

PP14767/09/2012(030761)

Ibraco Berhad

“Down but Not Out”

Results Review

- Actual vs. expectations.** Ibraco Berhad (Ibraco) reported subdued 3M16 earnings at the back of no new property launch due to pending approvals from relevant authorities. Earnings for the quarter of RM8.8 million fell 0.3% y-o-y and 53% q-o-q respectively, accounting 17% of our full year net profit forecast. Despite the lack of new property launch, its properties portfolio was still attracting good sales figures, especially the residential development in Tabuan Tranquility (TT) Phase 2, Stutong Heights, and Park Residence while demand on non-residential was still strong, underpinned by offices shop at TT3, Bintulu Town Square and shop lots in Bintulu Town Square.
- Dividend.** No dividend declared in the quarter.
- Revenue down due to absence of new launches.** Ibraco posted weaker 1Q16 topline line of RM39 million (-0.3% y-o-y, -54% q-o-q). The topline was impacted by the absence of construction revenue vs. RM2.6 million recognized in 1Q15 due to the completion of sewerage project. Nevertheless, revenue from property business came in at RM38 million (-40.6% y-o-y) as Ibraco deferred its several new property launch given soft consumer sentiments. EBIT margin improved 420bps to 34.3% in 1Q16 attributed to lower direct cost by 0.4% y-o-y.
- Achieved RM38 million of sales.** Ibraco secured new sales of RM38 million in 1Q16. In terms of sales mix, the figures were contributed from TT2, TT4, Park Residence and Bintulu Town Square. As at March-16, the group’s unbilled sales stood at RM105 million. Note that YTD sales of RM38 million only accounted for 30% and 12% of the group’s FY16 sales target of RM320

Tuesday, May 24, 2016

BUY (TP: RM1.50)

Current Price (RM)	RM1.02
New Fair Value (RM)	RM1.50
Previous Fair Value (RM)	RM1.50
Previous Recommend.	BUY
Upside To Fair Value	47%
Dividend Yield (FY16)	3%

Stock Code

Bloomberg	Ibra MK
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Stock & Market Data

Listing	MAIN MARKET	
Sector	Property&Construction	
Shariah Compliance	Yes	
Issued Shares (mn)	496.4	
Market Cap (RM mn)	506.3	
YTD Chg In Share Price	-3.77%	
Beta (x)	0.33	
52-week Hi/Lo (RM)	RM1.36	RM0.57
3M Average Volume (shrs)	1.91mn	
Estimated Free Float	12%	

Major Shareholders

Hiap Ghee Seng Sdn Bhd	26.3%
Sharifah Ibrahim	20.0%
Ng Cheng Chuan	17.5%

million and our original sales assumptions of RM335 million respectively.

- **Keeping target sales.** Management maintained its FY16 sales target of RM320 million, which implies a weaker 76% y-o-y sales. Sales are expected to be spurred by new launches in Kuching and Bintulu areas, whilst KL Skyline Suites is expected to contribute later this year. Note that management is ready to launch its development in TT3 Plaza comprising shopoffice, SOHO and education block that will support the sales target.
- **Outlook.** We keep our faith in Ibraco despite smaller sales figure in FY16 given Ibraco is elevating presence in Kuala Lumpur. Once the KL Skyline Suites is ready to launch. However, we believe it might be slightly difficult for Ibraco to repeat previous years booming performance this year given that the operating environment has turned relatively more challenging, particularly in relation to mortgage loan applications and approvals. All in, we conservatively project the group to record property sales of RM320 million for FY16, underpinned by planned new launches. Its unsold stocks collectively worth about RM890 million.
- **Change to forecast.** No change to our forecast despite short in numbers in 1Q16. We are sanguine Ibraco will catch up to our forecast numbers in FY16. At this juncture, FY16 and FY17 are expected to grow by 9% y-o-y and 41% y-o-y respectively driven by 1) overwhelming reception on its new projects; and ii) steady GDV and unbilled sales that could spice up and sustain its financial performance in the next few years.
- **Valuation.** We value Ibraco at RM RM1.50 based on 15% discount to RNAV. The mild discount is due to the neutral-to-negative outlook on property market in the near to medium term. At RM1.50, Ibraco earnings are trading at 16x PER, above its 3-year average of 9.8x. Nevertheless, we justify the premium with the future contribution from various projects and rising construction business contribution. We have a **BUY** call on stock and its upside will be anchored by 1) bright outlook on Bintulu property market iii) the launch of Jalan Tun Razak development iii) rising construction arm contribution.

Table 1: Peers Comparison

Company	FYE	Price (RM)	EPS (RM)		P/E (x)		P/B (x)		ROE (%)	Div Yield (%)	FV	Call
			FY16	FY17	FY16	FY17	FY16	FY16				
Ibraco	Dec	1.01	11.03	10.17	9.2	10	nil	nil	nil	3%	1.50	Buy
SP Setia	Oct	3.00	0.24	0.30	14.1	11.3	1.4	NA	7.0	3.4	NR	NR
Mah Sing	Dec	1.31	19.80	21.20	7.4	6.9	1.6	1.5	13.0	3.9	NR	NR
UEM Sunrise	Dec	1.01	0.09	0.10	11.5	10.8	0.8	NA	7.6	2.8	NR	NR
Eco World	Oct	1.30	0.03	0.06	53.3	26.2	1.5	1.4	2.5	NA	NR	NR
Glomac	Apr	0.87	0.10	0.13	9.7	7.2	0.8	0.7	8.8	5.2	NR	NR
IOI Properties	Jun	1.88	0.14	0.18	14.8	10.9	0.6	0.6	8.3	3.9	NR	NR
MKH	Dec	2.00	0.32	0.45	7.7	5.4	1.0	0.9	11.7	3.3	NR	NR
LBS Bina	Dec	1.31	0.16	0.15	10.3	11.0	0.7	NA	7.5	2.0	NR	NR
E&O	Mar	1.49	0.12	0.14	14.9	12.6	1.5	1.3	7.0	1.5	NR	NR
Average			1.79	1.94	14.5	10.7	1.0	0.9	9.9	3.4		

Bloomberg, M&A SecuritieS

Table 2: Results Analysis

FYE 30 Dec (RM'm)	1Q16	4Q15	1Q15	y-o-y chg	q-o-q chg	3M16	3M15	y-o-y chg
Revenue	39.0	84.0	57.2	-0.3	-54%	39.0	57.2	-32%
Cost of sales	-22.8	-53.0	-37.2	-0.4	-57%	-22.8	-37.2	-39%
Gross Profit	16.2	31.0	20.0	-0.2	-48%	16.2	20.0	-19%
Other income	0.3	0.7	0.2	0.7	-59%	0.3	0.2	68%
Admin expenses	-3.0	-4.3	-2.8	0.1	-31%	-3.0	-2.8	6%
Selling and marketing expenses	-0.1	0.0	-0.1	0.1	982%	-0.1	-0.1	6%
Operating profit	13.4	27.4	17.2	-0.2	-51%	13.4	17.2	-22%
Finance costs	-1.4	-2.3	-0.6	1.3	-40%	-1.4	-0.6	132%
PBT	12.0	25.0	16.6	-0.3	-52%	12.0	16.6	-28%
Taxation	-3.2	-6.3	-4.0	-0.2	-50%	-3.2	-4.0	-20%
PAT	8.8	18.8	12.7	-0.3	-53%	8.8	12.7	-30%
MI	-0.8	-2.2	-2.1	-0.6	-65%	-0.8	-2.1	-64%
PATAMI	8.1	16.6	10.6	-0.2	-51%	8.1	10.6	-23%
EPS	4.61	7.51	12.42			4.61	12.42	
EBIT margin	33%	30%	37%			33%	37%	
PBT margin	30%	28%	37%			30%	37%	
PAT margin	22%	21%	29%			22%	29%	

Source: Bloomberg, M&A Securities

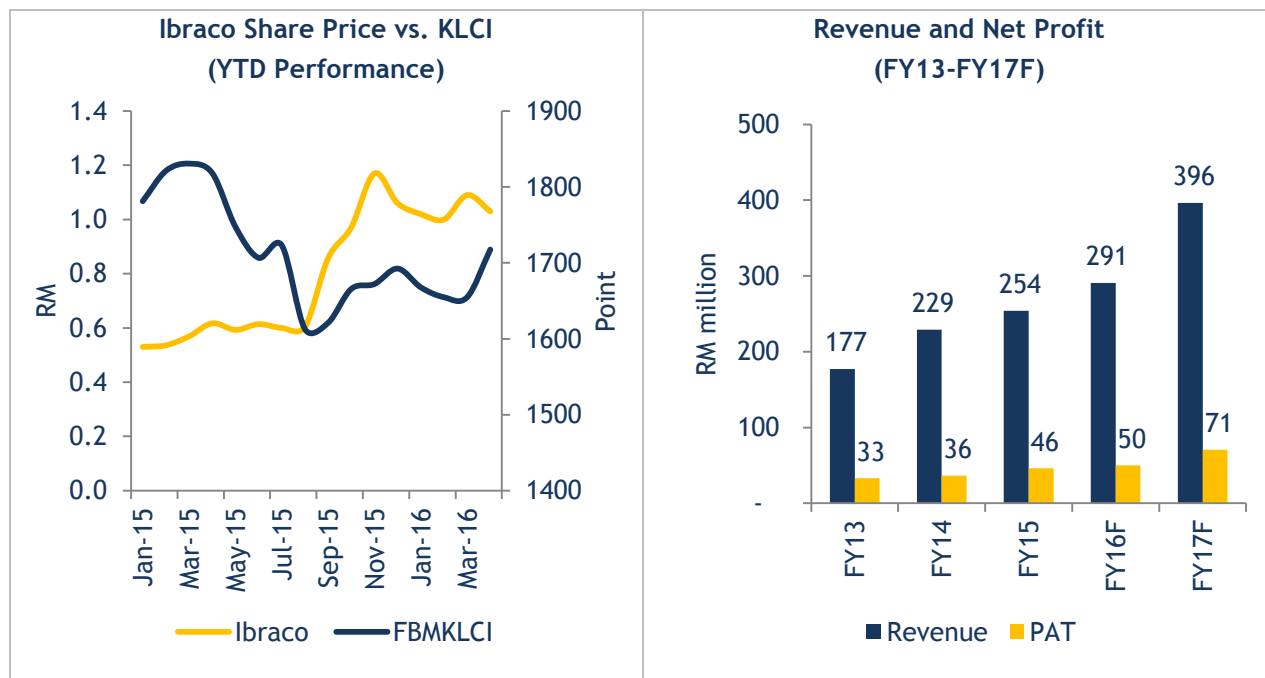
Table 3: RNAV Valuation

FYE December (RM million)	Stake	Land Size (Acre)	Land Size (Sq ft)	Price	Market Value (RM)
Tabuan Tranquility					
Phase 2	100%	54	2,352,240	58	136
Phase 3	100%	27	1,176,120	58	68
Stutong					
Phase 3	100%	5	217,800	43	9
Northbank Land	100%	123	5,357,880	40	214
Southbank Land	100%	142	6,185,520	40	247
Town Square					
Phase 1	50%	10	435,600	30	7
Phase 2	50%	16	696,960	30	10
Kuala Lumpur Area					
KL Skyline	100%	2	65,340	800	52
Total Revenue					745
Construction segment	100%	20	12x PE		240.0
Revised Asset Value					985
Net Debt (9M15)					-85
RNAV / Share					1.76
Discount to RNAV					15%
Fair Value					1.50

Source: M&A Securities

Table 4: Ibraco Financial Statement

FYE December (RM million)	FY13	FY14	FY15	FY16F	FY17F
Revenue	177.1	229.1	254.0	292.5	346.0
Cost of sales	-117.2	-167.6	-167.0	-201.8	-238.8
Gross Profit	59.9	61.5	87.0	90.7	107.3
Other income	0.8	7.5	1.4	0.6	3.0
Others expensive	-13.0	-13.1	-13.6	-17.9	-21.1
Operating profit	47.7	55.8	74.8	73.4	89.1
Finance costs	-3.7	-3.0	-4.7	-2.3	-1.7
PBT	44.0	52.8	70.2	71.2	87.4
Taxation	-11.0	-14.1	-17.8	-17.4	-21.4
PAT	33.0	38.8	52.3	53.7	66.0
MI	0.1	-2.4	-6.3	-3.3	-4.0
PATAMI	33.1	36.4	46.0	50.5	62.0
No of Share	124.0	126.5	496.4	496.4	496.4
EPS (sen)	26.68	28.76	11.03	10.17	12.48
Dividend - sen	10	10	3.5	3.0	3.7
Dividend payment (RMm)	12.40	12.65	17.37	15.14	18.59
Dividend payout (%)	37.5%	34.8%	37.7%	30%	30%
Retained Earnings	20.68	23.73	28.49	35.32	43.38
PER (x)	2.1	1.8	9.2	10.1	8.3
Gross Yield	18%	19%	3%	3%	4%



Source: M&A Securities, Bloomberg

M&A Securities

STOCK RECOMMENDATIONS

BUY	Share price is expected to be $\geq +10\%$ over the next 12 months.
TRADING BUY	Share price is expected to be $\geq +10\%$ within 3-months due to positive newsflow.
HOLD	Share price is expected to be between -10% and $+10\%$ over the next 12 months.
SELL	Share price is expected to be $\geq -10\%$ over the next 12 months.

SECTOR RECOMMENDATIONS

OVERWEIGHT	The sector is expected to outperform the FBM KLCI over the next 12 months.
NEUTRAL	The sector is expected to perform in line with the FBM KLCI over the next 12 months.
UNDERWEIGHT	The sector is expected to underperform the FBM KLCI over the next 12 months.

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