

# IOI Properties Group Berhad

(5249 | IOIPG MK) Main | Property

**Maintain BUY**

## Better New Sales Outlook

**Revised Target Price: RM1.38**
*Previously RM1.29*

### KEY INVESTMENT HIGHLIGHTS

- **Meeting with IOI Properties**
- **Better new property sales outlook for FY24**
- **Property investment continues to recover**
- **REIT plan in medium to long term**
- **Maintain BUY with a revised TP of RM1.38**

**Meeting with IOI Properties.** We met with IOI Properties management recently and reaffirmed on the stable prospect for its various business divisions in the near-term. Key takeaways from the meeting as below:

**Better new property sales outlook for FY24 driven by local and Singapore projects.** New sales prospect for IOI Properties is expected to be better in FY24, driven mainly by launches of properties at its township in Malaysia. Meanwhile, the launch of Marina View in Singapore with GDV of SGD2.6b is expected to boost new sales of IOI Properties in FY24 in view of the improving property market in Singapore. Besides, sales of completed inventories in China will further propel new sales growth in FY24. Note that IOI Properties recorded new sales of RM1.37b in 9MFY23, on track to match new sales of RM1.9b in FY22. In a nutshell, we expect new property sales to be higher at >RM2b in FY24.

**Property investment continues to recover.** Property investment division of IOI Properties is expected to continue stage earnings recovery in FY24. The growth of the division should mainly underpin by the higher rental income from IOI City Mall in Putrajaya following the opening of phase 2 of IOI City Mall. Note that IOI City Mall has strong shopper footfall and we expect rental reversion for the mall to be in positive territory. Besides, the contribution from IOI Xiamen Mall should also support earnings growth of property investment division.

**REIT plan in medium to long term.** Size of IOI Properties investment properties has been growing in the past few years with the completion of IOI City Mall, IOI City Mall Phase 2 and IOI Mall in Xiamen. Note that IOI Properties has 8 retail assets with market value of RM4.6b and 4 office towers with market value of RM1.2b. Meanwhile, IOI Properties has two offices under construction which are IOI Central Boulevard in Singapore and IOI Palm City in Xiamen China which collectively have indicative market value of RM13.6b. That gives total market value of investment properties of >RM19b. IOI Properties is looking to list its investment properties under REIT in the long term to unlock the value of its investment properties. If that materialises, the REIT will be the largest REIT in Malaysia in term of asset size. Nevertheless, we reckon that the listing of REIT may not be in the short-term as IOI Properties could fetch better yield for IOI Central Boulevard in Singapore after one round of 3-year tenancy cycle.

### RETURN STATISTICS

Price @ 13 <sup>th</sup> July 2023 (RM)	1.15
Expected share price return (%)	20.0
Expected dividend yield (%)	3.5
<b>Expected total return (%)</b>	<b>23.5</b>

### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	5.5	4.7
3 months	7.5	0.2
12 months	20.4	22.5

### INVESTMENT STATISTICS


FYE Dec	2023E	2024F	2025F
Revenue	2,568	2,663	2,795
Operating Profit	929	949	1,039
Profit Before Tax	1,001	1,021	1,112
Core PATAMI	736	751	817
Core EPS	13.29	13.55	14.75
DPS	4.00	4.00	4.50
Dividend Yield	3.48%	3.48%	3.91%

### KEY STATISTICS

FBM KLCI	1,396.23
Issue shares (m)	5,506.15
Estimated free float (%)	13.35
Market Capitalisation (RM'm)	6332
52-wk price range	RM0.92-RM1.21
3-mth average daily volume (m)	1.25
3-mth average daily value (RM'm)	1.42
Top Shareholders (%)	
Vertical Capacity Sdn Bhd	65.67
Employees Provident Fund Board	7.83
Amanah Saham Nasional Bhd	6.40

### Analyst

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**Maintain BUY with a revised TP of RM1.38.** Post meeting, we make no changes to our earnings forecast for FY23F/24F/25F. Our **TP** is revised to **RM1.38** from RM1.29 as we update our RNAV figures. Our TP is based on 73% discount to RNAV. We remain positive on IOI Properties as we see stable long-term prospect for IOI Properties due to stable outlook for property development division and property investment division. Besides, the potential listing of property investment division in the medium to long term could unlock value of the division. Meanwhile, valuation is undemanding as IOI Properties is trading at 71% discount to NTA per share of RM3.95. Hence, we maintain our **BUY** call on IOI Properties. 

## IOIPG RNAV

	Stake	Est remaining GDV (RM m)	WACC (%)	Value (RM m)
<b>Klang Valley Projects</b>				
16 Sierra, South Puchong	100%	5600	11%	532
Bandar Puchong Jaya, Puchong	100%	500	11%	66
Bandar Puteri, Puchong	100%	12000	11%	1140
IOI Resort City, Putrajaya	100%	14900	11%	920
Bandar Puteri Bangi, Selangor	100%	5400	11%	513
Bandar Puteri Warisan, Sepang	100%	3400	11%	369
BC Industrial Park	100%	2100	11%	339
<b>Johor Projects</b>				
Bandar Putra Kulai, Johor	100%	5400	11%	513
Bandar IOI Segamat, Johor	100%	500	11%	66
Taman Lagenda Putra, Kulai, Johor	100%	100	11%	15
Taman Kempas Utama, Johor Bahru, Johor	100%	800	11%	100
i-Synergy, Senai, Kulai, Johor	100%	1800	11%	215
<b>Other States Projects</b>				
Desaria , Sungai Ara, Penang	100%	200	11%	26
Bandar IOI, Bahau, Negeri Sembilan	100%	200	11%	24
<b>Singapore Projects</b>				

	Stake	Est remaining GDV (RM m)	WACC (%)	Value (RM m)
Cape Royale @ Sentosa Cove, Singapore	65%	4760	11%	299
Seascape @ Sentosa Cove	50%	1020	11%	67
Marina View	100%	8840	11%	995
<b>China Projects</b>				
IOI Palm International Parkhouse, Xiamen, PRC	100%	715	11%	94
IOI Palm City, Xiamen, PRC	100%	195	11%	22
Unbilled sales		1500		69
Subtotal				6380
<b>Total</b>				<b>6380</b>
Shareholder Funds				21742.3
Total RNAV				28123
Enlarged share base				5506.0
Fully-diluted RNAV per share (RM)				5.11
Discount				73%
<b>Target Price (RM)</b>				<b>1.38</b>

## FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023E	2024F	2025F
Revenue	2,489	2,590	2,568	2,663	2,795
EBIT	1,033	1,040	929	949	1,039
PBT	1,217	1,103	1,001	1,021	1,112
Net Income	660	687	736	751	817
Core Net Income	799	715	736	751	817
Core EPS (sen)	14.5	13.0	13.3	13.6	14.7
Core PER (x)	7.9	8.9	8.7	8.5	7.8
NTA/share	3.55	3.71	3.78	3.86	3.95
P/NTA	0.32	0.31	0.30	0.30	0.29
Balance Sheet (RM'm)	2021A	2022A	2023E	2024F	2025F
Property, plant and equipment	1,531	3,054	3,024	2,993	2,963
Land held for property development	5,170	9,077	9,186	9,077	9,186
Total non-current assets	26,303	32,562	32,914	34,409	34,661
Property development costs	2,224	568	599	621	650
Inventories	2,412	3,052	3,418	4,956	5,055
Cash and bank balances	1,307	1,105	1,183	1,453	1,346
Other assets	1,187	2,214	3,392	478	742
<b>Total Assets</b>	<b>33,433</b>	<b>39,501</b>	<b>41,506</b>	<b>41,916</b>	<b>42,454</b>
Long Term Borrowings	10,676	3,331	4,725	4,961	4,713
Short-term Borrowings	334	13,486	13,783	13,507	13,804
Other Liabilities	2,704	2,074	1,985	1,980	1,976
Total Liability	13,714	18,891	20,493	20,449	20,494
Share capital	18,514	18,514	18,514	18,514	18,514
Other Equity	1,204	2,096	2,499	2,953	3,446
Total Equity	19,719	20,611	21,013	21,467	21,960
<b>Equity + Liability</b>	<b>33,433</b>	<b>39,501</b>	<b>41,506</b>	<b>41,916</b>	<b>42,454</b>
Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
Cash flows from operating activities					
Net income before taxation	1078	1103	1001	1021	1112
Net cash from operating activities	1019	694	205	467	572
Cash flows from investing activities					
Net cash used in investing activities	-287	-5246	-72	-103	-190
Cash flows from financing activities					
Drawdown of borrowings	605	5901	266	254	-230
Net cash from/(used in) financing activities	-398	5038	-70	-82	-476
Net increase/(decrease) in cash and cash equivalents	334	486	62	282	-94
Cash and cash equivalent at 1 January	1472	1848	2351	2415	2701
Cash and cash equivalent at 1 December	1848	2351	2415	2701	2611
Profitability Margins	2021A	2022A	2023E	2024F	2025F
EBIT margin	41.5%	40.1%	36.2%	35.6%	37.2%
PBT margin	48.9%	42.6%	39.0%	38.3%	39.8%
PAT margin	26.5%	26.5%	28.7%	28.2%	29.2%
Core PATAMI margin	32.1%	27.6%	28.7%	28.2%	29.2%
ROE	2.6%	3.5%	3.5%	3.5%	3.7%
ROA	1.5%	1.8%	1.8%	1.8%	1.9%

Source: Bloomberg, MIDFR

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#### 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.

#### ESG RECOMMENDATIONS\* - source Bursa Malaysia and FTSE Russell

☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

\* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology