

28 August 2018 | 4QFY18 Results Review

IOI Properties Group Berhad

Ended FY18 on a weaker note

Maintain NEUTRAL
Unchanged Target Price (TP): RM1.69

INVESTMENT HIGHLIGHTS

- **FY18 earnings within our expectation**
- **Ended FY18 on a weaker note**
- **FY18 new sales at RM1.88b**
- **Earnings forecast unchanged**
- **Maintain Neutral with an unchanged TP of RM1.69**

FY18 earnings within our expectation. IOI Properties Group Berhad (IOIPG) FY18 core net income of RM673.5m came in within our expectation but slightly below consensus, making up 96% and 92% of our and consensus full year estimates respectively. Dividend of 5 sen per share was announced.

Ended FY18 on a weaker note. IOIPG registered core net income of RM190.1m (-42.1%yoy) in 4QFY18, bringing full year core net income to RM673.5m (-35.6%yoy) in FY18. The lower earnings in FY18 were mainly due to lower contribution from property development division which were partly cushioned by property investment division. The weaker performance of property development division was mainly owing to lower contribution from overseas projects in Singapore. Meanwhile, performance of property investment division improved due to higher occupancy and rental rates for the retail and office assets. Meanwhile, 4QFY18 unbilled sales declined to RM648m from RM990m in 3QFY18, providing less than one year of earnings visibility to property development division.

FY18 new sales at RM1.88b. IOIPG chalked up new sales of RM410m in 4QFY18, higher than new sales of RM340m in 3QFY18. That brought total new sales to RM1.88b in FY18, lower than new sales of RM2.85b in FY17. Moreover, 61% of the new sales in FY18 were contributed by local projects, 30% contributed by Singapore project while the remaining 9% contributed by project in China. Meanwhile, IOIPG plans to launch its projects in Xiamen, China by end of this year.

Maintain Neutral with an unchanged TP of RM1.69. We maintain our earnings forecast for FY19. We also introduce earnings forecast for FY20. We maintain our TP of RM1.69, based on 58% discount to RNAV. We maintain our Neutral call on IOIPG due to tepid earnings outlook for its property development division.



RETURN STATS	
Price (27 Aug 2018)	RM1.79
Target Price	RM1.69
Expected Share Price Return	-5.6%
Expected Dividend Yield	2.8%
Expected Total Return	-2.8%
STOCK INFO	
KLCI	1,811.60
Bursa / Bloomberg	5249/IOIPG MK
Board / Sector	Main/Properties
Syariah Compliant	Yes
Issued shares (mil)	5,506.15
Market cap. (RM'm)	9,800.94
Price over NA	0.54
52-wk price Range	RM1.47-RM2.1
Beta (against KLCI)	0.87
3-mth Avg Daily Vol	1.33m
3-mth Avg Daily Value	RM2.25m
Major Shareholders	
Vertical Capacity Sdn Bhd	52.55%
Summervest Sdn Bhd	8.50%
EPF	6.75%

Investment Statistics

FYE June (RM m)	FY16	FY17	FY18	FY19F	FY20F
Revenue	3,025	4,185	2,793	2,607	2,794
EBIT	1,290	1,382	1,050	824	883
PBT	1,525	1,437	1,072	948	1,008
Net Income	1,080	921	784	697	741
Core Net Income	813	1,045	674	697	741
EPS (sen)	24.4	18.4	14.2	12.6	13.4
Core EPS (sen)	18.4	20.9	12.2	12.6	13.4
Net DPS (sen)	8.0	6.0	5.0	5.3	5.6
Net Div Yield	4.5%	3.4%	2.8%	3.0%	3.1%
Core PER	9.7	8.6	14.6	14.2	13.4
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

4QFY18 Results Summary

FYE June (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	4QFY18	%YoY	%QoQ	FY18	%YoY
Revenue	674.0	-43.6%	24.5%	2,792.6	-33.3%
Core EBIT	203.2	-61.4%	35.0%	940.0	-37.6%
Core PBT	231.4	-57.3%	32.1%	961.4	-38.4%
Net Income	265.0	-21.3%	59.0%	783.6	-14.9%
Core Net Income	190.1	-42.1%	58.3%	673.5	-35.6%
EPS (sen)	4.8	-16.9%	59.0%	14.2	-25.1%
Core EPS (sen)	3.5	-38.9%	58.3%	12.2	-44.0%
Net DPS (sen)	5.0	-16.7%	N/A	5.0	-16.7%
NTA/share (RM)	3.3	6.0%	NA	3.3	NA
Net Gearing (x)	0.5	NA	NA	0.5	NA
Core EBIT Margin	30.1%	NA	NA	33.7%	NA
Core PBT Margin	34.3%	NA	NA	34.4%	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.