

IOI Properties Group Berhad

(5249 | IOIPG MK) Main | Property

Better Outlook on Singapore Projects

KEY INVESTMENT HIGHLIGHTS

- **1QFY24 earnings within expectations**
- **Higher sequential earnings**
- **Weaker earnings on yearly basis**
- **Better new sales outlook**
- **Earnings forecast maintained**
- **Maintain BUY with an unchanged TP of RM1.94**

1QFY24 earnings within expectations. IOI Properties Group 1QFY24 core net profit of RM175.1m came in within expectations, making up 25% and 24% of our and consensus full year estimates respectively.

Higher sequential earnings. Sequentially, 1QFY24 core net earnings was higher at RM175.1m (+63%qoq) despite lower topline (-2.8%qoq). The earnings growth was driven by better contribution from property development division, property development division and hospitality & leisure segment. Operating profit development division recorded higher operating profit (+15%qoq) on the back of improved margin. Meanwhile, property development division recorded higher operating profit (+53%qoq) mainly due to contribution from IOI City Mall phase 2 which underpinned by high occupancy rate of 97%. Similarly, hospitality & leisure segment recorded narrower operating loss due to recovery in hospitality industry.

Weaker earnings on yearly basis. 1QFY24 core net income was lower on yearly basis by 12.7%yoy, predominantly due to lower contribution from property development division. Operating profit of property development division was lower (-39%yoy) due to lower earnings recognition from Malaysia as well as China operations that dragged by weak property sentiment in China. Similarly, hospitality & leisure segment recorded weaker contribution due to closure of Palm Garden Hotel and Putrajaya Marriott Hotel since Feb 2023 for refurbishment. Nevertheless, the earnings decline was cushioned by better contribution from property investment division which saw operating profit growth of 47%yoy mainly due to contribution from IOI City Mall phase 2.

Better new sales outlook. IOI Properties Group recorded new property sales of RM587m in 1QFY24, flattish against new sales of RM590m in 4QFY23. New sales were mainly contributed by projects in Malaysia which contributed to 98% of total new sales. New sales in FY24 is expected to be stronger than new sales of RM1.96b in FY23 due to launches of local projects and Marina View Residences (GDV: SGD2.6b) in Singapore. Meanwhile, unbilled sales stood at RM509m, providing less than one-year earnings visibility for property development division. On another note, inventories increased to RM2.7b in 1QFY24 from RM2.4b in 1QFY23 due to reclassification of office and retail units in Conezion Commercial from investment properties to inventories as the units are held for sale.

Maintain BUY
Unchanged Target Price: RM1.94

RETURN STATISTICS

Price @ 24 th Nov 2023 (RM)	1.73
Expected share price return (%)	12.1
Expected dividend yield (%)	2.9
Expected total return (%)	14.0

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-5.5	-6.2
3 months	4.2	21.0
12 months	66.3	70.1

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	2.89%	2.89%	2.89%

KEY STATISTICS

FBM KLCI	1,453.92
Issue shares (m)	5,506.15
Estimated free float (%)	13.29
Market Capitalisation (RM'm)	9,525
52-wk price range	RM1.03-RM1.9
3-mth average daily volume (m)	5.48
3-mth average daily value (RM'm)	9.35
Top Shareholders (%)	
Vertical Capacity Sdn Bhd	65.67
Employees Provident Fund Board	6.88
Amanah Saham Nasional Bhd	6.35

Analyst

 Jessica Low Jze Tieng
 jessica.low@midf.com.my

Maintain BUY with an unchanged TP of RM1.94. We make no changes to our earnings forecast for FY24F/25F/26F. Our TP is unchanged at RM1.94, based on 62% discount to RNAV. We maintain our **BUY** call on IOI Properties as we see IOI Properties projects in Singapore to provide catalyst in the near-term. New sales in FY24 and FY25 is expected to be boosted by Marina View Residences (GDV: SGD2.6b) which will support earnings growth beyond FY25. Besides, IOI Central Boulevard in Singapore is target to complete in 2024 and will contribute to higher investment income. Meanwhile, valuation is undemanding as IOI Properties is trading at 57% discount to NTA per share of RM4.02. 

IOI Properties Group: 1QFY24 RESULTS SUMMARY

FYE June (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	1QFY24	%YoY	%QoQ	FY24	%YoY
Revenue	648.0	-6.3%	-2.8%	648.0	-6.3%
Core EBIT	172.5	-177.9%	39.5%	172.5	-177.9%
Core PBT	226.1	-9.5%	29.1%	226.1	-9.5%
Net Income	174.4	-72.8%	-25.9%	174.4	-72.8%
Core Net Income	175.1	-12.7%	63.0%	175.1	-12.7%
EPS (sen)	3.2	-72.8%	-25.9%	3.2	-72.8%
Core EPS (sen)	3.2	-12.7%	63.0%	3.2	-12.7%
Net DPS (sen)	0.0	NA	N/A	0.0	NA
NTA/share (RM)	4.0	4.0%	NA	4.0	NA
Net Gearing (x)	0.7	NA	NA	0.7	NA
Core EBIT Margin	26.6%	NA	NA	26.6%	NA
Core PBT Margin	34.9%	NA	NA	34.9%	NA

Source: Company, MIDF Research

IOIPG RNAV

	Stake	Est remaining GDV (RM m)	WACC (%)	Value (RM m)
Klang Valley Projects				
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)
Johor Projects				
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
Other States Projects				
Desaria , Sungai Ara, Penang	100%	200	11%	26
Bandar IOI, Bahau, Negeri Sembilan	100%	200	11%	24
Singapore Projects				
Cape Royale @ Sentosa Cove, Singapore	65%	4760	11%	299
Seascape @ Sentosa Cove	50%	1020	11%	67
Marina View	100%	8840	11%	995
China Projects				
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
Total				6380
Shareholder Funds				21742.3
Total RNAV				28123
Enlarged share base				5506.0
Fully-diluted RNAV per share (RM)				5.11
Discount				62%
Target Price (RM)				1.94

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024F	2025F	2026F
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)	13.3	14.9	13.6	10.8	9.2
NTA/share	3.71	3.87	3.93	4.02	4.13
P/NTA	0.47	0.45	0.44	0.43	0.42
Balance Sheet (RM'm)	2022A	2023A	2024F	2025F	2026F
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
Total Assets	39,501	42,624	43,624	45,587	47,300
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
Equity + Liability	39,501	42,624	43,506	44,114	44,834
Cash Flow (RM'm)	2022A	2023A	2024F	2025F	2026F
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
Profitability Margins	2022A	2023E	2024F	2025F	2025F
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

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077 (23878 – X)).
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878 – X)) for distribution to and use by its clients to the extent permitted by applicable law or regulation.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that MIDF Investment believes are reliable at the time of publication. All information, opinions and estimates contained in this report are subject to change at any time without notice. Any update to this report will be solely at the discretion of MIDF Investment.

MIDF Investment makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. MIDF Investment and its affiliates and related BNM and each of their respective directors, officers, employees, connected parties, associates and agents (collectively, "Representatives") shall not be liable for any direct, indirect or consequential loss, loss of profits and/or damages arising from the use or reliance by anyone upon this report and/or further communications given in relation to this report.

This report is not, and should not at any time be construed as, an offer, invitation or solicitation to buy or sell any securities, investments or financial instruments. The price or value of such securities, investments or financial instruments may rise or fall. Further, the analyses contained herein are based on numerous assumptions. This report does not take into account the specific investment objectives, the financial situation, risk profile and the particular needs of any person who may receive or read this report. You should therefore independently evaluate the information contained in this report and seek financial, legal and other advice regarding the appropriateness of any transaction in securities, investments or financial instruments mentioned or the strategies discussed or recommended in this report.

The Representatives may have interest in any of the securities, investments or financial instruments and may provide services or products to any company and affiliates of such BNM mentioned herein and may benefit from the information herein.

This document may not be reproduced, copied, distributed or republished in whole or in part in any form or for any purpose without MIDF Investment's prior written consent. This report is not directed or intended for distribution to or use by any person or entity where such distribution or use would be contrary to any applicable law or regulation in any jurisdiction concerning the person or entity.

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