

## IOI Properties Group Berhad

(5249 | IOIPG MK) Main | Property

### Stronger New Sales Outlook for FY24

#### KEY INVESTMENT HIGHLIGHTS

- **FY23 earnings below expectations**
- **Lower margin achieved in 4QFY23**
- **Better new sales outlook for FY24**
- **Earnings forecast revised**
- **Maintain BUY with a revised TP of RM1.79**

**FY23 earnings below expectations.** IOI Properties Group FY23 core net income of RM640.3m came in below expectations, making up 85% and 87% of our and consensus full year estimates. Note that we have excluded mainly fair value gain on investment properties and reversal of inventories write down in our core net income calculations. The earnings miss could be due to lower than expected margin in 4QFY23. Meanwhile, IOI Properties Group declared dividend of 5sen per share which translates into dividend yield of 3.2%.

**Lower margin achieved in 4QFY23.** Sequentially, 4QFY23 core net income was lower at RM107.4m (-11.5%qoq) despite higher revenue (+18%qoq) as earnings were dragged by lower margin. Note that gross profit margin was lower at 33% in 4QFY23 against 43% in 3QFY23 due to higher cost. On yearly basis, 4QFY23 core net income was lower (-46.7%yoy), bringing FY23 full year earnings lower at RM640.3m (-10.4%yoy). The lower earnings were due to lower gross profit margin achieved and higher marketing & administrative expenses. That had more than offset the higher contribution from JV. Overall, performance of property investment division improved in FY23 due to reopening of economy and country borders. That offset the weaker contribution from property development division.

**Stronger new sales outlook for FY24.** IOI Properties Group recorded new sales of RM590m in 4QFY23, higher than new sales of RM443.4m in 3QFY23. That brought total new sales in FY23 to RM1.96b, flattish against new sales of RM1.93b in FY22. New sales in FY23 were mainly contributed by projects in Malaysia at 85% while the remaining 15% were contributed by overseas projects in China and Singapore. Looking ahead, new sales momentum is expected to be driven by launch of Marina View Residences in Singapore. The development comprises of 683 residential units with a GDV of RM8.56b. Overall, we expect new property sales of IOI Properties Group to be exciting at >RM2b in FY24.

**Maintain BUY**

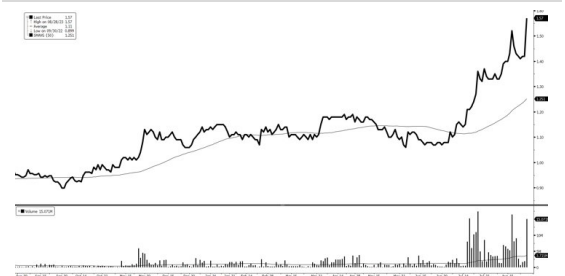
**Revised Target Price: RM1.79**

(Previously RM1.53)

#### RETURN STATISTICS

Price @ 28 <sup>th</sup> Aug 2023 (RM)	1.57
Expected share price return (%)	+14.0
Expected dividend yield (%)	3.2
<b>Expected total return (%)</b>	<b>+17.2</b>

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	18.9	19.5
3 months	46.7	37.4
12 months	55.4	61.5

#### INVESTMENT STATISTICS


FYE Dec	2024E	2025F	2026F
Revenue	2,753	3,399	3,913
Operating Profit	887	1,136	1,345
Profit Before Tax	960	1,208	1,418
Core PATAMI	705	888	1,042
Core EPS	12.74	16.03	18.81
DPS	5.00	5.00	5.00
Dividend Yield	3.18%	3.18%	3.18%

#### KEY STATISTICS

FBM KLCI	1,444.06
Issue shares (m)	5,506.15
Estimated free float (%)	13.58
Market Capitalisation (RM'm)	8644
52-wk price range	RM0.92-RM1.57
3-mth average daily volume (m)	3.3
3-mth average daily value (RM'm)	4.28
Top Shareholders (%)	
Vertical Capacity Sdn Bhd	65.67
Employees Provident Fund Board	7.60
Amanah Saham Nasional Bhd	6.40

#### Analyst

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**Maintain BUY with a revised TP of RM1.79.** We revise our FY24F earnings forecast by -6% to factor in the higher cost. Nevertheless, we revise our FY25F earnings forecast by +8.7% as we see higher contribution from Singapore project. We also introduce our FY26F earnings forecast. Meanwhile, we revise our **TP** for IOI Properties Group to **RM1.79** from RM1.53 as we narrow our RNAV discount to 65% from 70% in view of the positive new sales outlook from FY24 onwards. Overall, we see positive outlook for IOI Properties Group due to contribution from Singapore project and better performance of investment properties. Meanwhile, valuation is undemanding as IOI Properties is trading at 61% discount to NTA per share of RM4.05. Hence, we maintain our **BUY** call on IOI Properties. 

## IOI Properties Group: 4QFY23 RESULTS SUMMARY

FYE June (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	4QFY23	%YoY	%QoQ	FY23	%YoY
Revenue	666.5	-6.9%	18.0%	2,593.1	0.1%
Core EBIT	123.7	-29.1%	-13.1%	88.0	-89.7%
Core PBT	175.1	-42.2%	9.6%	867.1	-23.3%
Net Income	235.4	-19.5%	104.0%	1,393.0	102.8%
Core Net Income	107.4	-46.7%	-11.5%	640.3	-10.4%
EPS (sen)	4.3	-19.5%	104.0%	25.3	102.8%
Core EPS (sen)	2.0	-46.7%	-11.5%	11.6	-10.4%
Net DPS (sen)	5.0	25.0%	N/A	5.0	25.0%
NTA/share (RM)	4.0	9.0%	NA	4.0	NA
Net Gearing (x)	0.68	NA	NA	0.7	NA
Core EBIT Margin	18.6%	NA	NA	3.4%	NA
Core PBT Margin	26.3%	NA	NA	33.4%	NA

Source: Company, MIDF Research

## 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

	Stake	Est remaining GDV (RM m)	WACC (%)	Value (RM m)
<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>				
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				65%
<b>Target Price (RM)</b>				<b>1.79</b>

**FINANCIAL SUMMARY**

<b>Income Statement (RM'm)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
Revenue	2,590	2,593	2,753	3,399	3,913
EBIT	1,040	1,276	887	1,136	1,345
PBT	1,103	867	960	1,208	1,418
Net Income	687	1,365	705	888	1,042
Core Net Income	715	640	705	888	1,042
Core EPS (sen)	13.0	11.6	12.7	16.0	18.8
Core PER (x)	12.1	13.5	12.3	9.8	8.3
NTA/share	3.71	3.87	3.92	4.02	4.13
P/NTA	0.42	0.41	0.40	0.39	0.38
<b>Balance Sheet (RM'm)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
Property, plant and equipment	3,054	3,296	3,263	3,231	3,198
Land held for property development	9,077	5,607	6,034	5,607	6,034
Total non-current assets	32,562	31,753	31,635	31,350	31,934
Property development costs	568	5,125	5,417	6,958	8,186
Inventories	3,052	2,414	3,500	3,570	3,641
Cash and bank balances	1,105	1,758	1,178	1,103	1,934
Other assets	2,214	1,575	1,895	2,606	1,605
<b>Total Assets</b>	<b>39,501</b>	<b>42,624</b>	<b>43,624</b>	<b>45,587</b>	<b>47,300</b>
Long Term Borrowings	3,331	2,829	4,961	4,713	4,478
Short-term Borrowings	13,486	15,035	14,734	15,058	15,389
Other Liabilities	2,074	2,320	1,980	1,976	1,972
Total Liability	18,891	20,183	21,676	21,748	21,839
Share capital	18,514	18,514	18,514	18,514	18,514
Other Equity	2,096	3,926	3,316	3,852	4,480
Total Equity	20,611	22,441	21,830	22,366	22,994
<b>Equity + Liability</b>	<b>39,501</b>	<b>42,624</b>	<b>43,506</b>	<b>44,114</b>	<b>44,834</b>
<b>Cash Flow (RM'm)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
Cash flows from operating activities					
Net income before taxation	1103	1620	960	1208	1418
Net cash from operating activities	694	1594	421	644	831
Cash flows from investing activities					
Net cash used in investing activities	-5246	-214	-103	-190	-190
Cash flows from financing activities					
Drawdown of borrowings	5901	1700	254	-230	-218
Net cash from/(used in) financing activities	5038	-1057	-137	-503	-490
Net increase/(decrease) in cash and cash equivalents	486	322	181	-50	151
Cash and cash equivalent at 1 January	1848	2351	2682	2866	2821
Cash and cash equivalent at 1 December	2351	2682	2866	2821	2977
<b>Profitability Margins</b>	<b>2022A</b>	<b>2023E</b>	<b>2024F</b>	<b>2025F</b>	<b>2025F</b>
EBIT margin	40.1%	49.2%	32.2%	33.4%	34.4%
PBT margin	42.6%	33.4%	34.9%	35.5%	36.2%
PAT margin	26.5%	52.6%	25.6%	26.1%	26.6%
Core PATAMI margin	27.6%	24.7%	25.6%	26.1%	26.6%
ROE	3.5%	3.0%	3.2%	4.0%	4.6%
ROA	1.8%	1.5%	1.6%	1.9%	2.2%

Source: Bloomberg, MIDFR

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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.

#### 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