

IOI Properties Group Berhad

(5249 | IOIPG MK) Main | Property

Weaker Earnings

KEY INVESTMENT HIGHLIGHTS

- **FY24 earnings below expectations**
- **Weaker earnings in FY24**
- **FY24 new sales at RM2.14b**
- **Shenton 101 proposal not accepted**
- **Earnings forecast revised downwards**
- **Maintain NEUTRAL with a revised TP of RM2.04**

FY24 earnings below expectations. IOI Properties Group (IOIPG) FY24 core net profit of RM541.1m came below expectations as it made up 76% and 77% of our and consensus estimates respectively. The negative deviation was mainly due to the higher-than-expected depreciation charges and lower than expected margin in 4QFY24. IOIPG announced a dividend of 5sen per share which translates into a dividend yield of 2.6%.

Weaker earnings in FY24. Sequentially, 4QFY24 core net income plunged to RM23.6m (-89.3%qoq) as earnings in 3QFY24 were boosted by land sale. The lower earnings in 4QFY24 were also due to higher depreciation and amortisation charges which jumped to RM101m in 4QFY24 from RM19.9m in 3QFY24 mainly arising from Palm Garden Hotel. Besides, earnings were impacted by lower margin which saw core EBIT margin narrowed to 17.1% in 4QFY24 from 25.1% in 3QFY24. On yearly basis, 4QFY24 core net income was lower (-78%yoy), bringing FY24 full year core net earnings lower at RM541.1m (-15.5%yoy). The lower earnings were mainly due to lower contribution from property development segment which partly was dragged by weak property market condition in China. Nevertheless, the improved performance of property investment division partially cushioned the earnings decline as rental income from IOI City Mall Phase 2 was encouraging.

FY24 new sales at RM2.14b. IOIPG registered new sales of RM550m in 4QFY24, lower than new sales of RM789m in 3QFY24 as IOIPG booked in Johor land sales of RM211m in 3QFY24. That brought total new sales to RM2.14b in FY24. Local projects contributed to 90% to total new sales in FY24 while overseas projects in China and Singapore contributed to 9% and 1% respectively. New sales in Malaysia were mainly contributed by its projects in IOI Resort City in Putrajaya and township at Bandar Puteri Puchong. Looking forward, new sales prospect for FY25 is expected to be better as IOIPG targets to launch Marina View Residences in Singapore in FY25. Meanwhile, unbilled sales increased marginally to RM717m in 4QFY24 from RM688m in 3QFY24.

Maintain NEUTRAL

Revised Target Price: RM2.04
(Previously RM2.25)

RETURN STATISTICS

Price @ 28 th Aug 2024 (RM)	1.96
Expected share price return (%)	+4.1
Expected dividend yield (%)	+2.6
Expected total return (%)	+6.7

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-4.4	-7.9
3 months	11.3	-23.8
12 months	24.8	7.6

INVESTMENT STATISTICS

FYE Dec	2025E	2026F	2027F
Revenue	2,925	3,523	3,782
Operating Profit	950	1,170	1,242
Profit Before Tax	673	892	964
Core PATAMI	494	656	709
Core EPS	8.93	11.84	12.79
DPS	5.00	5.00	5.00
Dividend Yield	2.6%	2.6%	2.6%


KEY STATISTICS

FBM KLCI	1,675.24
Issue shares (m)	5,506.15
Estimated free float (%)	22.78
Market Capitalisation (RM'm)	10,792
52-wk price range	RM1.4-RM2.55
3-mth average daily volume (m)	7.43
3-mth average daily value (RM'm)	16.37
Top Shareholders (%)	
Vertical Capacity Sdn Bhd	65.67
Employees Provident Fund Board	7.76
Amanah Saham Nasional Bhd	6.35

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Shenton 101 proposal not accepted. On a separate note, IOIPG announced that it decided not to accept the offer to acquire the Shenton 101. Recall that IOIPG had 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. The decision to not accept the proposal to acquire Shenton 101 is expected to be positive to IOIPG as balance sheet of IOIPG is not expected to be stretched. 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 which is expected to stretch balance sheet of IOIPG with current high net gearing of 0.7x. Meanwhile, IOIPG has entered into management agreements for appointment of IOIPG as the project manager with respect to the redevelopment of Shenton House as well as property manager for Shenton House.

Maintain NEUTRAL with a revised TP of RM2.04. We revise our earnings forecast for FY25F/26F by -34%/-25% as we factor in higher interest expenses from FY25 onwards. Note that interest expense for Central Boulevard will not be capitalised from FY25 onwards as the building is completed in July 2024. We also introduce our earnings forecast for FY27F. Meanwhile, we revise our **TP** for IOI Properties to **RM2.04** from RM2.25 as we widen RNAV discount to 60% from 56% in view of the weaker earnings. While new sales prospect for IOIPG is expected to be better due to launch of Marina View Residences in Singapore, earnings visibility in the near-term may be weaker. Hence, we maintain our **NEUTRAL** call on IOIPG. 

IOI Properties Group: 4QFY24 RESULTS SUMMARY

FYE June (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	4QFY24	%YoY	%QoQ	FY24	%YoY
Revenue	782.6	17.4%	-13.3%	2,939.7	13.4%
Core EBIT	133.8	8.1%	-40.8%	703.5	699.0%
Core PBT	115.5	-34.1%	-54.4%	775.5	-10.6%
Net Income	1545.6	556.7%	601.9%	2,061.8	48.0%
Core Net Income	23.6	-78.0%	-89.3%	541.1	-15.5%
EPS (sen)	28.1	556.7%	601.9%	37.4	48.0%
Core EPS (sen)	0.4	-78.0%	-89.3%	9.8	-15.5%
Net DPS (sen)	5.0	0.0%	N/A	5.0	0.0%
NTA/share (RM)	4.4	8.3%	NA	4.4	NA
Net Gearing (x)	0.7	NA	NA	0.7	NA
Core EBIT Margin	17.1%	NA	NA	23.9%	NA
Core PBT Margin	14.8%	NA	NA	26.4%	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%	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
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				6,380
Shareholder Funds				21,742.3
Total RNAV				28,123
Enlarged share base				5,506.0
Fully-diluted RNAV per share (RM)				5.11
Discount				60%
Target Price (RM)				2.04

FINANCIAL SUMMARY

Income Statement (RM'm)	2023A	2024A	2025F	2026F	2027F
Revenue	2,593	2,940	2,925	3,523	3,782
EBIT	1,276	703	950	1,170	1,242
PBT	867	776	673	892	964
Net Income	1,393	541	494	656	709
Core Net Income	640	541	494	656	709
Core EPS (sen)	11.6	9.8	8.9	11.8	12.8
Core PER (x)	16.9	19.9	22.0	16.6	15.3
NTA/share	3.87	4.38	4.37	4.53	4.70
P/NTA	0.51	0.45	0.45	0.43	0.42

Balance Sheet (RM'm)	2023A	2024A	2025F	2026F	2027F
Property, plant and equipment	3,296	3,848	3,809	3,581	3,366
Land held for property development	5,607	5,549	5,660	5,586	5,513
Total non-current assets	31,753	35,269	35,692	35,335	35,724
Property development costs	5,125	5,738	5,856	7,320	7,910
Inventories	2,414	1,920	1,959	1,998	2,038
Cash and bank balances	1,758	2,050	2,114	2,158	2,225
Other assets	1,575	1,101	301	429	725
Total Assets	42,624	46,078	45,922	47,240	48,622
Long Term Borrowings	2,829	18,684	19,113	19,553	20,003
Short-term Borrowings	15,035	483	494	505	516
Other Liabilities	2,320	2,636	1,976	1,972	1,969
Total Liability	20,183	21,803	21,584	22,030	22,487
Share capital	18,514	18,514	18,514	18,514	18,514
Other Equity	3,926	5,760	5,824	6,696	7,621
Total Equity	22,441	24,275	24,338	25,210	26,135
Equity + Liability	42,624	46,078	45,922	47,240	48,622

Cash Flow (RM'm)	2023A	2024A	2025F	2026F	2027F
Cash flows from operating activities					
Net income before taxation	1620	2296	673	892	964
Net cash from operating activities	1594	1275	242	437	520
Cash flows from investing activities					
Net cash used in investing activities	-214	-1720	-190	-190	-200
Cash flows from financing activities					
Drawdown of borrowings	1700	16825	-230	-218	63
Net cash from/(used in) financing activities	-1057	-47	-503	-490	-208
Net increase/(decrease) in cash and cash equivalents	322	-493	-451	-243	112
Cash and cash equivalent at 1 January	2351	2711	2194	1747	1509
Cash and cash equivalent at 1 December	2682	2194	1747	1509	1627

Profitability Margins	2023A	2024A	2025F	2026F	2027F
EBIT margin	49.2%	23.9%	32.5%	33.2%	32.8%
PBT margin	33.4%	26.4%	23.0%	25.3%	25.5%
PAT margin	53.7%	18.4%	16.9%	18.6%	18.7%
Core PATAMI margin	24.7%	18.4%	16.9%	18.6%	18.7%
ROE	3.0%	2.3%	2.0%	2.6%	2.7%
ROA	1.5%	1.2%	1.1%	1.4%	1.5%

Source: Bloomberg, MIDFR

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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