

# IOI Properties Group Berhad

(5249 | IOIPG MK) Main | Property

## Expanding Investment Properties Portfolio

### KEY INVESTMENT HIGHLIGHTS

- **Acquisition of Tropicana Gardens Mall**
- **Expanding investment properties portfolio**
- **Higher net gearing**
- **Earnings forecast maintained**
- **Maintain NEUTRAL with a revised TP of RM2.25**

**Acquisition of Tropicana Gardens Mall.** IOI Properties Group (IOIPG) announced that IOI Mall Damansara Sdn Bhd, a wholly-owned subsidiary of IOIPG has entered into a Sale and Purchase Agreement (SPA) with Tropicana Indah Sdn Bhd on 23 July 2024 for the acquisition of Tropicana Gardens Mall in Tropicana Indah, Petaling Jaya at a total cash consideration of RM680m. Tropicana Gardens Mall is a 7-storey retail podium with total net lettable area of 1m sq ft. Occupancy rate of the mall is approximately 77%. The purchase consideration of RM680m is lower than net book value of RM944m and the acquisition is expected to be completed in 1QCY25.

**Expanding investment properties portfolio.** IOIPG is expanding its investment properties portfolio as it entered few transactions to acquire investment assets. Firstly, IOIPG acquired W Kuala Lumpur hotel from Tropicana Residences for a total purchase consideration of RM270m. The acquisition was completed on 8<sup>th</sup> February 2024. Secondly, IOIPG had on 26<sup>th</sup> January 2024 entered SPA with Tropicana Macalister Avenue (Penang) Sdn Bhd for the acquisition of Courtyard by Marriott Penang hotel in Georgetown for a purchase consideration of RM165m. The acquisition was completed on 22<sup>nd</sup> July 2024. Aside from that, IOIPG also announced that it is acquiring two parcels of freehold land measuring 9.86 acres in Pantai Kok, Teluk Burau, Pulau Langkawi Kedah for a total purchase consideration of RM90.1m. The land is earmarked for development of a hotel with expected commencement of development in 2025.

**Higher net gearing.** The slew of asset acquisitions is expected to expand investment assets portfolio of IOIPG. This is ahead of the potential listing IOIPG's investment properties. Nevertheless, we expect higher net gearing of IOIPG post the acquisitions. Hence, we are neutral on the acquisitions. We estimate net gearing to increase to 0.78x from 0.74x as of 3QFY24.

**Maintain NEUTRAL with a revised TP of RM2.25.** Earnings impact from the acquisitions is limited in the near-term. Hence, we maintain our earnings forecast. Meanwhile, we revise our TP for IOI Properties to **RM2.25** from RM2.40 as we widened our RNAV discount to 56% from 53% in view of the high net gearing. We maintain our **NEUTRAL** call on IOIPG as we see limited catalyst to IOIPG in the near-term.

**Maintain NEUTRAL**

**Unchanged Target Price: RM2.25**  
(Previously RM2.40)

### RETURN STATISTICS

Price @ 23 July 2024 (RM)	2.17
Expected share price return (%)	+3.7
Expected dividend yield (%)	+2.3
Expected total return (%)	+6.0

### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-5.2	-7.6
3 months	-1.8	-3.6
12 months	75.0	53.0

### 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	2.3%	2.3%	2.3%

### KEY STATISTICS

FBM KLCI	1,629.68
Issue shares (m)	5,506.15
Estimated free float (%)	15.69
Market Capitalisation (RM'm)	11,948
52-wk price range	RM1.21-RM2.55
3-mth average daily volume (m)	9.17
3-mth average daily value (RM'm)	21.16
Top Shareholders (%)	
Vertical Capacity Sdn Bhd	65.67
Employees Provident Fund Board	7.21
Amanah Saham Nasional Bhd	6.35

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**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%	1,140
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
<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>				

	Stake	Est remaining GDV (RM m)	WACC (%)	Value (RM m)
IOI Palm International Parkhouse, Xiamen, PRC	100%	715	11%	94
IOI Palm City, Xiamen, PRC	100%	195	11%	22
Unbilled sales		1500		69
Subtotal				6,380
<b>Total</b>				<b>6,380</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				56%
<b>Target Price (RM)</b>				<b>2.25</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)	16.7	18.7	17.2	16.0	13.7
NTA/share	3.71	3.87	3.93	4.01	4.10
P/NTA	0.58	0.56	0.55	0.54	0.53
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>

<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	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

<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%	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