



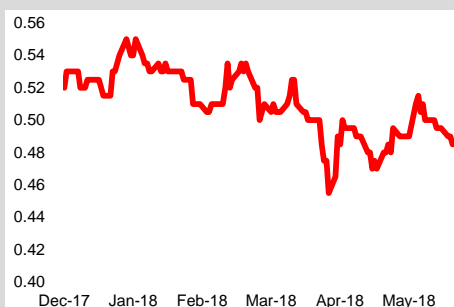
#### DESCRIPTION

The developer of an ultrapolis in Shah Alam spanning across 72 acres, with a remaining gross development value of RM7bn, an eventual RM1bn property investment portfolio, and a leisure component

**12-Month Target Price** RM0.91  
**Current Price** RM0.485  
**Expected Return** 87.6%

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

#### SHARE PRICE CHART



**52 Week Range (RM)** RM0.45 – RM0.64  
**3-Month Average Vol ('000)** 142.4

#### SHARE PRICE PERFORMANCE

|                  | 1M  | 3M   | 12M   |
|------------------|-----|------|-------|
| Absolute Returns | 4.3 | -7.5 | -18.4 |
| Relative Returns | 9.5 | -1.2 | -17.0 |

#### KEY STOCK DATA

**Market Capitalisation (RMm)** 489.2  
**No. of Shares (m)** 1,008.7

#### MAJOR SHAREHOLDERS

|                | %    |
|----------------|------|
| Sumurwang      | 58.6 |
| Sumur Ventures | 8.5  |
| Lim Khuan Eng  | 1.5  |

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## Off To A Good Start

I-Berhad's net profit of RM24.5m (+16.7% YoY, +38.5% QoQ) for 1QFY18 is broadly in line our estimates at 27.6% of full-year forecasts, but significantly ahead of consensus at 37.9%. There were 2 notable items in the current set of numbers, one being the lower statutory tax rate owing to an over-provision of deferred tax in prior years, the other being the early adoption of MFRS 15 which among others, could see previously-capitalized items being expensed off and revenue recognition deferred. Nonetheless, earnings growth is intact and has been on a consistent and upward trajectory, with its strong fundamentals still largely ignored by the investment fraternity presumably on its single-location focus. We continue to like I-Berhad's value proposition and attractive location in benefitting from the urbanization of the outer Klang Valley region (Klang and Shah Alam). Our **Outperform** call is retained with an unchanged target price of RM0.91 based on a ~50% discount to fully-diluted RNAV.

§ **Earnings overview.** Property development still commands the lion's share in terms of earnings contribution, with a 96% share in the current quarter. Divisional pretax profit of RM24.1m for 1QFY18 is 2.3% lower as compared to the previous corresponding period's RM24.6m due to a retrospective adjustment to 1QFY17 numbers in line with the adoption of MFRS15. While near-term numbers may get increasingly volatile owing to timing differences in view of this adoption, the Group's longer-term earnings visibility is secure and will be underpinned by its current unbilled sales of RM273m, to be augmented by the fully-sold Hill 10 Residences worth about RM120m and increasing contributions from the 8 Kia Peng project in downtown Kuala Lumpur which is starting to gain strong traction.

The Group's RM850m shopping centre built in collaboration with the Central Pattana Group, the latter holding a 60% stake and its first foray outside of Thailand is slated for opening mid-November. Spread across 940,000 sq ft and counting the likes of Sogo Department Store, Village Grocer and TGV Cinemas amongst the anchor tenants, the centre will be a key turning point for its Property Investment portfolio which continues to see negligible contributions. For 1QFY18, pretax losses narrowed to RM373,000 (1QFY17: -RM454,000) due to higher occupancies in its Best Western Hotel. Revenue is an insignificant RM1.5mn.

§ **Business overview.** The Liberty, Parisien and Hyde Towers are on track for delivery in 3QFY18. In light of no planned launches for the year, focus is still to clear its existing stock in iCity worth an estimated RM300m. 8 Kia Peng, the Group's sole development project out of Shah Alam, is seeing encouraging sales growth after a difficult start, contrary to the lackluster market environment for higher-end properties, particularly in downtown Kuala Lumpur. We gather the Group's cumulative sales for year-to-date from both sites (Shah Alam and KL) is about RM150m.

#### KEY FORECAST TABLE

| FYE Dec (RM m)            | 2016A | 2017A | 2018F | 2019F | 2020F | CAGR  |
|---------------------------|-------|-------|-------|-------|-------|-------|
| Revenue                   | 383.6 | 465.1 | 518.8 | 533.4 | 614.7 | 12.5% |
| Pre-tax Profit            | 88.2  | 105.4 | 116.7 | 119.1 | 136.7 | 11.6% |
| Net Profit                | 66.6  | 75.5  | 88.7  | 90.4  | 103.8 | 11.7% |
| FD EPS <sup>1</sup> (Sen) | 5.1   | 5.7   | 6.7   | 6.9   | 7.9   | 11.7% |
| FD P/E <sup>1</sup> (x)   | 9.6   | 8.5   | 7.2   | 7.1   | 6.1   |       |
| DPS <sup>1</sup> (Sen)    | 1.9   | 2.3   | 2.7   | 2.7   | 3.1   |       |
| Dividend Yield (%)        | 3.1   | 3.7   | 4.3   | 4.4   | 5.0   |       |

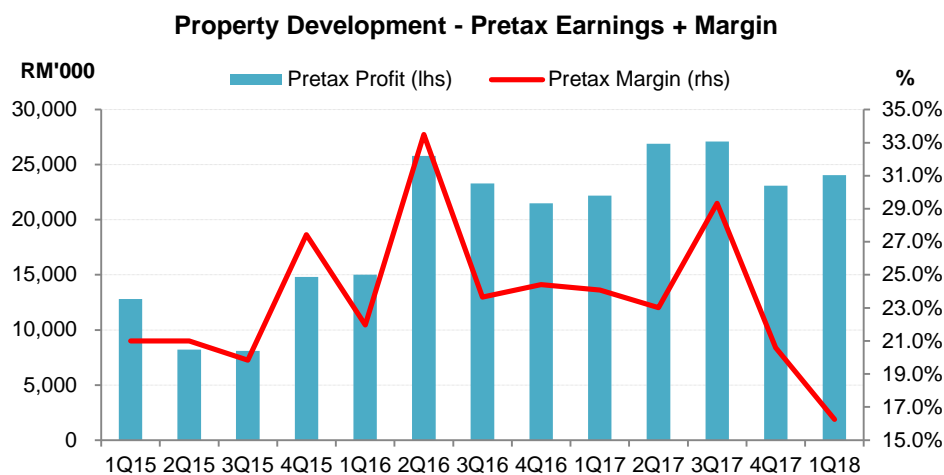
Source: Company, PublicInvest Research estimates

Note: <sup>1</sup> Fully-diluted share base: 1,315m shares (excluding warrants)

**Table 1: Results Summary**

| <u>FYE Dec (RM m)</u>   | <u>1Q18</u>  | <u>1Q17</u>  | <u>4Q17</u>  | <u>YoY<br/>chg<br/>(%)</u> | <u>QoQ<br/>chg<br/>(%)</u> |                       |
|-------------------------|--------------|--------------|--------------|----------------------------|----------------------------|-----------------------|
| Revenue                 | 159.3        | 108.4        | 129.1        | 46.9                       | 23.4                       |                       |
| Cost of sales           | -120.0       | -70.3        | -89.2        | 70.7                       | 34.6                       |                       |
| <b>Gross profit</b>     | <b>39.3</b>  | <b>38.1</b>  | <b>39.9</b>  | <b>3.1</b>                 | <b>-1.6</b>                |                       |
| Other income            | 2.7          | 2.0          | 2.7          | 32.0                       | -0.7                       |                       |
| Admin expenses          | -16.9        | -14.7        | -14.3        | 15.2                       | 18.2                       |                       |
| Associate               | 0.0          | 0.0          | -1.1         | 25.0                       | -98.1                      |                       |
| <b>Pre-tax profit</b>   | <b>25.0</b>  | <b>25.4</b>  | <b>27.2</b>  | <b>-1.7</b>                | <b>-8.2</b>                |                       |
| Income tax              | -0.5         | -4.5         | -9.6         | -87.9                      | -94.4                      |                       |
| Minorities              | 0.0          | 0.0          | 0.0          | n.a.                       | n.a.                       |                       |
| <b>Net profit</b>       | <b>24.5</b>  | <b>21.0</b>  | <b>17.7</b>  | <b>16.7</b>                | <b>38.6</b>                |                       |
| EPS (sen)               | 2.4          | 2.1          | 1.8          | 16.7                       | 38.6                       |                       |
| Gross Margin (%)        | 24.7         | 35.2         | 30.9         |                            |                            |                       |
| Pre-tax Margin (%)      | 15.7         | 23.5         | 21.1         |                            |                            |                       |
| Net Margin (%)          | 15.4         | 19.3         | 13.7         |                            |                            |                       |
|                         |              |              |              | <u>YoY<br/>chg<br/>(%)</u> | <u>QoQ<br/>chg<br/>(%)</u> | <u>Comments</u>       |
| <b>SEGMENTAL (RM m)</b> | <b>1Q18</b>  | <b>1Q17</b>  | <b>4Q17</b>  |                            |                            |                       |
| <b>Revenue</b>          |              |              |              |                            |                            |                       |
| Development             | 147.9        | 97.8         | 112.1        | 51.2                       | 31.9                       | RM273m unbilled sales |
| Investment              | 1.5          | 1.2          | 1.4          | 23.6                       | 3.8                        |                       |
| Leisure                 | 9.7          | 9.2          | 14.6         | 5.4                        | -33.4                      |                       |
| Others                  | 0.3          | 0.2          | 1.0          | 17.4                       | -71.8                      |                       |
| <b>Total</b>            | <b>159.3</b> | <b>108.4</b> | <b>129.1</b> | <b>46.9</b>                | <b>23.4</b>                |                       |
| <b>Pretax Profit</b>    |              |              |              |                            |                            |                       |
| Development             | 24.1         | 24.6         | 23.1         | -2.3                       | 4.1                        |                       |
| Investment              | -0.4         | -0.5         | -1.5         | -17.8                      | -74.5                      |                       |
| Leisure                 | 0.7          | 0.1          | 5.5          | 488.4                      | -87.0                      |                       |
| Others                  | 0.6          | 1.2          | 0.1          | -45.5                      | 445.2                      |                       |
| <b>Total</b>            | <b>25.0</b>  | <b>25.4</b>  | <b>27.2</b>  | <b>-1.7</b>                | <b>-8.2</b>                |                       |

n.a. = not applicable

**Figure 1: Pretax Profit - Property Development**


Source: Company, PublicInvest Research

**KEY FINANCIAL DATA**
**INCOME STATEMENT DATA**

| FYE Dec (RM m)          | 2016A       | 2017A       | 2018F       | 2019F       | 2020F        |
|-------------------------|-------------|-------------|-------------|-------------|--------------|
| Revenue                 | 383.6       | 465.1       | 518.8       | 533.4       | 614.7        |
| Cost of Sales           | -258.3      | -317.9      | -343.4      | -353.1      | -406.8       |
| Gross Profit            | 125.3       | 147.2       | 175.4       | 180.3       | 207.9        |
| Other Income            | 12.2        | 7.4         | 5.1         | 4.3         | 4.3          |
| Administration Expenses | -49.3       | -49.2       | -63.8       | -65.6       | -75.6        |
| Pre-tax Profit          | 88.2        | 105.4       | 116.7       | 119.1       | 136.7        |
| Income Tax              | -21.6       | -30.0       | -28.0       | -28.6       | -32.8        |
| Effective Tax Rate (%)  | 24.5%       | 28.4%       | 24.0%       | 24.0%       | 24.0%        |
| Minorities              | 0.0         | 0.0         | 0.0         | 0.0         | -0.1         |
| <b>Core Net Profit</b>  | <b>66.6</b> | <b>75.5</b> | <b>88.7</b> | <b>90.4</b> | <b>103.8</b> |

**Growth**

|              |       |       |       |      |       |
|--------------|-------|-------|-------|------|-------|
| Revenue      | 49.0% | 21.3% | 11.5% | 2.8% | 15.3% |
| Gross Profit | 54.6% | 17.5% | 19.2% | 2.8% | 15.3% |
| Net Profit   | 54.9% | 13.3% | 17.5% | 2.0% | 14.8% |

Source: Company, PublicInvest Research estimates

**BALANCE SHEET DATA**

| FYE Dec (RM m)                      | 2016A          | 2017A          | 2018F          | 2019F          | 2020F          |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Investment properties               | 312.3          | 373.4          | 383.4          | 393.4          | 403.4          |
| Property development costs          | 550.4          | 446.4          | 652.8          | 683.3          | 718.9          |
| Cash and bank balances              | 179.7          | 213.1          | 235.8          | 276.2          | 320.3          |
| Other assets                        | 323.7          | 482.5          | 328.6          | 331.2          | 341.5          |
| <b>Total Assets</b>                 | <b>1,366.0</b> | <b>1,515.4</b> | <b>1,600.5</b> | <b>1,684.1</b> | <b>1,784.1</b> |
| Payables                            | 301.6          | 397.0          | 273.4          | 278.4          | 290.5          |
| Liabilities – ICULS and RCULS       | 194.1          | 193.9          | 206.8          | 211.4          | 221.0          |
| Deferred tax                        | 6.3            | 5.8            | 6.3            | 6.3            | 6.3            |
| Other liabilities                   | 7.9            | 5.8            | 139.3          | 149.9          | 155.5          |
| <b>Total Liabilities</b>            | <b>509.8</b>   | <b>602.5</b>   | <b>625.8</b>   | <b>646.0</b>   | <b>673.3</b>   |
| <b>Total Equity</b>                 | <b>856.2</b>   | <b>912.9</b>   | <b>974.8</b>   | <b>1,038.1</b> | <b>1,110.9</b> |
| <b>Total Equity and Liabilities</b> | <b>1,366.0</b> | <b>1,515.4</b> | <b>1,600.5</b> | <b>1,684.1</b> | <b>1,784.1</b> |

Source: Company, PublicInvest Research estimates

**PER SHARE DATA & RATIOS**

| FYE Dec              | 2016A | 2017A | 2018F | 2019F | 2020F |
|----------------------|-------|-------|-------|-------|-------|
| Book Value Per Share | 0.86  | 0.91  | 0.97  | 1.03  | 1.11  |
| NTA Per Share        | 0.86  | 0.91  | 0.97  | 1.03  | 1.11  |
| EPS (Sen)            | 5.1   | 5.7   | 6.7   | 6.9   | 7.9   |
| DPS (Sen)            | 1.9   | 2.3   | 2.7   | 2.7   | 3.1   |
| Payout Ratio (%)     | 37.1% | 39.3% | 39.3% | 39.3% | 39.3% |
| ROA (%)              | 4.9%  | 5.0%  | 5.5%  | 5.4%  | 5.8%  |
| ROE (%)              | 7.8%  | 8.3%  | 9.1%  | 8.7%  | 9.3%  |

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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