

IOI Properties Group Berhad

(5249 | IOIPG MK) Main | Property

Maintain NEUTRAL

Proposal for Joint Development of Shenton House

Unchanged Target Price: RM2.40


KEY INVESTMENT HIGHLIGHTS

- **Proposal for joint development of Shenton House**
- **Avoid conflict of interest with major shareholder**
- **Neutral on the proposal**
- **Earnings forecast maintained**
- **Maintain NEUTRAL with an unchanged TP of RM2.40**

Proposal for joint development of Shenton House. IOI Properties Group (IOIPG) announced that it has on 25th June 2024 received a letter of proposal from Mr Lee Yeow Seng, who is the Group CEO and a substantial shareholder of IOIPG for the joint development of "Shenton House" in Singapore. Note that Shenton 101 Ptd Ltd which is a company incorporated in Singapore owned by Mr Lee Yeow Seng has successfully tendered for Shenton House located in Singapore CBD at a consideration of SGD538m end of last year.

Avoid conflict of interest. Shenton House spans 3,377 square metres in Singapore CBD with lease of 44 years remaining. Shenton House is earmarked for redevelopment into a fresh 99-year leasehold commercial development. The redevelopment works is scheduled to commence at the end of 2025. Meanwhile, Mr Lee Yeow Seng disclosed that the rationale of offering proposal for joint development of Shenton House being to avoid conflict of interest as IOIPG is also involved in the business of property development and property investment in Singapore. Note that upon successful redevelopment of Shenton House, the property shall hold as an investment property. Mr Lee Yeow Seng has good faith intention not to make a personal gain arising from the proposal.

Neutral on the proposal. The proposal, if accepted, is expected to be neutral to IOIPG in our view. The participation of redevelopment of Shenton House is expected to strengthen IOIPG's presence in Singapore after the completion of its Central Boulevard Towers which is Grade A office towers in Marina Bay. Besides, IOIPG is also developing Marina View Residences which is earmarked for residential and hotel use. Nevertheless, the total cost for the proposal (assuming acquisition of 100% stake) is sizeable at SGD1.01b which comprised of land cost of SGD538m and additional capital commitment of SGD476m is expected to stretch balance sheet of IOIPG. Net gearing of IOIPG is at 0.74x as of 3QFY24 while net gearing is expected to go up to 0.89x.

Maintain NEUTRAL with an unchanged TP of RM2.40. We make no changes to our earnings forecast. Our **TP** for IOI Properties is maintained at **RM2.40**, based on 53% discount to RNAV. The upcoming launch of Marina View Residences in Singapore is expected to drive property sales beyond FY25. Meanwhile, potential listing of IOIPG's investment properties will unlock value of its investment properties. Nevertheless, upside is limited and hence we maintain our **NEUTRAL** call on IOIPG. 

RETURN STATISTICS

Price @ 25 th June 2024 (RM)	2.25
Expected share price return (%)	+6.7
Expected dividend yield (%)	+2.2
Expected total return (%)	+8.9

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-10.7	-8.8
3 months	0.9	-4.2
12 months	110.3	84.3

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	2.2%	2.2%	2.2%

KEY STATISTICS

FBM KLCI	1,585.38
Issue shares (m)	5,506.15
Estimated free float (%)	16.08
Market Capitalisation (RM'm)	12,389
52-wk price range	RM1.06-RM2.55
3-mth average daily volume (m)	8.04
3-mth average daily value (RM'm)	18.76
Top Shareholders (%)	
Vertical Capacity Sdn Bhd	65.67
Employees Provident Fund Board	6.69
Amanah Saham Nasional Bhd	6.35

Analyst

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IOIPG RNAV

	Stake	Est remaining GDV (RM m)	WACC (%)	Value (RM m)
Klang Valley Projects				
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
Johor Projects				
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
Taman Kempas Utama, Johor Bahru, Johor	100%	800	11%	100
i-Synergy, Senai, Kulai, Johor	100%	1,800	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%	4,760	11%	299
Seascape @ Sentosa Cove	50%	1,020	11%	67
Marina View	100%	8,840	11%	995

	Stake	Est remaining GDV (RM m)	WACC (%)	Value (RM m)
China Projects				
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
Total				6380
Shareholder Funds				2,1742.3
Total RNAV				28,123
Enlarged share base				5,506.0
Fully-diluted RNAV per share (RM)				5.11
Discount				53%
Target Price (RM)				2.40

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)	17.3	19.3	17.8	16.6	14.2
NTA/share	3.71	3.87	3.93	4.01	4.10
P/NTA	0.61	0.58	0.57	0.56	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	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
Total Assets	39,501	42,624	43,520	44,046	44,667
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
Equity + Liability	39,501	42,624	43,520	44,046	44,667

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