

# IOI Properties Group Berhad

(5249 | IOIPG MK) Main | Property

## Earnings Driven by Land Sales

### KEY INVESTMENT HIGHLIGHTS

- **9MFY24 earnings above our expectation**
- **Earnings driven by land sales**
- **9MFY24 new sales at RM1.59b**
- **Earnings forecast revised upwards**
- **Maintain NEUTRAL with a revised TP of RM2.40**

**9MFY24 earnings above our expectation.** IOI Properties Group 9MFY24 core net profit of RM518m came in above our expectation but below consensus expectation, making up 81% and 69% of our and consensus full year estimates respectively. The positive deviation was mainly due to higher-than-expected earnings in 3QFY24 which were driven by land sale.

**Earnings driven by land sales.** Sequentially, 3QFY24 core net income increased to RM219.9m (+79.6%qoq) mainly due to completion of Senai, Johor land sale amounting to RM211m. On yearly basis, 3QFY24 core net income was higher (+81.2%yoy), bringing cumulative core net income in 9MFY24 to RM518m (-2.8%yoy). Earnings in 9MFY24 were marginally lower mainly due to lower contribution from property development division which partly dragged by weaker property market condition in China. Similarly, hospitality and leisure segment recorded lower contribution due to operating loss of Moxy Hotel and closure of golf course for upgrading works. Nevertheless, property investment division recorded improved performance mainly due to higher rental income from IOI City Mall Phase 2 IOI City which driven by high occupancy rate.

**9MFY24 new sales at RM1.59b.** IOI Properties Group recorded new sales of RM789m in 3QFY24, bringing total new sales to RM1.59b in 9MFY24. Local projects remain the key sales contributor by contributing 92% of total sales while overseas projects in China contributed to 7% of total new sales. Sales from local projects were mainly contributed by townships in Johor which contributed to RM669m new sales followed by projects in Klang Valley which contributed to RM646m new sales. Meanwhile, unbilled sales declined marginally to RM688m in 3QFY24 from RM722m in 2QFY24.

**Maintain NEUTRAL with a revised TP of RM2.40.** We revise our earnings forecast for FY24F/25F/26F by +9%/+2%/-3.3%. We revise our **TP** for IOI Properties to **RM2.40** from RM2.15 as we narrowed our RNAV discount to 53% from 58% in view of the marginally better earnings visibility. We expect new sales prospect beyond FY25 to be supported by launch of its Marina View Residences in Singapore. Meanwhile, potential listing of its investment properties will unlock value of its investment properties. Nevertheless, we maintain our **NEUTRAL** call due to limited upside.


**Maintain NEUTRAL**
**Revised Target Price: RM2.40**

(Previously RM2.15)

### RETURN STATISTICS

|  |             |
|--|-------------|
| Price @ 30 <sup>th</sup> May 2024 (RM) | 2.44        |
| Expected share price return (%)        | -1.6        |
| Expected dividend yield (%)            | +2.0        |
| <b>Expected total return (%)</b>       | <b>+0.4</b> |

### SHARE PRICE CHART



| Price performance (%) | Absolute | Relative |
|-----------------------|----------|----------|
| 1 month               | 13.0     | 11.0     |
| 3 months              | 9.4      | 2.6      |
| 12 months             | 121.8    | 93.1     |

### INVESTMENT STATISTICS

| FYE Dec           | 2024E | 2025F | 2026F |
|-------------------|-------|-------|-------|
| Revenue           | 2,843 | 2,925 | 3,373 |
| Operating Profit  | 880   | 950   | 1,121 |
| Profit Before Tax | 953   | 1,023 | 1,194 |
| Core PATAMI       | 700   | 752   | 877   |
| Core EPS          | 12.64 | 13.57 | 15.83 |
| DPS               | 5.00  | 5.00  | 5.00  |
| Dividend Yield    | 2.0%  | 2.0%  | 2.0%  |

### KEY STATISTICS

|                                  |               |
|----------------------------------|---------------|
| FBM KLCI                         | 1,604.26      |
| Issue shares (m)                 | 5,506.15      |
| Estimated free float (%)         | 16.29         |
| Market Capitalisation (RM'm)     | 13,434        |
| 52-wk price range                | RM1.09-RM2.55 |
| 3-mth average daily volume (m)   | 9.03          |
| 3-mth average daily value (RM'm) | 20.37         |
| Top Shareholders (%)             |               |
| Vertical Capacity Sdn Bhd        | 65.67         |
| Employees Provident Fund Board   | 6.49          |
| Amanah Saham Nasional Bhd        | 6.35          |

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## IOI Properties Group: 3QFY24 RESULTS SUMMARY

| FYE June (RM'm, unless otherwise stated) | Quarterly Results |       |       | Cumulative |          |
|--|-------------------|-------|-------|------------|----------|
|  | 3QFY24            | %YoY  | %QoQ  | FY24       | %YoY     |
| Revenue                                  | 902.2             | 59.8% | 48.7% | 2,157.1    | 12.0%    |
| Core EBIT                                | 226.1             | 58.8% | 32.1% | 569.7      | -1698.1% |
| Core PBT                                 | 253.5             | 58.7% | 40.5% | 660.1      | -4.6%    |
| Net Income                               | 220.2             | 90.9% | 81.3% | 516.2      | -55.4%   |
| Core Net Income                          | 219.9             | 81.2% | 79.6% | 518.1      | -2.8%    |
| EPS (sen)                                | 4.0               | 90.9% | 81.3% | 9.4        | -55.4%   |
| Core EPS (sen)                           | 4.0               | 81.2% | 79.6% | 9.4        | -2.9%    |
| Net DPS (sen)                            | 0.0               | N/A   | N/A   | 0.0        | N/A      |
| NTA/share (RM)                           | 4.1               | 4.3%  | NA    | 4.1        | NA       |
| Net Gearing (x)                          | 0.7               | NA    | NA    | 0.7        | NA       |
| Core EBIT Margin                         | 25.1%             | NA    | NA    | 26.4%      | NA       |
| Core PBT Margin                          | 28.1%             | NA    | NA    | 30.6%      | 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%  | 5,600                    | 11%      | 532          |
| Bandar Puchong Jaya, Puchong      | 100%  | 500                      | 11%      | 66           |
| Bandar Puteri, Puchong            | 100%  | 12,000                   | 11%      | 1,140        |
| IOI Resort City, Putrajaya        | 100%  | 14,900                   | 11%      | 920          |
| Bandar Puteri Bangi, Selangor     | 100%  | 5,400                    | 11%      | 513          |
| Bandar Puteri Warisan, Sepang     | 100%  | 3,400                    | 11%      | 369          |
| BC Industrial Park                | 100%  | 2,100                    | 11%      | 339          |
| <b>Johor Projects</b>             |       |                          |          |              |
| Bandar Putra Kulai, Johor         | 100%  | 5,400                    | 11%      | 513          |
| Bandar IOI Segamat, Johor         | 100%  | 500                      | 11%      | 66           |
| Taman Lagenda Putra, Kulai, Johor | 100%  | 100                      | 11%      | 15           |

|   | Stake | Est remaining GDV<br>(RM m) | WACC (%) | Value (RM m) |
|---|-------|-----------------------------|----------|--------------|
| Taman Kempas Utama, Johor Bahru, Johor        | 100%  | 800                         | 11%      | 100          |
| i-Synergy, Senai, Kulai, Johor                | 100%  | 1,800                       | 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%   | 4,760                       | 11%      | 299          |
| Seascape @ Sentosa Cove                       | 50%   | 1,020                       | 11%      | 67           |
| Marina View                                   | 100%  | 8,840                       | 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                                |       | 1,500                       |          | 69           |
| Subtotal                                      |       |                             |          | 6,380        |
| <b>Total</b>                                  |       |                             |          | <b>6380</b>  |
| Shareholder Funds                             |       |                             |          | 21,742.3     |
| Total RNAV                                    |       |                             |          | 28,123       |
| Enlarged share base                           |       |                             |          | 5,506.0      |
| Fully-diluted RNAV per share (RM)             |       |                             |          | 5.11         |
| Discount                                      |       |                             |          | 53%          |
| <b>Target Price (RM)</b>                      |       |                             |          | <b>2.40</b>  |

## FINANCIAL SUMMARY

| Income Statement (RM'm) | 2022A | 2023A | 2024F | 2025F | 2026F |
|-------------------------|-------|-------|-------|-------|-------|
| Revenue                 | 2,590 | 2,593 | 2,843 | 2,925 | 3,373 |
| EBIT                    | 1,040 | 1,276 | 880   | 950   | 1,121 |
| PBT                     | 1,103 | 867   | 953   | 1,023 | 1,194 |
| Net Income              | 687   | 1,393 | 700   | 752   | 877   |
| Core Net Income         | 715   | 640   | 700   | 752   | 877   |
| Core EPS (sen)          | 13.0  | 11.6  | 12.6  | 13.6  | 15.8  |
| Core PER (x)            | 18.8  | 21.0  | 19.3  | 18.0  | 15.4  |
| NTA/share               | 3.71  | 3.87  | 3.93  | 4.01  | 4.10  |
| P/NTA                   | 0.66  | 0.63  | 0.62  | 0.61  | 0.59  |

| 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         | 5,644         | 5,761         | 6,822         |
| Inventories                        | 3,052         | 2,414         | 3,500         | 3,570         | 3,641         |
| Cash and bank balances             | 1,105         | 1,758         | 1,172         | 958           | 1,622         |
| Other assets                       | 2,214         | 1,575         | 1,568         | 2,408         | 1,400         |
| <b>Total Assets</b>                | <b>39,501</b> | <b>42,624</b> | <b>43,520</b> | <b>44,046</b> | <b>44,667</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         | 3,330         | 3,784         | 4,314         |
| Total Equity                       | 20,611        | 22,441        | 21,844        | 22,298        | 22,828        |
| <b>Equity + Liability</b>          | <b>39,501</b> | <b>42,624</b> | <b>43,520</b> | <b>44,046</b> | <b>44,667</b> |

| Cash Flow (RM'm)                                     | 2022A | 2023A | 2024F | 2025F | 2026F |
|--|-------|-------|-------|-------|-------|
| Cash flows from operating activities                 |       |       |       |       |       |
| Net income before taxation                           | 1103  | 1620  | 953   | 1023  | 1194  |
| Net cash from operating activities                   | 694   | 1594  | 415   | 505   | 663   |
| 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   | 176   | -189  | -17   |
| Cash and cash equivalent at 1 January                | 1848  | 2351  | 2682  | 2861  | 2676  |
| Cash and cash equivalent at 1 December               | 2351  | 2682  | 2861  | 2676  | 2664  |

| Profitability Margins | 2022A | 2023E | 2024F | 2025F | 2025F |
|-----------------------|-------|-------|-------|-------|-------|
| EBIT margin           | 40.1% | 49.2% | 31.0% | 32.5% | 33.2% |
| PBT margin            | 42.6% | 33.4% | 33.5% | 35.0% | 35.4% |
| PAT margin            | 26.5% | 53.7% | 24.6% | 25.7% | 26.0% |
| Core PATAMI margin    | 27.6% | 24.7% | 24.6% | 25.7% | 26.0% |
| ROE                   | 3.5%  | 3.0%  | 3.2%  | 3.4%  | 3.9%  |
| ROA                   | 1.8%  | 1.5%  | 1.6%  | 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