

14 March 2018 | Corporate Update

## IOI Properties Group Berhad Terminating MOA with Hongkong Land


### INVESTMENT HIGHLIGHTS

- Terminating MOA with Hongkong Land
- Rising net gearing
- Earnings estimate maintained
- Maintain Neutral with a revised TP of RM1.89

**Terminating MOA with Hongkong Land.** IOI Properties Group Berhad (IOIPG) announced that it has terminated the Memorandum of Agreement (MOA) with Hongkong Land International Holdings Limited (HKLI) in relation to a proposed joint venture due to non-fulfilment of certain conditions precedent. Recall that IOIPG entered into MOA with HKLI in June 2017 to set up a joint venture (JV) to jointly develop and manage prime Central Boulevard site in Singapore.

**Rising net gearing.** We are negatively surprised by the development as we had previously anticipated the proposed JV to alleviate burden on IOIPG balance sheet. Recall that IOIPG has successfully bid for 1.09ha land in Central Boulevard for a tender consideration of S\$2.57bil in November 2016 while HKLI is expected to take up 33% stake or equivalent to SGD 0.94b in the project. With the call-off of the proposed JV, IOIPG would have to raise fund for the project. With the estimated construction cost of around S\$700m-S\$800m, we estimate net gearing of IOIPG to potentially go up to 0.68x from 0.6x as of 2QFY18.

**Earnings estimate maintained.** We make no changes to our earnings forecast as the termination of JV with Hongkong Land is not expected to impact earnings of IOIPG. Potential rising cost of borrowings is likely to be capitalised.

**Maintain Neutral with a revised TP of RM1.89.** We revised our TP for IOIPG to RM1.89 from RM2.09 as we increase our discount to RNAV to 53% from 48% due to concern over rising net gearing. We maintain our Neutral call on IOIPG for its tepid earnings outlook and expected rising net gearing. 

**Maintain NEUTRAL**  
**Adjusted Target Price (TP): RM1.89**  
**(Previously: RM2.09)**

RETURN STATS	
Price (13 March 2018)	RM1.81
Target Price	RM1.89
Expected Share Price Return	4.4%
Expected Dividend Yield	3.0%
<b>Expected Total Return</b>	<b>7.4%</b>
STOCK INFO	
KLCI	1,864.03
Bursa / Bloomberg	5249/IOIPG MK
Board / Sector	Main/Properties
Syariah Compliant	Yes
Issued shares (mil)	5,506.15
Market cap. (RM'm)	9,966.12
Price over NA	0.55
52-wk price Range	RM1.79-RM2.22
Beta (against KLCI)	0.83
3-mth Avg Daily Vol	3.24m
3-mth Avg Daily Value	RM6.17m
Major Shareholders	
Vertical Capacity Sdn Bhd	52.10%
Summervest Sdn Bhd	8.50%
EPF	6.34%

## Investment Statistics

FYE June (RM m)	2015A	2016A	2017A	2018E	2019E
Revenue	1,906	3,025	4,185	3,082	2,872
EBIT	1,006	1,290	1,382	941	905
PBT	1,130	1,525	1,437	1,065	1,029
Net Income	891	1,080	921	782	757
Core Net Income	574	813	1,045	782	757
EPS (sen)	25.8	24.4	18.4	14.1	13.7
Core EPS (sen)	16.7	18.4	20.9	14.1	13.7
Net DPS (sen)	6.0	8.0	6.0	5.4	5.7
Net Div Yield	3.3%	4.4%	3.3%	3.0%	3.2%
Core PER	10.9	9.9	8.7	12.8	13.2
NTA/share	3.9	3.6	3.6	3.3	3.4
P/NTA	0.5	0.5	0.5	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

## IOIPG RNAV

	Stake	Est remaining GDV (RM m)	WACC (%)	Value (RM m)
<b>Klang Valley Projects</b>				
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
<b>Johor Projects</b>				
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
<b>Other States Projects</b>				
Desaria, Sungai Ara, Penang	100%	156	11%	21
Bandar IOI, Bahau, Negeri Sembilan	100%	806	11%	96
<b>Singapore Projects</b>				
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
<b>Remaining Landbank</b>				<b>Net Surplus (RM m)</b>
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
<b>Total</b>				<b>4237</b>
Shareholder Funds				17996.0
Total RNAV				22233
Enlarged share base				5534.8
Fully-diluted RNAV per share (RM)				4.02
Discount				53%
<b>Target Price (RM)</b>				<b>1.89</b>

Source: MIDF Research

## DAILY PRICE CHART



Source: Bloomberg

Jessica Low Jze Tieng  
 Jessica.low@midf.com.my  
 03-2173 8391

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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.