



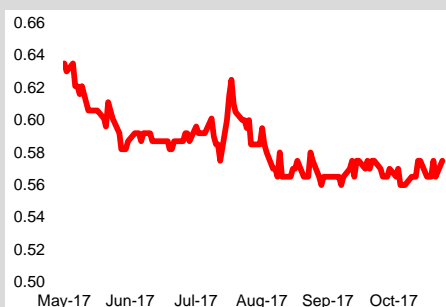
DESCRIPTION

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 RM0.575
Expected Return 58.3%

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

SHARE PRICE CHART



52 Week Range (RM) RM0.56 – RM0.67
3-Month Average Vol ('000) 444.5

SHARE PRICE PERFORMANCE

	1M	3M	12M
Absolute Returns	-0.9	-7.4	1.4
Relative Returns	1.7	-4.0	-3.3

KEY STOCK DATA

Market Capitalisation (RMm) 579.6
No. of Shares (m) 1,008.0

MAJOR SHAREHOLDERS

	%
Sumurwang	59.6
Sumur Ventures	8.6
Tan Sri Lim Kim Hong	0.3

Ching Weng Jin

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Consistent Delivery

I-Berhad recorded a net profit of RM19.6m (-12.5% YoY, +0.0% QoQ) for 3QFY17, similar to the immediate preceding quarter, to bring cumulative 9MFY17 net profit to RM57.7m (+10.3% YoY). While we continue to see strong earnings recognitions on the back of its RM303.3m in unbilled sales, we are lowering our net profit estimates for FY17 by 12% as we adjust for slower-than-expected contributions from its 8 Kia Peng project in Kuala Lumpur, which had caused 9MFY17 numbers to meet only 66.8% of our previous full-year estimates. Nonetheless, 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) and still see it under-appreciated owing to its predominant single-location focus. This, we believe, is unwarranted given its steadily growing earnings and healthy margins (Figure 1) on the back of encouraging sales numbers. Our **Outperform** call is retained with an unchanged target price of RM0.91 based on a ~50% discount to fully-diluted RNAV.

§ **Earnings overview.** With the property investment segment not expected to contribute significantly until 2018, property development continues to be the key driver of earnings growth. Divisional pretax profit of RM76.2m for 9MFY17 is 18.9% higher than the previous corresponding period's RM64.1m on the back of steady construction progress of its on-going developments. The i-Suite project will be handed over to purchasers this current quarter, which will enable the Group to further recognize a portion of its unbilled sales. Current cash-holdings are a healthy RM190.6m (~14.5sen per share on fully-diluted basis, 25% of current market capitalization), with zero borrowings other than liability components of certain debt securities.

§ **Business overview.** Construction of the Liberty, Parisien and Hyde Towers are on track for delivery in late-2018/early-2019, having achieved combined average sales of 90%. The recently-launched Hill10 Residences (RM120m gross development value) has seen a healthy 90% take-up rate, with a ~60% conversion rate, a very encouraging development considering its benchmark pricing for property development in that particular area. This continues to strongly reinforce our belief in the eventual realization of the Group's remaining ~RM7bn GDV.

§ **Other developments.** Structural works on the Central iCity mall have reached about 83% completion and is set to open in 2018, providing a boost to property investment-related earnings from rental-based income and greater contributions from the 6,500 car park bays already completed. Works on the DoubleTree by Hilton hotel is also underway, with completion in 2019. Slated for launch, likely early next year, are another 2 residential towers with estimated combined GDVs of RM520m.

KEY FORECAST TABLE (RM m)

FY Dec (RM m)	2015A	2016A	2017F	2018F	2019F	CAGR
Revenue	257.4	383.6	417.1	555.2	608.7	24.0%
Pre-tax Profit	54.5	88.2	100.3	131.0	142.3	27.1%
Net Profit	43.0	66.6	76.2	99.5	108.1	25.9%
FD EPS ¹ (Sen)	3.3	5.1	5.8	7.6	8.2	25.9%
FD P/E ¹ (x)	17.6	11.3	9.9	7.6	7.0	
DPS ¹ (Sen)	1.3	1.9	2.3	3.0	3.2	
Dividend Yield	2.1	3.1	3.7	4.8	5.3	

Source: Company, PublicInvest Research estimates

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

Table 1: Results Summary

FY Dec (RM'm)	<u>3Q17</u>	<u>3Q16</u>	<u>2Q17</u>	<u>YoY chg (%)</u>	<u>QoQ chg (%)</u>	<u>9M FY17</u>	<u>9M FY16</u>	<u>YoY chg (%)</u>	<u>Comments</u>
Revenue	105.3	113.6	127.8	-7.3	-17.6	336.0	280.7	19.7	Property development key driver
Cost of sales	-69.4	-76.2	-89.9	-9.0	-22.8	-228.7	-191.4	19.5	
Gross profit	35.9	37.3	37.9	-3.8	-5.3	107.2	89.3	20.1	
Other income	2.7	2.2	3.0	23.4	-9.9	7.6	11.9	-35.9	
Admin expenses	-8.8	-13.6	-13.6	-35.0	-35.1	-34.9	-35.6	-2.1	
Associate	-1.2	-0.4	-0.7	171.3	79.2	-1.9	-0.5	299.8	Mall-related expenses
Pre-tax profit	28.6	25.4	26.6	12.2	7.4	78.2	65.1	20.0	
Income tax	-9.0	-3.0	-7.0	197.2	28.5	-20.4	-12.7	60.6	
Minorities	0.0	0.0	0.0	n.a.	n.a.	0.0	0.0	-20.0	
Net profit	19.6	22.4	19.6	-12.7	-0.2	57.8	52.5	10.2	
EPS (sen)	1.9	2.2	1.9	-12.7	-0.2	5.7	5.2	10.2	

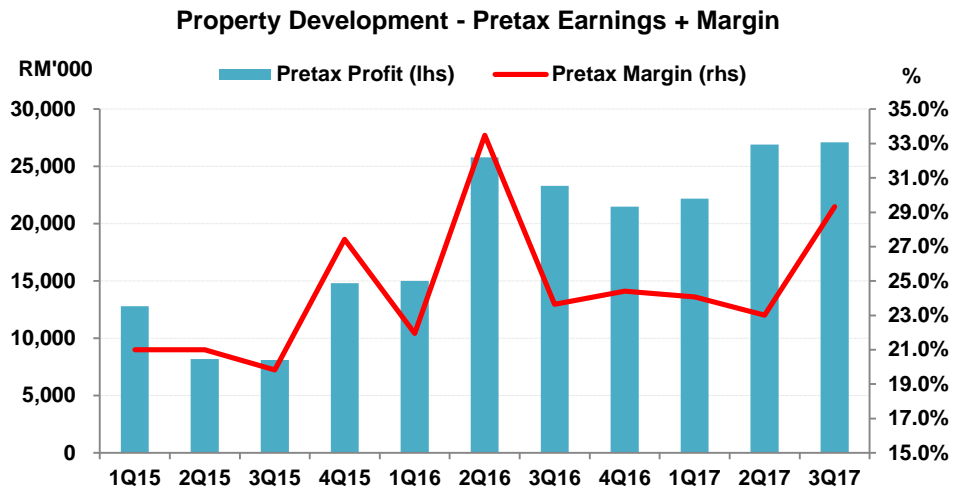
Note: EPS based on current share base of 1,006.0m
n.a. = not applicable

Gross Margin (%)	34.1	32.9	29.7		31.9	31.8
Pre-tax Margin (%)	27.1	22.4	20.8		23.3	23.2
Net Margin (%)	18.6	19.8	15.4		17.2	18.7

<u>SEGMENTAL (RM'm)</u>	<u>3Q17</u>	<u>3Q16</u>	<u>2Q17</u>	<u>YoY chg (%)</u>	<u>QoQ chg (%)</u>	<u>Comments</u>
Revenue						
Development	92.4	98.5	116.9	-6.2	-21.0	RM303m unbilled sales
Investment	1.2	1.1	1.2	3.9	-2.0	
Leisure	11.5	13.7	9.4	-16.0	21.5	
Others	0.2	0.3	0.2	-9.4	0.4	
Total	105.3	113.6	127.8	-7.3	-17.6	
Pretax Profit						
Development	27.1	23.3	26.9	16.6	0.6	
Investment	-1.8	-0.5	-0.6	254.4	211.4	
Leisure	2.1	2.3	-1.0	-9.4	n.a.	
Others	1.1	0.4	1.2	195.3	-8.8	
Total	28.6	25.4	26.6	12.2	7.4	

n.a. = not applicable

Figure 1: Pretax Profit - Property Development



Source: Company, PublicInvest Research

KEY FINANCIAL DATA
INCOME STATEMENT DATA

FYE Dec (RMm)	2015A	2016A	2017F	2018F	2019F
Revenue	257.4	383.6	417.1	555.2	608.7
Cost of Sales	-176.4	-258.3	-271.3	-361.1	-395.8
Gross Profit	81.0	125.3	145.8	194.1	212.9
Other Income	9.2	12.2	5.8	5.1	4.3
Administration Expenses	-35.7	-49.3	-51.3	-68.3	-74.8
Pre-tax Profit	54.5	88.2	100.3	131.0	142.3
Income Tax	-11.4	-11.4	-21.6	-27.3	-31.4
Effective Tax Rate (%)	21.0%	13.0%	21.5%	20.9%	22.1%
Minorities	0.0	0.0	0.0	-0.1	-0.1
Core Net Profit	43.0	66.6	76.2	99.5	108.1

Growth

Revenue	-1.4%	49.0%	8.7%	33.1%	9.6%
Gross Profit	-19.9%	54.6%	16.4%	33.1%	9.6%
Net Profit	-19.5%	54.9%	14.3%	30.6%	8.7%

Source: Company, PublicInvest Research estimates

BALANCE SHEET DATA

FYE Dec (RMm)	2015A	2016A	2017F	2018F	2019F
Investment properties	284.8	312.3	322.3	332.3	342.3
Property development costs	469.9	553.1	623.0	718.8	824.4
Cash and bank balances	96.5	179.7	171.3	150.7	128.7
Other assets	322.4	281.4	286.9	303.6	309.9
Total Assets	1,173.5	1,326.5	1,403.5	1,505.4	1,605.3
Payables	170.9	253.0	259.7	276.7	285.6
Liabilities – ICULS and RCULS	193.0	203.3	213.5	223.7	233.9
Deferred tax	5.4	6.3	6.3	6.3	6.3
Other liabilities	1.3	7.9	12.9	17.9	22.8
Total Liabilities	370.6	470.4	492.3	524.5	548.7
Total Equity	802.9	856.2	911.2	980.9	1,056.6
Total Equity and Liabilities	1,173.5	1,326.5	1,403.5	1,505.4	1,605.3

Source: Company, PublicInvest Research estimates

PER SHARE DATA & RATIOS

FYE Dec	2015A	2016A	2017F	2018F	2019F
Book Value Per Share	1.10	0.86	0.91	0.98	1.05
NTA Per Share	1.10	0.86	0.91	0.98	1.05
EPS (Sen)	3.3	5.1	5.8	7.6	8.2
DPS (Sen)	1.5	2.0	2.3	3.0	3.2
Payout Ratio (%)	12.9%	33.9%	30.0%	30.0%	30.0%
ROA (%)	3.7%	5.0%	5.4%	6.6%	6.7%
ROE (%)	5.4%	7.8%	8.4%	10.1%	10.2%

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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