

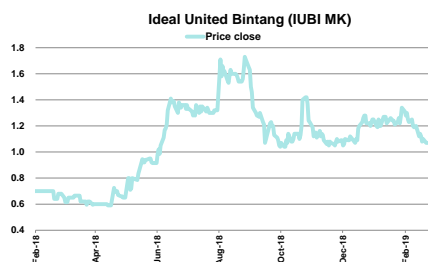


Ideal United Bintang International

An Ideal Position In Penang

Target: N/A

Price: MYR1.14



Source: Bloomberg

Stock Profile

Bloomberg Ticker	IUBI MK
Avg Turnover (MYR/USD)	0.15m/0.04m
Net Gearing (%)	Net Cash
Market Cap (MYRm)	119m
Beta (x)	0.86
BVPS (MYR)	1.31
52-wk Price low/high (MYR)	0.55 – 1.86
Free float (%)	40

Major Shareholders (%)

Tan Sri Datuk Alex Ooi	54
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Share Performance (%)

	1m	3m	6m	12m
Absolute	(19.4)	0.0	(36.8)	58.8
Relative	(15.7)	0.2	(28.9)	69.5

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Investment Merits

- Prime beneficiary of Penang state's housing initiatives;
- Injection of new projects to sustain earnings growth;
- FY19F-20F net profit to grow at 7% and 21%.

Company Profile

Ideal was formerly known as United Bintang. It was a loss-making heavy machinery and spare parts trading company. Tan Sri Datuk Alex Ooi emerged as the major shareholder in late 2013, and the group subsequently diversified into the property development business. It then changed its name to Ideal United Bintang (Ideal). Its first property project, i-Santorini was injected in 2015.

Tan Sri Datuk Alex Ooi founded Ideal Property Group (privately held) in 2002. The company has an established presence in Penang's property market, particularly in the high-rise residential segment. Currently, Tan Sri Datuk Alex Ooi holds a 54% stake in Ideal. In Apr 2018, via his holding company ICT Innotech, Tan Sri made a mandatory general offer to all minority shareholders after ICT acquired an additional 26.9% from Bumimaju Gaya and Lakaran Asia. The offer price was at MYR0.54 per Ideal share.

Highlights

Beneficiary of Penang state's housing policies. Ideal is a clear winner under the Penang State Government's initiative to spur home ownership and unwind the supply glut. In early 2019, the State Housing, Town, Country Planning and Local Government Committee chairman, Jagdeep Singh Deo announced that developers of affordable housing are now allowed to sell 40% of units in the open market vs 30% previously, at rates that are not bound by affordable housing pricing. 20% of these can be sold to non-Penangites who are not registered voters in Penang.

At the same time, the income eligibility threshold for affordable housing was also raised by MYR2,000 in each category. For units priced at MYR150,000, MYR200,000 and MYR300,000, the household income limit is now at MYR8,000 (from MYR6,000), MYR10,000 (from MYR8,000) and MYR12,000 (from MYR10,000).

Ideal is a pure, Penang affordable housing play. It currently has three ongoing projects, namely One Foresta, Forestville and i-Santorini. I-Santorini is located at Tanjung Tokong, with a GDV of MYR925m, comprising 2,155 units of condominium priced below MYR400,000 each. The project is now 92% sold. Both Forestville and One Foresta are located at Bayan Lepas, with a combined GDV of MYR1.04bn. The take-up rate for both Forestville and One Foresta are now at c.89%.

Injection of new projects to sustain earnings growth. At end-2018, Ideal announced its proposed acquisition of three projects from Tan Sri Ooi and Puan Sri Phor for a total consideration of MYR191.47m. These three projects (Imperial Grande, Amarene & Mori, and Imperial Ville) are all located at Sungai Ara/Bayan Lepas, with a combined GDV of MYR1.41bn. The consideration will be satisfied via the issuance of 191.47m new shares at MYR1 each to the vendor. At the same time, Ideal also proposed a 30% private placement exercise to raise about MYR120-150m, depending on the issue price, with an estimated 107-110m shares. Proceeds from the placement would come in handy as working capital or for future acquisition of new projects.

Earnings momentum to continue. We expect FY19F-20F earnings to grow at 7% and 21%, as i-Santorini and One Foresta will be completed this year. Contributions from the three new projects will likely kick in from 2H19 onwards. The construction for these projects is now 15-20% completed, and hence earnings recognition should be immediate once the corporate exercise is completed.

Company Report Card

Latest results. In FY18, Ideal recorded MYR50.9m in net profit vs MYR15.7m in FY17, a record high since the first injection of its property project in 2015. Unbilled sales, however, fell to MYR665.5m, as construction works from the three existing projects progress, and the take-up rates for these projects have already reached >90%.

Dividend. Ideal has not been paying dividends given that the company is on a growth cycle. However, management did guide that dividend payout may start, and it could be as soon as FY19F-20F given the earnings that the company achieved in FY18. Our DPS forecasts for FY19-20 assume a payout ratio of around 20%.

Management. Ideal is currently under the helm of Tan Sri Datuk Alex Ooi, who is the CEO of the company. He oversees all the property projects and secures new businesses for the company. Meanwhile, his spouse, Puan Sri Datuk Phor is the executive director of Ideal. She is responsible for overseeing the overall finance, human resource and administrative functions of the company. Mr Teoh Ee Ken is the CFO, and he joined Tan Sri since 2010.

Investment Case

Indicative fair value of MYR1.26-1.29, based on a 20% discount to RNAV, assuming placement prices of MYR1.15 and MYR1.30. The 20% discount to RNAV is lower compared to industry peers, given Ideal's positive earnings growth trajectory vs the industry's contracting earnings growth, plus Ideal is a proxy for Penang's affordable housing segment. Tan Sri Datuk Alex Ooi has established a strong foothold in Penang, and we would not discount the possibility that Ideal could be involved in other construction projects, which are part of Penang's transformation plan, going forward.

Key risks. Delays in the injection of property projects could derail our earnings forecasts.

Profit & Loss	Dec- 16	Dec- 17	Dec- 18
Total turnover (MYRm)	153	246	676
Reported net profit (MYRm)	8	16	51
Recurring net profit (MYRm)	8	16	51
Recurring net profit growth (%)	NM	89.0	223.8
Recurring EPS (MYR)	0.08	0.14	0.46
DPS (MYR)	0.00	0.00	0.00
Dividend Yield (%)	0.0	0.0	0.0
Recurring P/E (x)	15.2	8.0	2.5
Return on average equity (%)	11.3	18.4	35.0
P/B (x)	1.6	1.3	0.9
P/CF (x)	2.0	(2.0)	(0.9)

Source: Company data, RHB

Balance Sheet (MYRm)	Dec- 16	Dec- 17	Dec- 18
Total current assets	217	306	632
Total assets	223	312	647
Total current liabilities	136	189	271
Total non-current liabilities	0	0	18
Total liabilities	136	190	289
Shareholder's equity	77	94	145
Minority interest	9	28	213
Other equity	0	0	0
Total liabilities & equity	223	312	647
Total debt	0	0	1
Net debt	Net Cash	Net Cash	Net Cash

Source: Company data, RHB

Cash Flow (MYRm)	Dec- 16	Dec- 17	Dec- 18
Cash flow from operations	64	(63)	(61)
Cash flow from investing activities	0	(1)	(0)
Cash flow from financing activities	248	1	77
Cash at beginning of period	3	67	24
Net change in cash	64	(63)	16
Ending balance cash	67	4	40

Source: Company data, RHB