

31 May 2018

Property | Real Estate

## I-BHD

**Neutral** (Maintained)

### A Good Start To 2018

**Maintain NEUTRAL, with an unchanged MYR0.52 TP, based on 60% discount to RNAV and suggesting a total return of 10%. 1Q18 earnings were exceeded expectations due to a lower effective tax rate and adoption of MFRS15. We expect the property market to remain weak this year, as most developers will likely hold back their launches and buyers will delay their purchases, in view of policy uncertainties, post-election.**

**1Q18 earnings above expectations.** IBHD's 1Q18 net profit of MYR24.5m exceeded expectations. Revenue improved 46.9% YoY, from the impact of the adoption of Malaysian Financial Reporting Standards (MFRS)15 and further sales from existing projects and the advancement of the construction progress. Earnings improved 16.6% YoY from a lower effective tax rate, given the over provision of deferred tax in the prior year. DPS of MYR0.0213 was declared.

**Better new sales number.** During the quarter, IBHD achieved MYR79m new sales (vs MYR59m in 1Q17) from higher sales for its 8Kia Peng project. However, unbilled sales now stands at MYR272.8m, slightly lower than 4Q17's MYR274m. Management expects unbilled sales to grow this year from 8Kia Peng's new sales. With challenging property market conditions, management has lower 2018 sales target to MYR280-350m (from MYR330-MYR400m).

**Hill 10 almost fully booked.** Hill 10 Residence, IBHD's only project launched last year, had a take-up rate of 90% (booking rate is at 95%). Despite the high prices, we believe the good take-up rate is attributed to the upcoming mall – Central Plaza @ i-City slated for completion in 4Q18. However, in view of policy uncertainties post-election, we expect pipeline launches eg Hill 11 residence (GDV of MYR278m), Hill 12 residence (GDV of MYR281m) and Smart Office (GDV of MYR230m) to potentially be delayed this year.

**All eyes on 8Kia Peng.** We believe IBHD's performance in the near term will be heavily dependent on 8Kia Peng. The project, launched in early FY16, had the take-up rate improve slightly to 12% (booking rate achieved: 20%). Given the slow take-up, construction progress has followed suit, with only 30% completed (target completion: end-2019).

**Raise earnings forecasts.** We revise up our FY18F-20F earnings by 14%, 3%, and 2% respectively due to MFRS15 adoption and higher earnings from 8Kia Peng. FY19F-20F earnings could be flat from lower property sales this year, and flat unbilled sales.

**Maintain NEUTRAL.** We maintain our DDM-based MYR0.52 TP with an unchanged discount to RNAV of 60%. The property market outlook will likely remain challenging, in view of the policy uncertainties post-election and volatility in the equity market.

Target Price: MYR0.52  
Price: MYR0.49  
Market Cap: MYR489m  
Bloomberg Ticker: IBHD MK

#### Share Data

Avg Daily Turnover (MYR/USD) 0.07m/0.02m  
52-wk Price low/high (MYR) 0.46 - 0.63  
Free Float (%) 23  
Shares outstanding (m) @MYR1 par 1,061  
Expected Share Price Return 6%  
Expected Dividend Return 4%  
Expected Total Return 10%

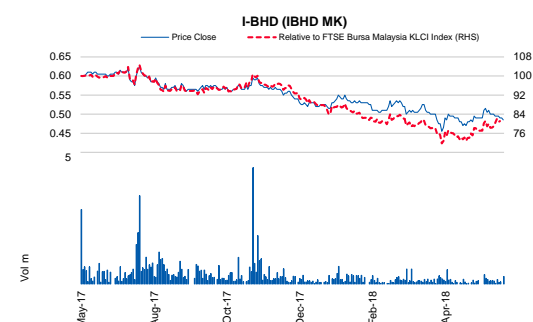
#### Shareholders (%)

Sumurwang SB 58.6  
Sumur Ventures SB 8.5  
Lim Khuan Eng 1.4

#### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(5.8)	1.0	(8.5)	(10.2)	(19.2)
Relative	(4.6)	6.1	(4.2)	(13.6)	(19.8)

Source: Bloomberg



Source: Bloomberg

#### Additional Data

Bursa Code 4251  
Listing Market Main Market  
Beta 1.1  
3-Month Average Volume ('000) 143813  
ROA (%) 5.2%

Forecasts and Valuations	Dec-16	Dec-17	Dec-18F	Dec-19F	Dec-20F
Total turnover (MYRm)	384	465	413	493	542
Reported net profit (MYRm)	66.6	75.5	73.7	77.0	83.9
Recurring net profit (MYRm)	67.7	77.6	73.7	77.0	83.9
Recurring net profit growth (%)	61.9	14.6	(5.0)	4.5	9.0
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)	7.61	6.64	6.98	6.68	6.13
P/B (x)	0.61	0.57	0.54	0.51	0.48
Dividend Yield (%)	3.9	4.4	4.3	4.5	4.9
Return on average equity (%)	8.1	8.6	7.9	7.8	8.1
Return on average assets (%)	5.2	5.2	4.6	4.6	5.0
Net debt to equity (%)	2.4	netcash	4.5	9.6	3.3
Our vs consensus EPS (adjusted)					

Source: Company data, RHB

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## Financial Exhibits

Financial model updated on : 2018-05-30.

Asia	<b>Financial summary</b>	<b>Dec-16</b>	<b>Dec-17</b>	<b>Dec-18F</b>	<b>Dec-19F</b>	<b>Dec-20F</b>
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
<b>I-BHD</b>	DPS (MYR)	0.02	0.02	0.02	0.02	0.02
Bloomberg	BVPS (MYR)	0.80	0.85	0.90	0.95	1.01
IBHD MK	Weighted avg adjusted shares (m)	1,061	1,061	1,061	1,061	1,061
<b>Neutral</b>						
	<b>Valuation metrics</b>	<b>Dec-16</b>	<b>Dec-17</b>	<b>Dec-18F</b>	<b>Dec-19F</b>	<b>Dec-20F</b>
<b>Valuation basis</b>	Recurring P/E (x)	7.61	6.64	6.98	6.68	6.13
Based on 60% discount to RNAV	P/E (x)	7.72	6.82	6.98	6.68	6.13
	P/B (x)	0.61	0.57	0.54	0.51	0.48
<b>Key drivers</b>	FCF Yield (%)	26.0	1.6	32.9	(6.1)	11.9
MYR9bn GDV of IoT ready mixed-development township consisting of residential, leisure park, shopping mall, convention centres and hotels.	Dividend Yield (%)	3.9	4.4	4.3	4.5	4.9
	EV/EBITDA (x)	4.60	3.07	1.62	1.94	1.38
	EV/EBIT (x)	5.49	3.68	1.99	2.42	1.70
<b>Key risks</b>						
Significant slowdown in the property market as loan rejection remains the key hurdle.	<b>Income statement (MYRm)</b>	<b>Dec-16</b>	<b>Dec-17</b>	<b>Dec-18F</b>	<b>Dec-19F</b>	<b>Dec-20F</b>
	Total turnover	384	465	413	493	542
	Gross profit	125	147	141	150	163
	EBITDA	107	130	127	134	143
	Depreciation and amortisation	(17)	(22)	(24)	(27)	(27)
	Operating profit	90	108	103	107	116
	Net interest	0	0	(6)	(6)	(6)
	Pre-tax profit	88	105	97	101	110
	Taxation	(22)	(30)	(23)	(24)	(27)
	Minority interests	0	0	0	0	0
	Recurring net profit	68	78	74	77	84
	<b>Cash flow (MYRm)</b>	<b>Dec-16</b>	<b>Dec-17</b>	<b>Dec-18F</b>	<b>Dec-19F</b>	<b>Dec-20F</b>
	Change in working capital	81	(17)	121	(77)	6
	Cash flow from operations	168	92	219	29	121
	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)	(22)	(23)	(25)
	Cash flow from financing activities	(32)	(21)	(22)	(24)	(27)
	Cash at beginning of period	96	180	213	156	102
	Net change in cash	77	(14)	(54)	(56)	35
	Ending balance cash	174	166	159	101	137
	<b>Balance sheet (MYRm)</b>	<b>Dec-16</b>	<b>Dec-17</b>	<b>Dec-18F</b>	<b>Dec-19F</b>	<b>Dec-20F</b>
	Total cash and equivalents	180	213	156	102	164
	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	1,719	1,642	1,738
	Other liabilities		0			
	Total liabilities	516	608	761	630	667
	Shareholders' equity	850	907	959	1,012	1,071
	Total equity	850	907	959	1,012	1,071
	Net debt	21	(13)	43	97	35
	Total liabilities & equity	1,366	1,515	1,719	1,642	1,738
	<b>Key metrics</b>	<b>Dec-16</b>	<b>Dec-17</b>	<b>Dec-18F</b>	<b>Dec-19F</b>	<b>Dec-20F</b>
	Revenue growth (%)	49.0	21.3	(11.2)	19.5	9.8
	Recurrent EPS growth (%)	61.9	14.6	(5.0)	4.5	9.0
	Gross margin (%)	32.7	31.6	34.1	30.5	30.0
	Operating EBITDA margin (%)	27.9	27.9	30.7	27.1	26.4
	Net profit margin (%)	17.4	16.2	17.9	15.6	15.5
	Dividend payout ratio (%)	29.9	30.0	30.0	30.0	30.0
	Capex/sales (%)	8.9	18.0	12.1	12.2	11.1
	Interest cover (x)			17.1865018	17.9151021	19.4337896

Source: Company data, RHB

Figure 1: IBHD's results review

FYE Dec (MYRm)	1Q17	4Q17	1Q18	QoQ (%)	YoY (%)	Comments
<b>Revenue</b>	<b>108.4</b>	<b>123.5</b>	<b>159.3</b>	<b>29.0</b>	<b>46.9</b>	Higher revenue mainly due to adoption of MFRS 15 and further sales from existing projects
<b>EBITDA</b>	29.3	115.0	26.8	(76.7)	<b>(8.8)</b>	
Depreciation	(3.9)	(89.2)	(1.7)	(98.1)	(55.4)	
<b>EBIT</b>	<b>25.5</b>	<b>25.9</b>	<b>25.0</b>	<b>(3.3)</b>	<b>(1.6)</b>	
Interest expense	0.0	0.0	0.0	nm	nm	
<b>Pretax profit</b>	<b>25.4</b>	<b>24.8</b>	<b>25.0</b>	<b>0.7</b>	<b>(1.7)</b>	
Tax	(4.5)	(9.6)	(0.5)	(94.4)	(87.9)	Lower tax rate due to the over provision of deferred tax in prior year
Minority Interest	0.0	(0.0)	0.0	(433.3)	0.0	
<b>Net Profit</b>	<b>21.0</b>	<b>15.3</b>	<b>24.5</b>	<b>60.5</b>	<b>16.6</b>	
<b>Core Profit</b>	<b>21.0</b>	<b>15.3</b>	<b>24.5</b>	<b>60.5</b>	<b>16.6</b>	Above expectations
<b>EPS (sen)</b>	<b>2.0</b>	<b>1.4</b>	<b>2.3</b>	<b>60.5</b>	<b>16.6</b>	
<i>EBITDA Margin (%)</i>	27.1	93.2	16.8			
<i>EBIT Margin (%)</i>	23.5	21.0	15.7			
<i>Pretax Margin (%)</i>	23.5	20.1	15.7			
<i>Effective tax rate (%)</i>	17.5	38.6	2.2			
<i>Net Margin (%)</i>	19.4	12.4	15.4			

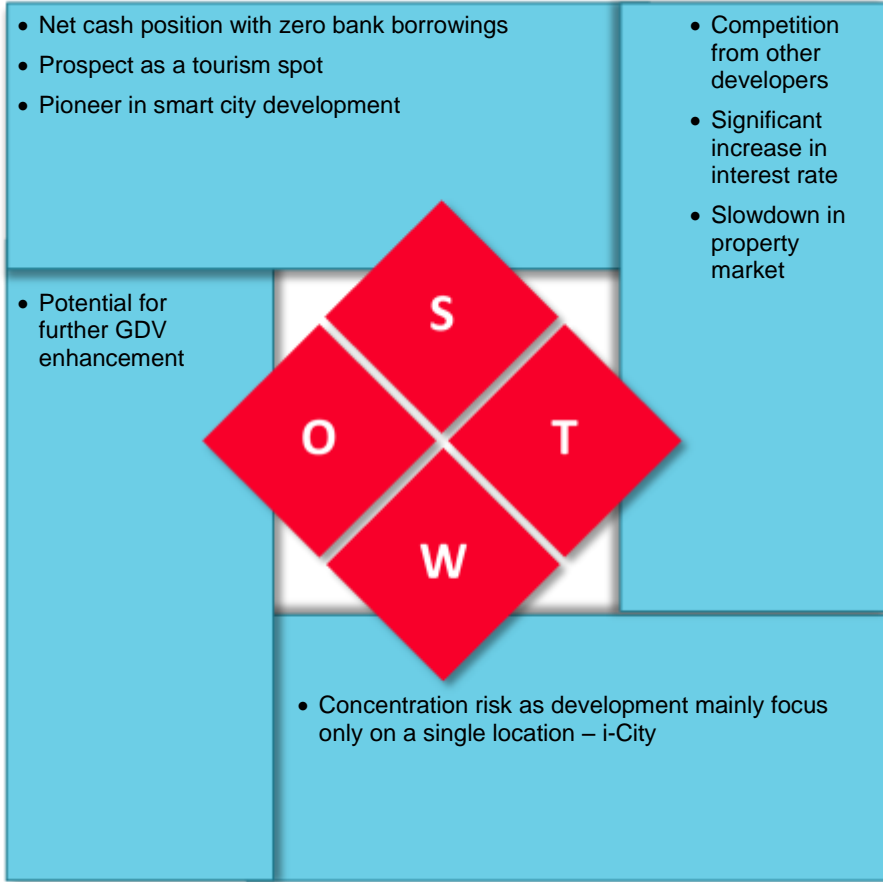
Source: Company data, RHB

Figure 2: IBHD's RNAV table

Projects	Type of Development	Total GDV (MYRm)	Development Period	NPV @ 9.7% (MYRm)
<b>i-City</b>				
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	29
Tower 1 (Hill 11)	Residential	278	3-4 years	35
Tower 2 (Hill 12)	Residential	281	3-4 years	35
90k sqf retail	Retails	162	3-4 years	20
The Jewel	Mixed Developments	3,900	6-8 years	412
Dome	Mixed Developments	1,000	4-5 years	115
<b>8 Kia Peng</b>	Residential / SOHO	882	3-4 years	74
Unbilled sales (MYRm)				41
Shareholders' funds as at end FY16 (MYRm)				913
Total RNAV (MYRm)				1,694
No. of shares (m)				1,316
RNAV per share (MYR)				1.29
Discount				60%
TP (MYR)				<b>0.52</b>

Source: Company data, RHB

## SWOT Analysis



## Recommendation Chart



Source: RHB, Bloomberg

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

Source: RHB, Bloomberg

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**Buy:** Share price may exceed 10% over the next 12 months

**Trading Buy:** Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain

**Neutral:** Share price may fall within the range of +/- 10% over the next 12 months

**Take Profit:** Target price has been attained. Look to accumulate at lower levels

**Sell:** Share price may fall by more than 10% over the next 12 months

**Not Rated:** Stock is not within regular research coverage

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