

21 May 2018 | 3QFY18 Results Review

IOI Properties Group Berhad

Weaker earnings from property development division

Maintain NEUTRAL

Adjusted Target Price (TP): RM1.69
(Previously RM1.89)


INVESTMENT HIGHLIGHTS

- **9MFY18 earnings below expectations**
- **Weaker earnings from property development division**
- **9MFY18 new sales at RM1.47b**
- **Maintain Neutral with a lower TP of RM1.69**

9MFY18 earnings below expectations. IOI Properties Group Berhad (IOIPG) 9MFY18 core net income of RM483.4m came in below expectations, making up 62% and 56% of our and consensus full year estimates respectively. The negative deviation could be attributed to the weaker-than-expected contribution from property development division.

Weaker earnings from property development division. IOIPG recorded core net income of RM483.4m in 9MFY18 (-32.6%yoy). Note that we have excluded share of impairment loss in joint venture and forex gain in our core net income calculations. The weaker earnings in 9MFY18 were mainly owing to lower contribution from property development division. 9MFY18 operating profit of property development division eased 14.5%yoy due to lower contribution from local projects and overseas projects (Singapore and China). Meanwhile, operating profit of property investment division is higher by 20%yoy due to high occupancy rates of its retail and office properties. Meanwhile, 3QFY18 unbilled sales declined to RM990m from RM1.2b in 2QFY18, providing less than one year of earnings visibility to property development division.

9MFY18 new sales at RM1.47b. IOIPG recorded new property sales of RM340m in 3QFY18, lower than new sales of RM448m in 2QFY18. That brought total new sales in 9MFY18 to RM1.47b. 61% of the new sales in 9MFY18 came from local projects, 32% contributed by Singapore project while the remaining 7% contributed by project in China. Meanwhile, IOIPG plans to launch its residential projects in Xiamen, China in 4QFY18.

Maintain Neutral with a lower TP of RM1.69. We trim our earnings forecast for FY18/19 by 10%/7.8% to factor in lower contribution from property development division. Our TP for IOIPG is revised to RM1.69 from RM1.89 as we widen our discount to RNAV to 58% from 53% following the weaker-than-expected earnings. We maintain our Neutral call on IOIPG for its unexciting earnings outlook. 

RETURN STATS	
Price (18 May 2018)	RM1.60
Target Price	RM1.69
Expected Share Price Return	5.6%
Expected Dividend Yield	3.0%
Expected Total Return	8.6%
STOCK INFO	
KLCI	1,854.50
Bursa / Bloomberg	5249/IOIPG MK
Board / Sector	Main/Properties
Syariah Compliant	Yes
Issued shares (mil)	5,506.15
Market cap. (RM'm)	8,890.83
Price over NA	0.49
52-wk price Range	RM1.49-RM2.22
Beta (against KLCI)	0.96
3-mth Avg Daily Vol	2.4m
3-mth Avg Daily Value	RM3.96m
Major Shareholders	
Vertical Capacity Sdn Bhd	52.31%
Summervest Sdn Bhd	8.50%
EPF	6.62%

Investment Statistics

FYE June (RM m)	2015A	2016A	2017A	2018E	2019E
Revenue	1,906	3,025	4,185	2,714	2,607
EBIT	1,006	1,290	1,382	833	824
PBT	1,130	1,525	1,437	956	948
Net Income	891	1,080	921	703	697
Core Net Income	574	813	1,045	703	697
EPS (sen)	25.8	24.4	18.4	12.7	12.6
Core EPS (sen)	16.7	18.4	20.9	12.7	12.6
Net DPS (sen)	6.0	8.0	6.0	4.8	5.3
Net Div Yield	3.8%	5.0%	3.8%	3.0%	3.3%
Core PER	9.6	8.7	7.7	12.6	12.7
NTA/share	3.9	3.6	3.6	3.3	3.4
P/NTA	0.4	0.4	0.4	0.5	0.5
Core ROE	4.3%	5.1%	5.7%	4%	4%
Core ROA	3.1%	3.6%	3.1%	3%	3%

Source: MIDF Research

3QFY18 Results Summary

FYE June (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	3QFY18	%YoY	%QoQ	FY18	%YoY
Revenue	541.2	-39.6%	-23.5%	2,118.6	-29.1%
Core EBIT	150.5	-53.9%	-50.6%	736.8	-24.8%
Core PBT	175.2	-49.1%	-29.3%	730.1	-28.4%
Net Income	166.6	37.6%	52.7%	518.6	-11.2%
Core Net Income	120.1	-54.6%	-28.4%	483.4	-32.6%
EPS (sen)	3.0	11.3%	52.7%	9.4	-28.7%
Core EPS (sen)	2.2	-63.2%	-28.4%	8.8	-45.8%
Net DPS (sen)	0.0	0.0%	N/A	0.0	0.0%
NTA/share (RM)	3.3	NA	NA	3.3	NA
Net Gearing (x)	0.5	NA	NA	0.5	NA
Core EBIT Margin	27.8%	NA	NA	34.8%	NA
Core PBT Margin	32.4%	NA	NA	34.5%	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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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.