

Corporate Highlights

News Update

Integrated Logistics

Disposes Of Industrial Land In Shah Alam For RM18.2m Cash



RHB Research Institute Sdn Bhd
A member of the RHB Banking Group
Company No: 233327 -M

8 August 2011

Share Price : RM0.845
Fair Value : RM1.61
Recom : **Outperform**
(Maintained)

Table 1 : Investment Statistics (ILB; Code: 5614)

Bloomberg: ILB MK

FYE	Net							Net				
	Turnover	Profit#	EPS#	Growth	PER	C.EPS*	P/NTA	P/CF	ROE	Gearing	GDY	
Dec	(RMm)	(RMm)	(sen)	(%)	(x)	(sen)	(x)	(x)	(%)	(%)	(%)	
2010	119.9	11.4	6.0	nm	16.1	-	0.5	5.4	3.1	0.1	8.8	
2011f	130.5	16.9	8.6	42.6	9.9	-	0.4	(2.0)	4.5	0.3	3.6	
2012f	147.8	22.9	11.6	35.5	7.3	-	0.4	2.6	5.8	0.2	3.6	
2013f	148.2	28.8	14.6	25.9	5.8	-	0.4	8.9	6.8	0.2	3.6	

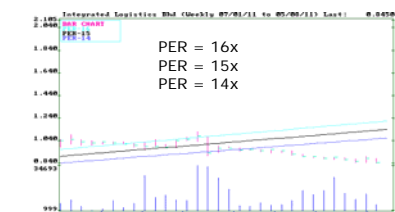
Main Market Listing /Syariah-Approved Stock By The SC #Excluding EI * Consensus Based On IBES Estimates

- ◆ **Selling remaining asset in Malaysia.** ILB is disposing of a piece of 5.8-acre freehold industrial land in Shah Alam for RM18.2m cash, translating to RM72 psf. This is less than its expectations of RM20.3m or RM80 psf but at a 4% premium to independent valuation of RM17.5m or RM69 psf. The net proceeds and gains from the disposal are estimated at RM17.2m or 8.7sen/share and RM9.2m or 4.6sen/share respectively.
- ◆ **No issue.** We have no qualms about the disposal as it is ILB's intention to move out of Malaysia and channel its resources towards developing overseas warehousing projects with higher returns. *Ceteris paribus*, the disposal will turn ILB into a net cash of RM13.8m from a net debt and gearing of RM3.4m and 0.01x as at 31 Mar 2011 (adjusted for RM27.6m net proceeds from the disposal of a 13.3-acre land parcel in Shanghai Yangshan deep seaport in China announced recently).
- ◆ **Forecasts.** FY12/12-13 net profit forecasts are raised by 2-3%, having reflected interest savings from the disposal proceeds.
- ◆ **Risks.** These include: (1) A major slowdown in the global economy, and hence China's export sector; (2) Prolonged unrest in the Middle East and North Africa (MENA); and (3) Rising costs in China, particularly, labour.
- ◆ **A China/Dubai play now, maintain Outperform.** With the disposal of its business in Malaysia, ILB has now become a high-growth logistics company listed in Malaysia but with operations in China and Dubai. We are trimming our indicative fair value based on "sum of parts" by 1% from RM1.63 to RM1.61, having imputed the actual selling price of the land in Shah Alam that is slightly below previous expectations (see Table 2).

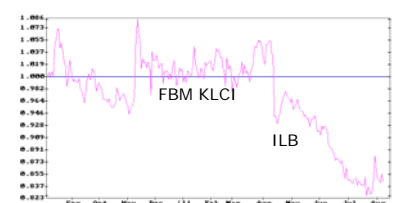
Issued Capital (m shares)	197.0
Market Cap (RMm)	166.5
Daily Trading Vol (m shs)	0.2
52wk Price Range (RM)	0.81-1.00
Major Shareholders:	(%)
Takahashi family	19.0
Lembaga Tabung Haji	9.7
Teo Tuan Sem	5.0

FYE Dec	FY11	FY12	FY13
EPS Revision (%)	-	+2	+3
Var to Cons (%)	nm	nm	nm

PE Band Chart



Relative Performance To FBM KLCI



Please read important disclosures at the end of this report.

Joshua CY Ng
(603) 92802151
joshuang@rhb.com.my

Table 2: "Sum-Of-Parts" Valuation

Project/Business	RMm	Methodology	Basis/Assumptions
Operations ex-Dubai warehouse	196.6	PER	10x 1-year forward earnings
Dubai warehouse	148.3	DCF	50% share of NPV based on WACC of 7.7%
Land in Shah Alam	17.2	-	Actual selling price
Net cash/(debt)	(44.0)	-	As at 31 Dec 2010, adjusted for: (1) Dividend paid; (2) Balance of investment in Dubai warehouse; and (3) RM27.6m net proceeds from the disposal of Yangshan land.
Sum-of-parts valuation (RMm)	318.1		
Sum-of-parts valuation (RM/shr)	1.61		

Source: RHBRI estimates

Table 3: Warehouses Under ILB's Stable

Warehouse	Floor Area ('000 sq ft)	Status	Ownership	Remarks
Shenzhen 1	320	In operation	No [^]	-
Shenzhen 2	450	In operation	Yes	-
Shenzhen 3	640	In operation	Yes	-
Shanghai 1	180	In operation	No ^{^^}	-
Shanghai 2	210	In operation	No ^{^^}	-
Wujiang 1	280	In operation	Yes	Total project cost of RMB75m (RM38m)
Wujiang 2	390	Under construction	Yes	Total project cost of RMB67m (RM34m).
Dubai Logistic City	75 (pallet positions)	Under construction	50%-owned	Total project cost of AED260m (RM213m).
Henan (Frestech/Xinfei)	810	Under construction	Yes	Total project cost of RMB170m (RM85m).
North-Eastern China#	Sizeable	Under negotiation	Yes	Sizeable

[^] Sale-and-lease-back with Mitsui & Co Ltd, Japan

^{^^} Sale-and-lease-back with Mapletree, Singapore

Source: RHBRI, company #Source: Independent sources

Table 4: Earnings Forecasts

FYE Dec (RMm)	FY10a	FY11F	FY12F	FY13F
Turnover	119.9	130.5	147.8	148.2
Turnover growth (%)	5.0	8.9	13.2	0.3
EBITDA	14.1	31.9	37.0	37.5
EBITDA margin (%)	11.8	24.5	25.1	25.3
Depreciation	-13.4	-10.2	-10.2	-10.2
Net Interest	-6.1	-4.0	-5.2	-3.6
Associates	-2.8	6.0	8.8	13.1
EI	13.8	0.0	0.0	0.0
Pretax Profit	5.5	23.7	30.5	36.9
Tax	-6.5	-0.5	-0.6	-0.6
Discontinued op.	21.7	-	-	-
PAT	20.7	23.2	29.9	36.3
Minorities	-0.2	-6.3	-7.0	-7.4
Net Profit	20.5	16.9	22.9	28.8

Source: Company data, RHBRI estimates

Table 5: Forecast Assumptions

FYE Dec	FY11F	FY12F	FY13F
Floor space ('000 sq ft)			
Shenzhen	1,410	1,410	1,410
Shanghai	390	390	390
Wujiang	280	670	670
Henan	450	810	810
Dubai (pallet positions)	-	75,000	75,000

Source: RHBRI estimates

IMPORTANT DISCLOSURES

This report has been prepared by RHB Research Institute Sdn Bhd (RHBRI) and is for private circulation only to clients of RHBRI and RHB Investment Bank Berhad (previously known as RHB Sakura Merchant Bankers Berhad). It is for distribution only under such circumstances as may be permitted by applicable law. The opinions and information contained herein are based on generally available data believed to be reliable and are subject to change without notice, and may differ or be contrary to opinions expressed by other business units within the RHB Group as a result of using different assumptions and criteria. This report is not to be construed as an offer, invitation or solicitation to buy or sell the securities covered herein. RHBRI does not warrant the accuracy of anything stated herein in any manner whatsoever and no reliance upon such statement by anyone shall give rise to any claim whatsoever against RHBRI. RHBRI and/or its associated persons may from time to time have an interest in the securities mentioned by this report.

This report does not provide individually tailored investment advice. It has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. The securities discussed in this report may not be suitable for all investors. RHBRI recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a financial adviser. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. Neither RHBRI, RHB Group nor any of its affiliates, employees or agents accepts any liability for any loss or damage arising out of the use of all or any part of this report.

RHBRI and the Connected Persons (the "RHB Group") are engaged in securities trading, securities brokerage, banking and financing activities as well as providing investment banking and financial advisory services. In the ordinary course of its trading, brokerage, banking and financing activities, any member of the RHB Group may at any time hold positions, and may trade or otherwise effect transactions, for its own account or the accounts of customers, in debt or equity securities or loans of any company that may be involved in this transaction.



"Connected Persons" means any holding company of RHBRI, the subsidiaries and subsidiary undertaking of such a holding company and the respective directors, officers, employees and agents of each of them. Investors should assume that the "Connected Persons" are seeking or will seek investment banking or other services from the companies in which the securities have been discussed/covered by RHBRI in this report or in RHBRI's previous reports.

This report has been prepared by the research personnel of RHBRI. Facts and views presented in this report have not been reviewed by, and may not reflect information known to, professionals in other business areas of the "Connected Persons," including investment banking personnel.

The research analysts, economists or research associates principally responsible for the preparation of this research report have received compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors and firm revenues.

The recommendation framework for stocks and sectors are as follows : -

Stock Ratings

Outperform = The stock return is expected to exceed the FBM KLCI benchmark by greater than five percentage points over the next 6-12 months.

Trading Buy = Short-term positive development on the stock that could lead to a re-rating in the share price and translate into an absolute return of 15% or more over a period of three months, but fundamentals are not strong enough to warrant an Outperform call. It is generally for investors who are willing to take on higher risks.

Market Perform = The stock return is expected to be in line with the FBM KLCI benchmark (+/- five percentage points) over the next 6-12 months.

Underperform = The stock return is expected to underperform the FBM KLCI benchmark by more than five percentage points over the next 6-12 months.

Industry/Sector Ratings

Overweight = Industry expected to outperform the FBM KLCI benchmark, weighted by market capitalisation, over the next 6-12 months.

Neutral = Industry expected to perform in line with the FBM KLCI benchmark, weighted by market capitalisation, over the next 6-12 months.

Underweight = Industry expected to underperform the FBM KLCI benchmark, weighted by market capitalisation, over the next 6-12 months.

RHBRI is a participant of the CMDF-Bursa Research Scheme and will receive compensation for the participation. Additional information on recommended securities, subject to the duties of confidentiality, will be made available upon request.

This report may not be reproduced or redistributed, in whole or in part, without the written permission of RHBRI and RHBRI accepts no liability whatsoever for the actions of third parties in this respect.