

IREKA-WB may be worth monitoring



by Alan Voon

THE share price of construction and property development company Ireka Corp Bhd has risen steadily by a modest 30% in the last 52 weeks on the back of better financial results as it returned

to the black after recording losses in the past four years.

Ireka's share price closed at 67 sen on March 1 while the company's warrant IREKA-WB ended trading at 14.5 sen.

Ireka has three core businesses which are construction and infrastructure, real estate and technologies. Its construction and infrastructure division is capable of undertaking major-sized civil and structural engineering projects. As of Dec 31, the division had a book order of over RM984 mil of which RM381 mil remains outstanding.

Within its real estate business, Ireka takes pride in the creation of the i-ZEN brand of luxury properties. In 2007, Ireka successfully listed Aseana Properties on the London Stock Exchange to undertake property development activities in Malaysia and Vietnam. Ireka's technology arm, i-Tech Network Solutions Sdn Bhd, specialises in networking and systems integration providing IT consultancy, hardware fulfilment and data centre services.

Ireka posted a net profit of RM18.38 mil for the first three quarters of FYE3/17 ended Dec 31, 2016. This is a turnaround compared with a net loss of RM28.77 mil recorded in the corresponding period of FYE 3/15.

The result included a share of profit of RM23.69 mil from associated company Aseana Properties of which RM33.78 mil was attributable to gain on disposal of Aloft Kuala Lumpur. The construction

IREKA CORP BHD (March 1, 2017)

Warrant Price:	14.5 sen
Share Price:	67 sen
Exercise Price:	RM1
Warrants Expiry Date:	25/6/2019
Premium:	70.9%
Gearing:	4.62x
Underlying Historical Volatility:	53.9%
Warrant's Implied Volatility:	n/a
Delta:	0.51
Effective Gearing:	2.35x

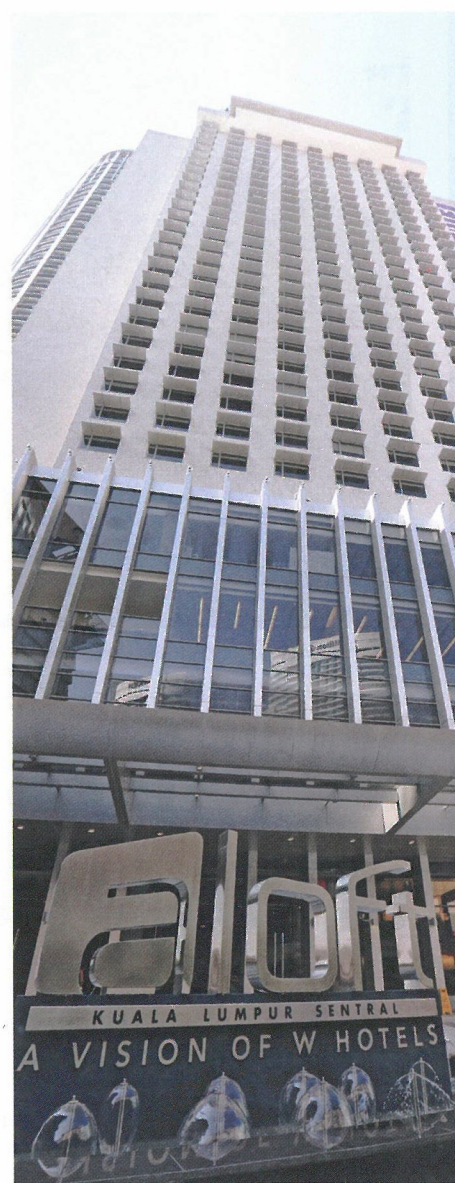
division turned around with a pre-tax profit of RM2.77 mil compared to a loss of RM5.71 mil a year ago.

The property developer was still in the red although the loss of RM1.33 mil in this division for the first three quarters of FYE3/17 is a significant improvement over a loss of over RM4.49 mil during the same period a year ago.

The outlook for Ireka moving forward looks encouraging. On Jan 4, Aseana Properties announced that a resolution to return the first capital distribution of US\$10 mil (RM44.5 mil) to shareholders had been passed. The capital distribution was completed on Jan 10 and Ireka received its share of distribution totalling RM10.28 mil.

Ireka also announced on Feb 27 that it has secured a construction project from Malaysia Packaging Industry Bhd to undertake a fixed price lump sum design-build contract for industrial facilities comprising production, warehousing and storage of goods with commercial office facilities and car parking space at an industrial factory lot situated in the ASTA Enterprise Park, Kajang at a contract sum of RM60.77 mil.

IREKA-WB is out-of-money now and therefore trades at a high premium of



In March last year, Ireka's Aseana Properties sold the Aloft Kuala Lumpur to Prosper Group Holdings for RM418.7 mil

over 70%. It is also theoretically expensive as its implied volatility of 53.9% is much higher than the mother share's historical volatility of 26.7%.

However, this warrant has a relatively high gearing of 4.62 times and would do well when the mother share price increases further. IREKA-WB can be attractive for traders when the mother share rises. **FocusM**

The writer is CEO of Warrants Capital Sdn Bhd.