IOI Properties Group Berhad

(5249 | IOIPG MK) Property| Property

Maintain BUY

Higher earnings

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

KEY INVESTMENT HIGHLIGHTS

- **1HFY23 earnings within expectations**
- **Higher earnings in 1HFY23**
- **1HFY23 new property sales at RM926.6m**
- **Earnings forecast maintained**
- **Maintain BUY with unchanged TP of RM1.29**

1HFY23 earnings within expectations. IOI Properties Group (IOIPG) 1HFY23 core net income of RM411.5m came in within expectations as it makes up 55% of our and consensus full year estimates. Note that we have excluded mainly fair value gain on investment property, impairment loss and reversal of inventories in our core net income calculations.

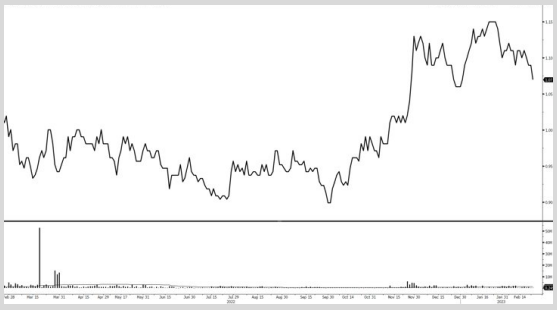
Higher earnings. Sequentially, 2QFY23 core net income climbed to RM211m (+5.3%qoq) mainly due to better performance of property investment and hospitality and leisure segment. On yearly basis, 2QFY23 core net earnings was marginally lower at RM211m (-3.6%yoy), bringing 1HFY23 cumulative core net earnings to RM411.5m (+20%yoy). The earnings growth in 1HFY23 was mainly supported by higher contribution from property investment division which saw higher rental income from shopping malls in Malaysia and Xiamen. Meanwhile, property development division recorded lower earnings due to lower contribution from projects in China. On the other hand, contribution from leisure & hospitality division was higher following reopening of economy and country border.

1HFY23 new property sales at RM926.6m. IOIPG registered marginally higher new sales of RM478m in 2QFY23 against new sales of RM448.6m in 1QFY23. That brought total new sales to RM926.6m in 1HFY23. New sales in 1QFY23 were mainly contributed by local projects at 86% while overseas projects from China and Singapore contributed 15% to total new sales. On the other hand, unbilled sales eased slightly to RM489.2m in 2QFY23 from RM500.7m in 1QFY23, 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. We also maintain our TP for IOIPG at **RM1.29**, based on 68% discount to RNAV. We maintain our **BUY** call on IOIPG as earnings outlook is expected to continue supported by better contribution from investment properties division and leisure & hospitality division. Meanwhile, valuation is undemanding as it is trading at discount of 71% to latest NTA of RM3.91.

RETURN STATISTICS	
Price @ 24 Feb 2023 (RM)	1.12
Expected share price return (%)	15.2
Expected dividend yield (%)	3.6
Expected total return (%)	**18.8**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-7.0	-4.6
3 months	0.9	4.5
12 months	0.9	9.4

KEY STATISTICS	
FBM KLCI	1,456.80
Syariah compliant	Yes
F4BGM Index	Yes
ESG Grading Band (Star rating)	☆☆☆☆
Issue shares (m)	5,506.15
Estimated free float (%)	13.19
Market Capitalisation (RM'm)	6,167
52-wk price range (RM)	RM0.92 - RM1.18
Beta vs FBM KLCI (x)	0.96
3-mth average daily volume (m)	1.21
3-mth average daily value (RM'm)	1.33
Top Shareholders (%)	
Vertical Capacity Sdn Bhd	65.67
Employees Provident Fund Board	7.99
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	1.3%	1.8%	3.6%	3.6%	3.6%
Core PER	9.2	7.7	8.6	8.4	8.3
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: 2QFY23 RESULTS SUMMARY

FYE June (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	2QFY23	%YoY	%QoQ	FY22	%YoY
Revenue	670.4	-4.9%	-3.0%	1,362.0	19.8%
Core EBIT	43.3	-82.7%	-119.6%	-178.0	-147.1%
Core PBT	282.3	-13.4%	13.0%	532.2	6.0%
Net Income	402.0	219.7%	-37.2%	1,042.3	211.6%
Core Net Income	211.0	-3.6%	5.3%	411.5	20.0%
EPS (sen)	7.3	219.7%	-37.2%	18.9	211.6%
Core EPS (sen)	3.8	-3.6%	5.3%	7.5	20.0%
Net DPS (sen)	0.0	NA	N/A	0.0	#DIV/0!
NTA/share (RM)	3.9	8.5%	NA	3.9	NA
Net Gearing (x)	0.7	NA	NA	0.7	NA
Core EBIT Margin	6.5%	NA	NA	-13.1%	NA
Core PBT Margin	42.1%	NA	NA	39.1%	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