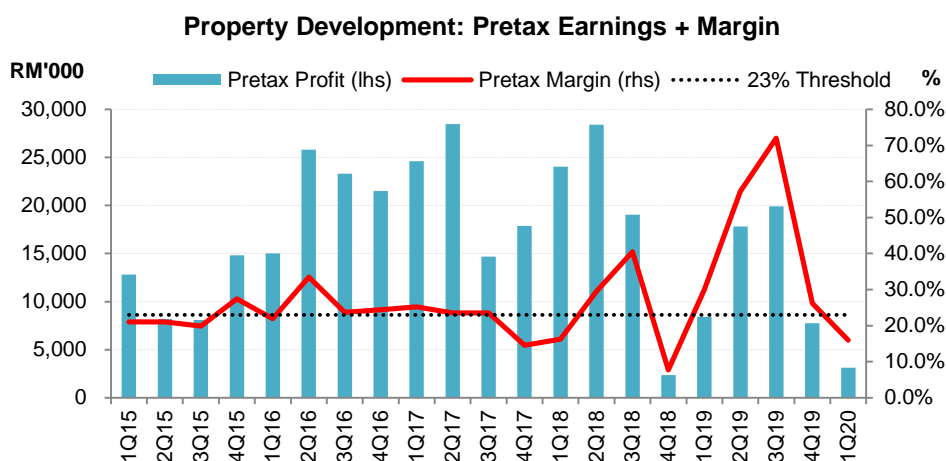
Source: Company, PublicInvest Research estimates

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

Table 1: Results Summary

FY Dec (RM'm)	1Q FY20	1Q FY19	4Q FY19	Y-o-Y chg (%)	Q-o-Q chg (%)	1Q FY20	1Q FY19	YoY chg (%)	Comments
Revenue	28.7	41.1	47.2	-30.1	-39.2	28.7	41.1	-30.1	No launches since 2018
Cost of sales	-19.2	-21.5	-23.1	-10.6	-16.8	-19.2	-21.5	-10.6	
Gross profit	9.5	19.6	24.1	-51.6	-60.6	9.5	19.6	-51.6	
Other income	1.6	1.8	1.0	-15.5	49.2	1.6	1.8	-15.5	
Admin expenses	-9.2	-12.3	-11.4	-25.0	-19.3	-9.2	-12.3	-25.0	
Associate	-0.4	0.0	-8.7	-	-95.4	-0.4	0.0	-	
Pre-tax profit	1.4	9.1	5.0	-84.5	-71.8	1.4	9.1	-84.5	
Income tax	-0.3	-2.0	-1.5	-82.9	-76.5	-0.3	-2.0	-82.9	
Minorities	0.0	0.0	0.0	-444.4	-210.7	0.0	0.0	-444.4	
Net profit	1.1	7.1	3.5	-84.5	-68.7	1.1	7.1	-84.5	
EPS (sen)	0.1	0.7	0.3	-85.1	-68.8	2.4	5.5	-56.2	
Gross Margin (%)	33.0	47.7	51.0	-	-	33.0	47.7	-	
Pre-tax Margin (%)	4.9	22.2	10.6	-	-	4.9	22.2	-	
Net Margin (%)	3.8	17.2	7.4	-	-	3.8	17.2	-	
SEGMENTAL (RM'm)	1Q FY20	1Q FY19	4Q FY19	Y-o-Y chg (%)	Q-o-Q chg (%)	Comments			
Revenue									
Prop development	19.5	27.9	29.6	-30.3%	-34.1%	RM94m unbilled sales			
Prop investment	2.1	2.2	2.4	-2.3%	-10.0%				
Leisure	6.4	10.6	14.0	-39.4%	-54.2%				
Others	0.7	0.3	1.2	89.5%	-45.9%				
Total	28.7	41.1	47.2	-30.1%	-39.2%				
Pretax Profit									
Prop development	3.1	8.4	7.7	-63.0%	-59.8%				
Prop investment	-0.6	-0.7	-9.8	-11.5%	-93.9%				
Leisure	-1.1	1.5	6.4	-	-				
Others	0.0	-0.2	0.7	-	-93.4%				
Total	1.4	9.1	5.0	-84.5%	-71.8%				

n.a. = not applicable

Figure 1: Pretax Profit - Property Development


Source: Company, PublicInvest Research

KEY FINANCIAL DATA
INCOME STATEMENT DATA

FYE Dec (RMm)	2018A	2019A	2020F	2021F	2022F
Revenue	375.1	172.0	143.0	150.0	261.6
Cost of Sales	-245.8	-70.8	-92.1	-96.6	-171.2
Gross Profit	129.3	101.3	50.9	53.4	90.5
Other Income	3.5	-12.9	-13.7	-4.7	-0.2
Administration Expenses	-56.0	-48.3	-20.7	-21.7	-37.9
Pre-tax Profit	76.8	40.1	16.5	27.0	52.3
Income Tax	-18.0	-14.3	-4.0	-6.5	-12.6
Effective Tax Rate (%)	23.5%	35.6%	24.0%	24.0%	24.0%
Minorities	-0.1	-0.1	0.0	0.0	0.0
Core Net Profit	58.7	25.8	12.5	20.5	39.8

Growth

Revenue	-17.6%	-54.1%	-16.9%	4.9%	74.4%
Gross Profit	-7.4%	-21.7%	-49.7%	4.9%	69.4%
Net Profit	-4.9%	-56.1%	-51.4%	63.6%	94.0%

Source: Company, PublicInvest Research estimates

BALANCE SHEET DATA

FYE Dec (RMm)	2018A	2019A	2020F	2021F	2022F
Investment properties	439.8	506.2	534.8	582.3	629.9
Property development costs	774.8	810.9	774.8	762.3	749.8
Cash and bank balances	18.8	139.2	86.0	68.7	8.5
Other assets	445.3	440.8	372.2	364.0	401.8
Total Assets	1,678.8	1,897.0	1,767.9	1,777.3	1,790.0
Payables	485.0	497.8	360.0	373.3	398.3
Liabilities – ICULS and RCULS	0.0	203.9	219.9	224.5	197.4
Deferred tax	5.3	5.7	6.3	6.3	6.3
Other liabilities	213.4	70.4	53.7	30.9	17.7
Total Liabilities	703.7	777.8	639.9	635.0	619.8
Total Equity	975.1	1,119.2	1,128.0	1,142.4	1,170.2
Total Equity and Liabilities	1,678.8	1,897.0	1,767.9	1,777.3	1,790.0

Source: Company, PublicInvest Research estimates

PER SHARE DATA & RATIOS

FYE Dec	2018A	2019A	2020F	2021F	2022F
Book Value Per Share	0.98	1.12	1.05	1.06	1.09
NTA Per Share	0.98	1.12	1.05	1.06	1.09
EPS (Sen)	3.2	1.4	0.7	1.1	2.1
DPS (Sen)	1.5	0.6	0.3	0.5	0.9
Payout Ratio (%)	46.4%	46.4%	43.5%	43.5%	43.5%
ROA (%)	3.5%	1.4%	0.7%	1.2%	2.2%
ROE (%)	6.0%	2.3%	1.1%	1.8%	3.4%

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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