

IOI Properties Group Berhad

(5249 | IOIPG MK) Property | Property

Maintain BUY

Earnings weighed by MCO

Revised Target Price: RM1.21

(Previously RM1.33)

KEY INVESTMENT HIGHLIGHTS

- **9MFY20 earnings below our expectation**
- **Earnings weighed by MCO**
- **9MFY20 new property sales at RM1.14b**
- **Earnings estimates revised downwards**
- **Maintain BUY with a revised TP of RM1.21**

9MFY20 earnings below our expectation. IOI Properties Group (IOIPG) 9MFY20 core net income of RM445.6m came in within consensus expectation (at 71% of consensus full year estimates) but below our expectation as it makes up only 64% of our full year forecast. The negative deviation could be attributed to the weaker than expected earnings from its operating segments as a result of Covid-19 pandemic.

Earnings weighed by MCO. IOIPG recorded lower core net income of RM82.1m (-52.5%yoy) in 3QFY20, bringing cumulative core net income to RM445.6m (-16.1%yoy) in 9MFY20. Note that we have excluded mainly forex loss of RM37m in our core net income calculations. The lower earnings in 9MFY20 were mainly due to disruption to business as a result of Covid-19 pandemic. Profit before tax (PBT) of property development fell by 14.9%yoy due to imposition of Movement Control Order (MCO) in Malaysia and lockdown in China whereby construction works were stopped. Similarly, PBT of property investment eased by 16.1%yoy mainly due to lower rental income from retail segment as a result of closure of non-essential businesses and services during the MCO.

9MFY20 new property sales at RM1.14b. IOIPG recorded new property sales of RM267m in 3QFY20, lower than new sales of RM486m in 2QFY20. That brought total new sales to RM1.14b in 9MFY20. Malaysia makes up 75% of new sales followed by China and Singapore at 24% and 1% respectively. Meanwhile, unbilled sales eased to RM517m in 3QFY20 from RM742m in 2QFY20. Looking ahead, new sales in 4QFY20 are expected to be contributed by projects in Malaysia and China as the latter had their lockdown lifted.

Maintain BUY with a revised TP of RM1.21. We revised our FY20/21F earnings forecasts by -25.5%/-13% as we expect lower earnings contribution from its operating segments. Correspondingly, our TP for IOIPG is revised to RM1.21 from RM1.33 as we widen our RNAV discount to 70% from 67%. We maintain our Buy call on IOIPG as its valuation remains attractive, trading at steep discount of 68% to NTA of RM3.40 per share. Besides, outlook for its project in China improves as the lockdown was lifted.

RETURN STATISTICS

Price @ 29 May 2020 (RM)	1.08
Expected share price return (%)	12.0
Expected dividend yield (%)	3.3
Expected total return (%)	15.3

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)	5506.1
Estimated free float (%)	18.5
Market Capitalisation (RM'm)	5,89
52-wk price range (RM)	RM1.03 - RM1.6
Beta vs FBM KLCI (x)	1.2
Monthly velocity (%)	11.16
Monthly volatility (%)	17.4
3-mth average daily volume (m)	1.9
3-mth average daily value (RM'm)	2.3
Top Shareholders (%)	
Vertical Capacity Sdn Bhd	63.0
Employees Provident Fund Board	7.5

Analyst(s)

Jessica Low Jze Tieng
 Jessica.low @midf.com.my
 03-21738391

INVESTMENT STATISTICS

FYE June (RM m)	FY17	FY18	FY19	FY20F	FY21F
Revenue	4,185	2,669	2,198	1,657	2,121
EBIT	1,382	1,017	915	582	763
PBT	1,437	1,039	1,075	707	838
Net Income	921	764	661	520	616
Core Net Income	1,045	627	640	520	616
EPS (sen)	18.4	13.9	12.0	9.4	11.1
Core EPS (sen)	20.9	11.4	11.6	9.4	11.1
Net DPS (sen)	6.0	5.0	3.0	3.6	5.0
Net Div Yield	5.6%	4.6%	2.8%	3.3%	4.6%
Core PER	5.2	9.5	8.6	11.5	9.7
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%	2.7%	3.2%
Core ROA	3.1%	1.9%	2.8%	2.2%	2.9%

Source: MIDF Research

IOI Properties Group: 3QFY20 RESULTS SUMMARY

FYE June (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	3QFY20	%YoY	%QoQ	FY20	%YoY
Revenue	401.4	-17.7%	-28.8%	1,505.9	-11.8%
Core EBIT	131.5	-14.9%	-31.7%	621.2	-4.6%
Core PBT	150.1	-46.2%	-42.1%	719.2	-17.1%
Net Income	71.4	-63.3%	-64.3%	407.7	-21.8%
Core Net Income	82.1	-52.5%	-52.5%	445.6	-16.1%
EPS (sen)	1.3	-63.3%	-64.3%	7.4	-21.8%
Core EPS (sen)	1.5	-52.5%	-52.5%	8.1	-16.1%
Net DPS (sen)	1.0	N/A	N/A	1.0	N/A
NTA/share (RM)	3.4	1.6%	NA	3.4	NA
Net Gearing (x)	0.5	NA	NA	0.5	NA
Core EBIT Margin	32.8%	NA	NA	41.3%	NA
Core PBT Margin	37.4%	NA	NA	47.8%	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				70%
Target Price (RM)				1.21

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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.