

IOI Properties Group Berhad

(5249 | IOIPG MK) Main | Property

Weaker Contribution from China Project

KEY INVESTMENT HIGHLIGHTS

- **1HFY24 earnings below expectations**
- **Weaker contribution from China project**
- **Flattish new sales outlook**
- **Earnings forecast revised downwards**
- **Downgrade to NEUTRAL with an unchanged TP of RM2.15**

1HFY24 earnings below expectations. IOI Properties Group 1HFY24 core net profit of RM295.6m came below expectations, making up 42% and 39% of our and consensus full year estimates respectively. The negative deviation was mainly due to the weaker earnings contribution from overseas projects.

Weaker contribution from China project. Sequentially, 2QFY24 core net income was lower at RM121.2m (-30.8%qoq) in line with lower topline (-6.3%qoq). The weaker earnings were mainly due to lower earnings contribution from project in China amid weaker property market in China. Besides, the lower earnings were also due to weaker contribution from Singapore joint ventures. On yearly basis, 2QFY24 core net income was lower (-42.6%yoy), bringing 1HFY24 core net income lower at RM295.6m (-28.2%yoy). The unexciting earnings were mainly due to weaker contribution from property development division. Nevertheless, the earnings decline was partly cushioned by improved performance of property investment division which supported by rental contribution from IOI City Mall Phase 2.

Flattish new sales outlook. IOI Properties Group recorded new sales of RM582m in 2QFY24 which inclusive of two land sales in Johor and Malacca amounting to RM365m. Excluding the land sales, new property sales in 2QFY24 stood at RM222m as compared to property sales of RM587m in 1QFY24. That brought total new property sales to RM804m. Looking ahead, new sales outlook for FY24 is expected to be flattish against new sales of RM1.96b in FY23 as launch of Marina View Residences in Singapore may reschedule due to potential change in planning. Meanwhile, unbilled sales increased to RM722m in 2QFY24 from RM509m in 1QFY24.

Downgrade to NEUTRAL with an unchanged TP of RM2.15. We revise our earnings forecast for FY24F/25F/26F by -9%/-17%/-13% as we factor in weaker contribution from overseas projects. We maintain our **TP** for IOI Properties at **RM2.15** based on 55% discount to RNAV. We downgrade IOI Properties to **NEUTRAL** from BUY as upside is limited following the recent increase in share price. Nevertheless, we see positive long-term prospect for IOI Properties which will be driven by launch of its Marina View Residences in Singapore. Besides, potential listing of its investment properties will unlock value of its investment properties.

Downgrade to NEUTRAL

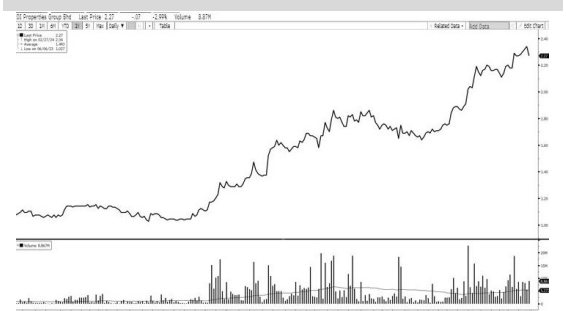
(Previously BUY)

Unchanged Target Price: RM2.15

RETURN STATISTICS

Price @ 28 th Feb 2024 (RM)	2.27
Expected share price return (%)	-5.3
Expected dividend yield (%)	2.2
Expected total return (%)	-3.1

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	5.1	2.9
3 months	29.7	26.3
12 months	102.7	90.7

INVESTMENT STATISTICS

FYE Dec	2024E	2025F	2026F
Revenue	2,483	2,775	3,373
Operating Profit	801	930	1,162
Profit Before Tax	873	1,002	1,234
Core PATAMI	642	737	907
Core EPS	11.59	13.30	16.37
DPS	5.00	5.00	5.00
Dividend Yield	2.20%	2.20%	2.20%

KEY STATISTICS

FBM KLCI	1,545.59
Issue shares (m)	5,506.15
Estimated free float (%)	13.51
Market Capitalisation (RM'm)	9,525
52-wk price range	RM1.05-RM2.36
3-mth average daily volume (m)	5.37
3-mth average daily value (RM'm)	11.04
Top Shareholders (%)	
Vertical Capacity Sdn Bhd	65.67
Amanah Saham Nasional Bhd	6.35
Employees Provident Fund Board	6.30

Analyst

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IOI Properties Group: 2QFY24 RESULTS SUMMARY

FYE June (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	2QFY24	%YoY	%QoQ	FY24	%YoY
Revenue	606.9	-9.5%	-6.3%	1,254.9	-7.9%
Core EBIT	169.9	291.9%	-1.5%	342.4	-292.3%
Core PBT	179.2	-36.5%	-20.7%	405.3	-23.8%
Net Income	121.5	-69.8%	-30.4%	295.9	-71.6%
Core Net Income	121.2	-42.6%	-30.8%	295.6	-28.2%
EPS (sen)	2.2	-69.8%	-30.4%	5.4	-71.6%
Core EPS (sen)	2.2	-42.6%	-30.8%	5.4	-28.0%
Net DPS (sen)	0.0	NA	N/A	0.0	NA
NTA/share (RM)	4.1	NA	NA	4.1	NA
Net Gearing (x)	0.7	NA	NA	0.7	NA
Core EBIT Margin	28.0%	NA	NA	27.3%	NA
Core PBT Margin	29.5%	NA	NA	32.3%	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
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				55%
Target Price (RM)				2.15

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024F	2025F	2026F
Revenue	2,590	2,593	2,483	2,775	3,373
EBIT	1,040	1,276	801	930	1,162
PBT	1,103	867	873	1,002	1,234
Net Income	687	1,393	642	737	907
Core Net Income	715	640	642	737	907
Core EPS (sen)	13.0	11.6	11.6	13.3	16.4
Core PER (x)	17.5	19.5	19.6	17.1	13.9
NTA/share	3.71	3.87	3.92	4.00	4.10
P/NTA	0.61	0.59	0.58	0.57	0.55

Balance Sheet (RM'm)	2022A	2023A	2024F	2025F	2026F
Property, plant and equipment	3,054	3,296	3,263	3,231	3,037
Land held for property development	9,077	5,607	6,034	5,607	5,534
Total non-current assets	32,562	31,753	31,635	31,350	31,183
Property development costs	568	5,125	4,735	5,382	6,822
Inventories	3,052	2,414	3,500	3,570	3,641
Cash and bank balances	1,105	1,758	1,113	883	1,578
Other assets	2,214	1,575	2,502	2,817	1,418
Total Assets	39,501	42,624	43,485	44,002	44,641
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	3,295	3,740	4,288
Total Equity	20,611	22,441	21,809	22,254	22,802
Equity + Liability	39,501	42,624	43,485	44,002	44,641

Cash Flow (RM'm)	2022A	2023A	2024F	2025F	2026F
Cash flows from operating activities					
Net income before taxation	1103	1620	873	1002	1234
Net cash from operating activities	694	1594	356	489	693
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	116	-204	13
Cash and cash equivalent at 1 January	1848	2351	2682	2802	2601
Cash and cash equivalent at 1 December	2351	2682	2802	2601	2620

Profitability Margins	2022A	2023A	2024F	2025F	2025F
EBIT margin	40.1%	49.2%	32.3%	33.5%	34.4%
PBT margin	42.6%	33.4%	35.2%	36.1%	36.6%
PAT margin	26.5%	53.7%	25.9%	26.5%	26.9%
Core PATAMI margin	27.6%	24.7%	25.9%	26.5%	26.9%
ROE	3.5%	3.0%	3.0%	3.3%	4.0%
ROA	1.8%	1.5%	1.5%	1.7%	2.0%

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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