IOI Properties Group Berhad

(5249 | IOIPG MK) Property| Property

Maintain BUY

Off to a good start

***Unchanged* Target Price: RM1.29**

KEY INVESTMENT HIGHLIGHTS

- **1QFY23 earnings in line**
- **Off to a good start**
- **1QFY23 new property sales at RM448.6m**
- **Earnings forecast maintained**
- **Maintain BUY with unchanged TP of RM1.29**

1QFY23 earnings in line. IOI Properties Group (IOIPG) 1QFY23 core net income of RM200.5m came in within expectations as it makes up 27% and 28% of our and consensus full year estimates respectively. Note that we have excluded mainly fair value gain on investment property and impairment loss in our core net income calculations.

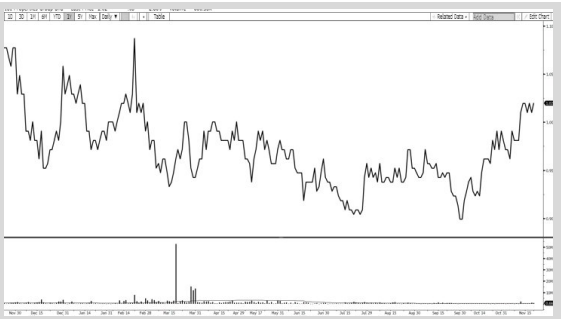
Off to a good start. Sequentially, 1QFY23 core net earnings eased marginally to RM200.5m (-0.5%qoq) as earnings in the previous quarter were supported by higher contribution from joint ventures and lower operating expenses. On yearly basis, 1QFY23 earnings were stronger at RM200.5m (+61.6%yoy), in line with higher topline (+60.2%yoy). The higher earnings were contributed mainly by property investment division as higher rental income from its shopping malls in Malaysia and IOI Mall in Xiamen supported earnings growth. Similarly, leisure & hospitality division recorded improved contribution due to increased domestic tourism following reopening of economy. Besides, earnings growth in 1QFY23 was also helped by lower tax rate.

1QFY23 new property sales at RM448.6m. IOIPG recorded new property sales of RM448.6m in 1QFY23, lower than new sales of RM616m in 4QFY22. New sales in 1QFY23 were mainly contributed by projects in Malaysia at 79%, followed by China projects at 15% and Singapore projects at 6%. New sales outlook is expected to remain stable, driven mainly by launches of its township projects in Malaysia. On the other hand, unbilled sales decreased to RM500.7m in 1QFY23 from RM605m in 4QFY22, providing less than one-year earnings visibility to property development division.

Maintain BUY with unchanged TP of RM1.29. We make no changes to our earnings forecast for FY23/24F. Our TP for IOIPG is also unchanged at **RM1.29**, based on 68% discount to RNAV. We maintain our **BUY** call on IOIPG as we see improving outlook for investment properties division and leisure & hospitality division due to reopening of economy. Besides opening of IOI City Mall phase 2 in August 2022 will further support earnings of investment properties division.

RETURN STATISTICS	
Price @ 23 Nov 2022 (RM)	1.01
Expected share price return (%)	27.7
Expected dividend yield (%)	4.0
Expected total return (%)	**31.7**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	2.5	2.9
3 months	9.1	7.6
12 months	-8.9	-3.8

KEY STATISTICS	
FBM KLCI	1,443.50
Syariah compliant	Yes
F4BGM Index	Yes
ESG Grading Band (Star rating)	☆☆☆☆
Issue shares (m)	5,506.15
Estimated free float (%)	13.13
Market Capitalisation (RM'm)	5,561
52-wk price range (RM)	RM0.92 - RM1.15
Beta vs FBM KLCI (x)	1.26
3-mth average daily volume (m)	0.41
3-mth average daily value (RM'm)	0.41
Top Shareholders (%)	
Vertical Capacity Sdn Bhd	65.67
Employees Provident Fund Board	8.05
Amanah Saham Nasional Bhd	6.40

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INVESTMENT STATISTICS

FYE June (RM m)	FY20	FY21	FY22	FY23F	FY24F
Revenue	2,116	2,489	2,590	2,568	2,663
EBIT	1,100	1,033	1,040	929	949
PBT	1,115	1,217	1,103	1,001	1,021
Net Income	505	660	687	736	751
Core Net Income	672	799	715	736	751
EPS (sen)	9.17	12	12.5	13.3	13.6
Core EPS (sen)	12.21	15	13.0	13.3	13.6
Net DPS (sen)	1.50	2	4.0	4.0	4.0
Net Div Yield	1.5%	2.0%	4.0%	4.0%	4.0%
Core PER	8.3	7.0	7.8	7.6	7.5
NTA/share	3.4	3.6	3.7	3.8	3.7
P/NTA	0.3	0.3	0.3	0.3	0.3
Core ROE	3.5%	2.6%	3.5%	3.5%	3.6%
Core ROA	2.0%	1.5%	1.8%	1.8%	1.9%

Source: MIDF Research

IOI Properties Group: 1QFY23 RESULTS SUMMARY

FYE June (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	1QFY23	%YoY	%QoQ	FY22	%YoY
Revenue	691.5	60.2%	-3.4%	691.5	60.2%
Core EBIT	-221.4	-272.8%	-226.9%	-221.4	-272.8%
Core PBT	249.9	42.1%	-17.5%	249.9	42.1%
Net Income	640.3	206.6%	118.9%	640.3	206.6%
Core Net Income	200.5	61.6%	-0.5%	200.5	61.6%
EPS (sen)	11.6	206.6%	118.9%	11.6	206.6%
Core EPS (sen)	3.6	61.6%	-0.5%	3.6	61.6%
Net DPS (sen)	0.0	NA	N/A	0.0	NA
NTA/share (RM)	3.9	8.3%	NA	3.9	NA
Net Gearing (x)	0.7	NA	NA	0.7	NA
Core EBIT Margin	-32.0%	NA	NA	-32.0%	NA
Core PBT Margin	36.1%	NA	NA	36.1%	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 Trilinq @ 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**
Shareholder Funds				17996.0
Total RNAV				22233
Enlarged share base				5534.8
Fully-diluted RNAV per share (RM)				4.02
Discount				68%
Target Price (RM)				**1.29**

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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 *rise* 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 *fall* 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