

Ivory buys land in Batu Ferringhi for RM25m

KUALA LUMPUR: Ivory Properties Group Bhd is buying parcels of freehold development land measuring a total of 1.1 acres in Bandar Batu Ferringhi, Penang from two vendors, Lim Soon Hin and Lim Soon Vin, for RM25 million cash.

In a statement yesterday, Ivory said the land was located along the coast, close to luxury hotels and resorts like Shangri-La's Rasa Sayang Resort & Spa, Hard Rock Hotel and Holiday Inn Resort.

It intends to undertake a development, which could possibly be named "The Edge", consisting of 96 units of condominiums with an estimated gross development value of RM159 million and an estimated gross development cost of RM76 million. It said the expected profit was RM58 million.

Subject to authorities' approval, Ivory said the proposed development was expected to start next year and to be completed in three years.

Meanwhile, AmResearch yesterday reaffirmed its buy on Ivory with an unchanged fair value of RM1.75 based on a 35% discount to its net assets value per share of RM2.70.

The research house said "The Edge" was touted to be the only luxurious "smack-on-the-beach" condominium project in the popular Batu Ferringhi tourist belt.

It said the indicative pricing for the luxury condominiums was about RM500psf — at parity to secondary prices for compara-

ble projects in the Tanjung Bungah area.

AmResearch said the expected pre-tax profit of RM58 million was due to its low break-even cost of about RM300psf, as land cost was defrayed over a large gross floor area from a generous plot ratio.

"Market response is expected to be strong due to the project's scarcity premium and unique appeal — it offers the serenity of the sea, beach and greenery of its surroundings. We have yet to raise our NAV and earnings estimates pending development approval," it said, adding that the potential enhancement to its earnings estimates and NAV was very significant.

"Based on net profit of RM43.5 million, the deal may boost our NAV by RM0.23/share (+9%) to RM2.93/share. Assuming completion over three years, the earnings uplift is +21% to our current earnings estimate of RM70 million for FY12," AmResearch said.

"This latest acquisition underscores our conviction on Ivory's accelerated growth trajectory from several NAV-accretive land deals presently under negotiation. An active acquisition pipeline should ensure robust news flow to sustain share price outperformance," it said.

AmResearch said Ivory's forward price-earnings multiples of three to four times were attractive with EPS CAGR (earnings per share compound annual growth rate) of 63%. The stock fell seven sen to RM1.28, with 5.5 million shares done.