

IOI Properties Group Berhad

(5249 | IOIPG MK) Property | Property

Maintain BUY

Marginally higher earnings in 1HFY20

Revised Target Price: RM1.33
(Previously RM1.53)


KEY INVESTMENT HIGHLIGHTS

- **1HFY20 earnings within expectations**
- **Marginally higher earnings in 1HFY20**
- **1HFY20 new property sales at RM876m**
- **Earnings estimates maintained**
- **Maintain BUY with a revised TP of RM1.33**

1HFY20 earnings within expectations. IOI Properties Group (IOIPG) 1HFY20 core net income of RM363.4m came in within expectations, making up 52% and 54% of our and consensus full year estimates respectively. Note that we have excluded forex loss of RM27m in our core net income calculations.

Marginally higher earnings in 1HFY20. IOIPG reported core net income of RM172.9m (-14.7%yoy) in 2QFY20, bringing cumulative earnings to RM363.4m (+1.4%yoy) in 1HFY20. The marginally higher earnings in 1HFY20 were mainly driven by higher contribution from property development division. Profit before tax of property development division climbed 5.7%yoy, underpinned by contribution from overseas project in China and Singapore as well as higher earnings recognition from local projects. Meanwhile, profit before tax of property investment division eased by 3.3%yoy despite higher topline due to pre-operating expenses incurred for future investment properties namely Central Boulevard, IOI City Mall Phase 2 and IOI Palm City Mall in China. On the other hand, unbilled sales were flattish at RM742m in 2QFY20 against unbilled sales of RM750m in 1QFY20.

1HFY20 new property sales at RM876m. IOIPG registered new property sales of RM486m in 2QFY20, higher than new sales of RM389.5m in 1QFY20. That brought new sales to RM876m in 1HFY20. Malaysia makes up 74% of new sales followed by China and Singapore at 24% and 2% respectively. Looking ahead, we think that near-term new sales prospect for IOIPG's projects in China is subdued due to the outbreak of coronavirus.

Maintain BUY with a revised TP of RM1.33. We make no changes to our earnings forecast for FY20F and FY21F. We revise our TP for IOIPG to RM1.33 from RM1.53 as we widen our RNAV discount to 67% from 62% due to the subdued near-term outlook for its projects in China. Nevertheless, we maintain our Buy call on IOIPG as its valuation remains attractive at current share price level, trading at steep discount of 69% to NTA of RM3.43 per share. 

RETURN STATISTICS

Price @ 25 February 2020 (RM)	1.07
Expected share price return (%)	24.3
Expected dividend yield (%)	4.5
Expected total return (%)	27.8

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-11.6	-7.2
3 months	-13.7	-1.2
12 months	-33.5	-23.5

KEY STATISTICS

FBM KLCI	1,500.88
Syariah compliant	Yes
Issue shares (m)	5506.15
Estimated free float (%)	18.58
Market Capitalisation (RM'm)	5,892
52-wk price range (RM)	RM1.03 - RM1.65
Beta vs FBM KLCI (x)	1.22
Monthly velocity (%)	11.16
Monthly volatility (%)	17.41
3-mth average daily volume (m)	1.99
3-mth average daily value (RM'm)	2.35
Top Shareholders (%)	
Vertical Capacity Sdn Bhd	63.01
Employees Provident Fund Board	7.53

Analyst(s)

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INVESTMENT STATISTICS

FYE June (RM m)	FY17	FY18	FY19	FY20F	FY21F
Revenue	4,185	2,669	2,198	2,333	2,474
EBIT	1,382	1,017	915	825	889
PBT	1,437	1,039	1,075	950	964
Net Income	921	764	661	698	708
Core Net Income	1,045	627	640	698	708
EPS (sen)	18.4	13.9	12.0	12.6	12.8
Core EPS (sen)	20.9	11.4	11.6	12.6	12.8
Net DPS (sen)	6.0	5.0	3.0	4.8	5.0
Net Div Yield	5.6%	4.7%	2.8%	4.5%	4.7%
Core PER	5.1	9.4	8.5	8.5	8.4
NTA/share	3.6	3.3	3.4	3.5	3.5
P/NTA	0.3	0.3	0.3	0.3	0.3
Core ROE	5.7%	3.4%	3.7%	3.6%	3.7%
Core ROA	3.1%	1.9%	2.8%	2.7%	3.2%

Source: MIDF Research

IOI Properties Group: 2QFY20 RESULTS SUMMARY

FYE June (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	2QFY20	%YoY	%QoQ	FY20	%YoY
Revenue	564.1	-14.4%	4.4%	1,104.4	-9.4%
Core EBIT	192.6	-29.9%	-35.2%	489.7	-1.4%
Core PBT	259.4	-24.3%	-16.2%	569.1	-3.3%
Net Income	199.7	-7.0%	46.3%	336.3	2.9%
Core Net Income	172.9	-14.7%	-9.3%	363.4	1.4%
EPS (sen)	3.6	-7.0%	46.3%	6.1	2.9%
Core EPS (sen)	3.1	-14.7%	-9.3%	6.6	1.4%
Net DPS (sen)	0.0	N/A	N/A	0.0	N/A
NTA/share (RM)	3.4	2.8%	NA	3.4	NA
Net Gearing (x)	0.5	NA	NA	0.5	NA
Core EBIT Margin	34.1%	NA	NA	44.3%	NA
Core PBT Margin	46.0%	NA	NA	51.5%	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%	2745	11%	312
Bandar Puchong Jaya, Puchong	100%	750	11%	99
Bandar Puteri, Puchong	100%	2837	11%	338
IOI Resort City, Putrajaya	100%	19200	11%	1185
Bandar Puteri Bangi, Selangor	100%	3450	11%	411
Bandar Puteri Warisan, Sepang	100%	1083	11%	142
Johor Projects				
Bandar Putra Kulai, Johor	100%	1592	11%	151
Bandar Putra Segamat, Johor	100%	18	11%	3
Taman Lagenda Putra, Kulai, Johor	100%	27	11%	4
Taman Kempas Utama, Johor Bahru, Johor	100%	812	11%	102
The Platino, Johor Bahru, Johor	100%	100	11%	13
i-Synergy, Senai, Kulai, Johor	100%	1720	11%	205
Other States Projects				
Desaria , Sungai Ara, Penang	100%	156	11%	21
Bandar IOI, Bahau, Negeri Sembilan	100%	806	11%	96
Singapore Projects				
South Beach, Beach Road, Singapore	50%	1667	11%	109
The Triling @ Jalan Lempeng, Singapore	88%	1250	11%	144
Cape Royale @ Sentosa Cove, Singapore	65%	4500	11%	283
Cityscape @ Farrer Park, Singapore	60%	1200	11%	77
Seascape @ Sentosa Cove	50%	825	11%	54

China Projects

IOI Park Bay, Xiamen, PRC	100%	419	11%	55
IOI Palm City, Xiamen, PRC	100%	2170	11%	247
Unbilled sales		1500		186
Subtotal				4165

Remaining Landbank**Net Surplus (RM m)**

Nusa Jaya	100%			0
Mukim of Pulai	100%	16		0
Segamat	100%	1254		0
Kulai Jaya	100%	467		0
Ayer Keroh	100%	1338		0
Bandar IOI, Bahau	100%	745		0
Investment Properties	100%			0

Total				4237
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Shareholder Funds				17996.0
Total RNAV				22233
Enlarged share base				5534.8
Fully-diluted RNAV per share (RM)				4.02
Discount				67%
Target Price (RM)				1.33

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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.