

BY YVONNE CHONG

No Stopping Ivory

Ivory Properties Group's recent listing success is just what the Penang-based company needs to propel it to the next level.

PENANG-BASED IVORY PROPERTIES

Group Bhd's recent solid debut on Bursa Malaysia has been closely watched by property investors and buyers on three accounts:

- It ended the dearth of new property sector listings on the local stock exchange (the last being TA Global Bhd in November 2009);
- It sparked a rally of property stocks – trading of which has been rather quiet of late – with Bursa Malaysia's Properties Index rising 2.72% or 22.56 points the week of the listing on July 28; and
- It made an impressive entry into the Main Market by opening at a 15 sen premium over its offer price of RM1, rising to RM1.35 before closing its first day of trading at RM1.30. The

stock continued to maintain that price range, closing at RM1.28 on Aug 10.

AmResearch sees Ivory as a proxy to the robust Penang residential market in view of its strategically located prime development sites and its astute deal-makings. 'Ivory has strong localised knowledge and an impeccable execution track record with quick turnaround times. It is at the forefront of the urban renewal in Penang,' notes the research house.



Ivory Corporate Office: The century old building, Birch House, sits majestically in the middle of Penang Times Square



Birch The Plaza: Perched above five floors of retail outlets, it comes with a host of amenities and conveniences

It says the re-development of Escoy tin smelter into the prolific Penang Times Square is a good case in point, for it provides Ivory bargaining leverage to negotiate future re-developments.

'Penang Times Square is turning into a hip and happening place in the city centre,' says Ivory chairman and group chief executive officer Datuk Low Eng Hock.

'More than 30 lifestyle restaurants and entertainment outlets will debut in November 2010, boosting the occupancy rate from 60% to 75%. Improved traffic flows will provide a kick to retail tenancy,' he tells *Malaysian Business*.

Niche

For the past 11 years, Ivory has focused solely on its home base of Penang, building up a reputation as one of the island's premier residential developers. Its niche expertise consists of reviving abandoned or hard-to-execute projects and enhancing land/project value.

With increased access to funding following the company's recent listing, Low is confident that Ivory is all geared up to expand outside of Penang and 'even to venture out of Malaysia in the near future.'

He foresees overseas revenue accounting for up to 30% of group revenue in the next few years. With its track record of enhancing land value and maximising landowners' returns, Low believes Ivory is well-poised to secure profitable deals.

'We will build on our past successes, take up the challenge of venturing out of our base in Penang and go full steam to attain our goal of double-digit growth annually over the next few years,' he says.

The group already made inroads in Perak, where it has the planning approval for the first phase of the Ivory Eco Park @ Tanjung Malim, a mixed development with a total gross development value (GDV) of RM420 million. However, development is

expected to commence only in 2013.

At the same time, the company is on the lookout for landbanks in the Klang Valley, and is open to the idea of joint ventures to undertake overseas projects, particularly in the Middle East and Indonesia. Incidentally, Ivory has a sales gallery in Medan, Indonesia.

Big time

To date, the company has completed projects worth RM675.6 million in total GDV. Its on-going projects – scheduled for completion within the next three years – have a combined total GDV of RM834.1 million, while future projects have a projected GDV of some RM1.90 billion.

According to Low, Ivory has an impressive track record of some 96% take-up rate from a total of 1,717 completed units of various types of properties. With its floatation, which adds RM31.5 million to its working capital, the company should be in a comfortable position to take

on challenging property development ventures.

Based on Ivory's total group revenue of RM116.3 million from property development, it has a 2% market share of Penang's property market. Of late, Ivory has set its sight only on premium residential and commercial properties. For its 2009 financial year (FY2009), residential property developments accounted for some 80.8% of its group revenue, and commercial property developments some 15.3%.

The total value of property transactions in Penang stood at RM6.5 billion last year, of which RM3.7 billion was in residential properties and RM950.9 million in commercial properties.

On a bigger picture, residential properties accounted for 51.6% or RM41.8 billion of the total transaction value of RM81 billion worth of properties sold in Malaysia last year, while commercial property transactions amounted to RM16.4 billion.

'Ivory's unbilled sales have already risen to about RM385 million, lifted by some RM200 million sales in the past two months alone,' asserts AmResearch.

IVORY RUNS A TOTALLY INTEGRATED OPERATION WHERE ALL CORE FUNCTIONS OF PROPERTY DEVELOPMENTS ARE UNDERTAKEN IN-HOUSE. THESE INCLUDE ARCHITECTURAL AND ENGINEERING DESIGN, BUILDING AND CONSTRUCTION, INTERIOR DESIGN AND FIT-OUT, AND PROPERTY MANAGEMENT. AS SUCH, IT IS ABLE TO CONTROL ALL ASPECTS OF PRODUCT INNOVATION, DEVELOPMENT QUALITY, PROMPT COMPLETION AND FULL PROJECT MANAGEMENT.

'It is set to accelerate its pipeline of new launches with several exciting new ones including the resort villas and bungalows at Island Resort, The Latitude, and The Peak Shop Lots at Mount Erskine Development.'

Towards this end, the research house forecasts Ivory's unbilled sales to comfortably exceed RM500 million or more than four times its FY2009's revenue by end-FY2010 with the launch



Low hitting the ceremonial gong three times to kickstart Ivory's first day of trading on Bursa Malaysia on July 28

of some RM501 million in pre-sales for this fiscal year. Come FY2011, Ivory is expected to further expand its pre-sales by 50% to RM753 million.

Meanwhile, RHB Research is impressed with Ivory's strength in handling challenging approval processes for unique and extraordinary development designs, thus shortening

Ivory to resolve any complications within the shortest possible time.

Internal strengths

Ivory runs a totally integrated operation where all core functions of property developments are undertaken in-house. These include architectural and engineering design, building and construction, interior design and fit-out, and property management. As such, it is able to control all aspects of product innovation, development quality, prompt completion and full project management.

Additionally, it is able to increase its profit margin as key functions are undertaken in-house and not outsourced to third parties.

'The idea of a full-fledged developer suits our aspiration very well. Aside from merely designing and developing a project, we don't mind going the extra mile to handle the maintenance aspect ... this is not so much for the money as to ensure our projects enjoy steady value appreciation,' Low stresses.

Ivory currently manages four properties, all in Penang. They are the Seri Taman Tanjung apartments, The View Twin Towers condominiums, Penang Times Square (Phase 1) condominiums and shopping complex, and Plazy Ivory commercial.

For FY2009, Ivory's in-house property

management services accounted for 1.9% of its revenue, and interior design and fit-out some 1.2%. Most of its interior design services are rendered to external-party customers.

Elsewhere, the group had in April last year entered into the retailing of food services focusing on quick-service restaurants. It is a franchisee of Marrybrown Fried Chicken Sdn Bhd and currently operates two outlets in Penang. Retailing accounted for RM0.9 million or 0.8% of its revenue for FY2009.

'By venturing into retailing of food services, our group has the opportunity to expose itself and participate in commercial activities as a business unit in the shopping complex. Furthermore, we will be able to maximise the use of our shoplots and generate recurring income,' rationalises Low.

Bullish

Ivory has recorded historical profit after taxation (PAT) of RM10.04 million, RM22.50 million, RM26.50 million, RM26.87 million and RM17.17 million for the financial years ended Dec 31, 2005 through 2009, respectively. For FY2010, the company is forecasting a PAT of RM33.86 million on a revenue of RM181.67 million.

Eng Teknologi Holdings Bhd executive chairman Datuk Gillian Teh, who is also one of Ivory's first investors, expects Ivory's growth to be 'very fast' moving forward. 'I have no doubts the company will do well over the next two decades. I will continue to be a shareholder because I have confidence in the management team.'

Teh describes Low as quick-witted and 'very aggressive', 'very hands-on' and 'a down-to-earth person' who is good at managing people. He takes care of his staff and they, in return, respect him. 'He knows everybody by their names. He micro-manages the company. If you work for such a boss, you are expected to give your best,' she says.

'Looking at a 20% annual increase, I feel the company's capitalisation will hit RM1 billion over the next five years,' she adds. **mb**