

26 November 2018 | 1QFY19 Results Review

IOI Properties Group Berhad

Dragged by property development division

Maintain NEUTRAL

Unchanged Target Price (TP): RM1.69


INVESTMENT HIGHLIGHTS

- **1QFY19 earnings within expectations**
- **Dragged by property development division**
- **1QFY19 new sales at RM574m**
- **Earnings forecast unchanged**
- **Maintain Neutral with an unchanged TP of RM1.69**

1QFY19 earnings within expectations. IOI Properties Group Berhad (IOIPG) 1QFY19 core net income of RM155.7m came in within our and consensus' expectations, making up 22% of respective full year estimates.

Dragged by property development division. IOIPG recorded core net income of RM155.7m in 1QFY19, declining by -21.3%yoy. The weaker income in 1QFY19 was mainly due to lower contribution from property development division. Operating profit of property development division shrank by -33%yoy, owing to lower property sales from Singapore and lower contribution from development projects in Malaysia. Nevertheless, earnings were partly cushioned by earnings contribution from China project. On the other hand, earnings from property investment division were marginally higher due to higher occupancy and rental rates for retail and office assets. Meanwhile, 1QFY19 unbilled sales climbed to RM869m from RM648m in 4QFY18, providing less than one year of earnings visibility to property development division.

1QFY19 new sales at RM574m. IOIPG registered new property sales of RM574m in 1QFY19, higher than new sales of RM410m in 4QFY18. 49% of new sales were contributed by project in China, 46% contributed by local projects while the remaining 5% sales were from Singapore projects. New sales momentum is expected to driven by project in China as IOIPG plans to launch projects in IOI Palm City, Xiamen with total GDV of RMB4 billion within two years.

Maintain Neutral with an unchanged TP of RM1.69. We make no changes to our earnings forecast for FY19/FY20. We maintain our TP of RM1.69, based on 58% discount to RNAV. We maintain our Neutral call on IOIPG as near-term earnings outlook remains subdued. Nevertheless, new sales momentum of IOIPG is expected to remain supported by project in China. 

RETURN STATS	
Price (23 Nov 2018)	RM1.67
Target Price	RM1.69
Expected Share Price Return	1.2%
Expected Dividend Yield	3.0%
Expected Total Return	4.2%
STOCK INFO	
KLCI	1,695.88
Bursa / Bloomberg	5249/IOIPG MK
Board / Sector	Main/Properties
Syariah Compliant	Yes
Issued shares (mil)	5,506.15
Market cap. (RM'm)	9,195
Price over NA	0.50
52-wk price Range	RM1.21-RM2.06
Beta (against KLCI)	1.09
3-mth Avg Daily Vol	1.39m
3-mth Avg Daily Value	RM2.09m
Major Shareholders	
Vertical Capacity Sdn Bhd	53.17%
Summervest Sdn Bhd	8.50%
EPF	6.66%

Investment Statistics

FYE June (RM m)	FY16	FY17	FY18	FY19F	FY20F
Revenue	3,025	4,185	2,805	2,607	2,794
EBIT	1,290	1,382	1,068	824	883
PBT	1,525	1,437	1,089	948	1,008
Net Income	1,080	921	786	697	741
Core Net Income	813	1,045	676	697	741
EPS (sen)	24.4	18.4	14.3	12.6	13.4
Core EPS (sen)	18.4	20.9	12.3	12.6	13.4
Net DPS (sen)	8.0	6.0	5.0	5.0	5.1
Net Div Yield	4.8%	3.6%	3.0%	3.0%	3.0%
Core PER	9.1	8.0	13.6	13.3	12.5
NTA/share	3.6	3.6	3.3	3.4	3.5
P/NTA	0.5	0.5	0.5	0.5	0.5
Core ROE	5.1%	5.7%	3.7%	3.7%	3.8%
Core ROA	3.6%	3.1%	2.1%	2.8%	2.8%

Source: MIDF Research

1QFY19 Results Summary

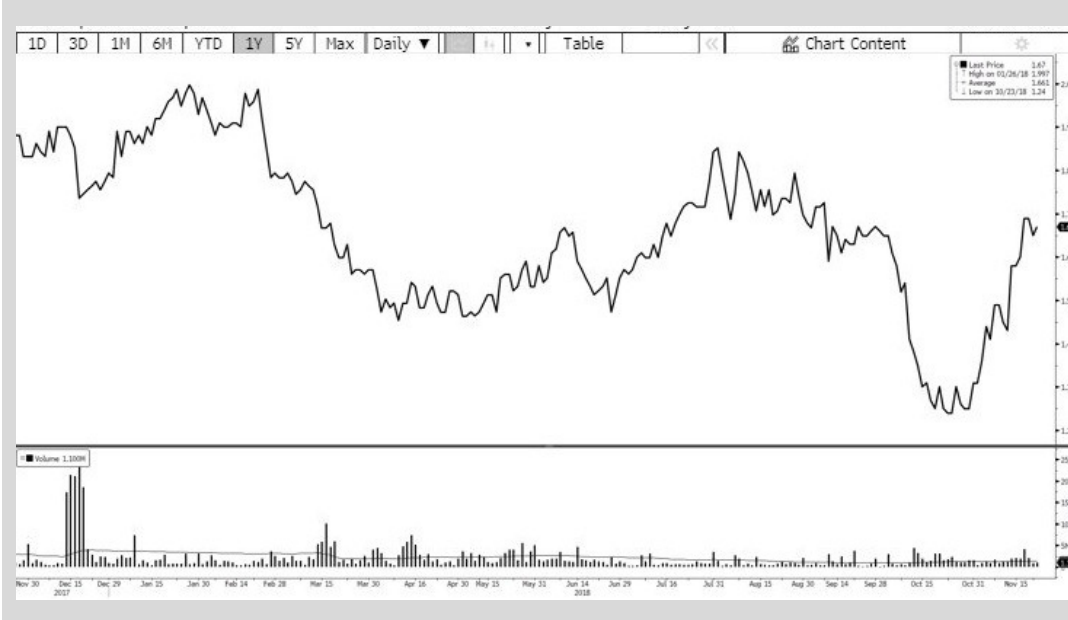
FYE June (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	1QFY19	%YoY	%QoQ	FY19	%YoY
Revenue	560.1	-36.6%	-16.9%	560.1	-36.6%
Core EBIT	221.8	-25.9%	9.2%	221.8	-25.9%
Core PBT	245.9	-24.2%	6.3%	245.9	-24.2%
Net Income	112.0	-54.3%	-57.8%	112.0	-54.3%
Core Net Income	155.7	-21.3%	-18.1%	155.7	-21.3%
EPS (sen)	2.0	-54.3%	-57.8%	2.0	-54.3%
Core EPS (sen)	2.8	-21.3%	-18.1%	2.8	-21.3%
Net DPS (sen)	0.0	NA	N/A	0.0	NA
NTA/share (RM)	3.3	0.1%	NA	3.3	NA
Net Gearing (x)	0.5	NA	NA	0.5	NA
Core EBIT Margin	39.6%	NA	NA	39.6%	NA
Core PBT Margin	43.9%	NA	NA	43.9%	NA

IOIPG RNAV

	Stake	Est remaining GDV (RM m)	WACC (%)	Value (RM m)
Klang Valley Projects				
16 Sierra, South Puchong	100%	2745	11%	312
Bandar Puchong Jaya, Puchong	100%	750	11%	99
Bandar Puteri, Puchong	100%	2837	11%	338
IOI Resort City, Putrajaya	100%	19200	11%	1185
Bandar Puteri Bangi, Selangor	100%	3450	11%	411
Bandar Puteri Warisan, Sepang	100%	1083	11%	142
Johor Projects				
Bandar Putra Kulai, Johor	100%	1592	11%	151
Bandar Putra Segamat, Johor	100%	18	11%	3
Taman Lagenda Putra, Kulai, Johor	100%	27	11%	4
Taman Kempas Utama, Johor Bahru, Johor	100%	812	11%	102
The Platino, Johor Bahru, Johor	100%	100	11%	13
i-Synergy, Senai, Kulai, Johor	100%	1720	11%	205
Other States Projects				
Desaria , Sungai Ara, Penang	100%	156	11%	21
Bandar IOI, Bahau, Negeri Sembilan	100%	806	11%	96
Singapore Projects				
South Beach, Beach Road, Singapore	50%	1667	11%	109
The Triling @ Jalan Lempeng, Singapore	88%	1250	11%	144
Cape Royale @ Sentosa Cove, Singapore	65%	4500	11%	283
Cityscape @ Farrer Park, Singapore	60%	1200	11%	77
Seascape @ Sentosa Cove	50%	825	11%	54
China Projects				
IOI Park Bay, Xiamen, PRC	100%	419	11%	55
IOI Palm City, Xiamen, PRC	100%	2170	11%	247
Unbilled sales		1500		186
Subtotal				4165
Remaining Landbank				Net Surplus (RM m)
Nusa Jaya	100%			0
Mukim of Pulau	100%	16		0
Segamat	100%	1254		0
Kulai Jaya	100%	467		0
Ayer Keroh	100%	1338		0
Bandar IOI, Bahau	100%	745		0
Investment Properties	100%			0
Total				4237
Shareholder Funds				17996.0
Total RNAV				22233
Enlarged share base				5534.8
Fully-diluted RNAV per share (RM)				4.02
Discount				58%
Target Price (RM)				1.69

Source: MIDF Research

DAILY PRICE CHART



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Source: Bloomberg

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.