IOI Properties Group Berhad

(5249 | IOIPG MK) Main | Property

Maintain BUY

Marginally Higher Earnings

Unchanged Target Price: RM1.29

KEY INVESTMENT HIGHLIGHTS

- **9MFY23 earnings within expectations**
- **Marginally higher earnings**
- **9MFY23 new property sales at RM1.37b**
- **Earnings forecast unchanged**
- **Maintain BUY with an unchanged TP of RM1.29**

RETURN STATISTICS	
Price @ 26th May 2023 (RM)	1.11
Expected share price return (%)	16.2
Expected dividend yield (%)	3.6
Expected total return (%)	**19.8**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-5.1	-4.4
3 months	1.8	12.6
12 months	12.6	23.6

INVESTMENT STATISTICS

FYE Dec	2023E	2024F	2025F
Revenue	2,568	2,663	2,795
Operating Profit	929	949	1,039
Profit Before Tax	1,001	1,021	1,112
Core PATAMI	736	751	817
Core EPS	13.29	13.55	14.75
DPS	4.00	4.00	4.50
Dividend Yield	3.60%	3.60%	4.05%

KEY STATISTICS	
FBM KLCI	1,402.98
Issue shares (m)	5,506.15
Estimated free float (%)	13.35
Market Capitalisation (RM'm)	6112
52-wk price range	RM0.92-RM1.21
3-mth average daily volume (m)	1.12
3-mth average daily value (RM'm)	1.30
Top Shareholders (%)	
Vertical Capacity Sdn Bhd	65.67
Employees Provident Fund Board	7.83
Amanah Saham Nasional Bhd	6.40

9MFY23 earnings within expectations. IOI Properties Group (IOIPG) 9MFY23 core net earnings of RM532.9m came in within expectations, making up 72% and 70% of our and consensus full year estimates respectively.

Marginally higher earnings. Sequentially, 3QFY23 core net income declined to RM121.4m (-42.5%qoq) mainly due to lower contribution from property development division. The weaker contribution from the division was due to lower sales secured from Malaysia and China operations. Similarly, property investment and hospitality & leisure segments recorded lower contribution as earnings in the previous quarter was boosted by year-end holiday and festive season. On yearly basis, 3QFY23 core net income was lower (-28.8%yoy) mainly due to lower earnings from property development segment. That led cumulative core net income in 9MFY23 to RM532.9m (+3.8%yoy). The marginal earnings growth in 9MFY23 was mainly driven by property investment division and hospitality & leisure segments which cushioned the lower earnings from property development division. Property investment division was supported by higher rental income from shopping malls in Malaysia and Xiamen while hospitality & leisure segments turned around in 9MFY23 due to reopening of country borders.

9MFY23 new property sales at RM1.37b. IOIPG registered marginally lower new property sales of RM443.4m in 3QFY23, lower than new sales of RM478m in 2QFY23. That brought total new sales to RM1.37b in 9MFY23. New sales in 3QFY23 were mainly contributed by projects in Malaysia at 83% while the remaining 17% were contributed by overseas projects in China and Singapore. Looking ahead, we expect IOIPG to recorded marginally stronger sales in 4QFY23. On the other hand, unbilled sales increased to RM554m in 3QFY23 from RM489.2m in 2QFY23, providing less than one-year earnings visibility to property development division.

Maintain BUY with an unchanged TP of RM1.29. We maintain our earnings forecast. We also maintain our **TP** for IOIPG at **RM1.29**, based on 68% discount to RNAV. We maintain our **BUY** call on IOIPG as we see outlook for IOIPG to be stable due to recovery of property investment and hospitality & leisure segments which will be driven by reopening of economy and higher tourist arrival. Besides, valuation is undemanding as IOIPG is trading at 72% discount to NTA per share.

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IOI Properties Group: 3QFY23 RESULTS SUMMARY

FYE June (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	3QFY23	%YoY	%QoQ	FY23	%YoY
Revenue	564.7	-23.5%	-15.8%	1,926.6	2.8%
Core EBIT	142.4	-53.5%	228.4%	-35.6	-105.2%
Core PBT	159.8	-51.0%	-43.4%	692.0	-16.4%
Net Income	115.4	93.2%	-71.3%	1,157.6	193.6%
Core Net Income	121.4	-28.8%	-42.5%	532.9	3.8%
EPS (sen)	2.1	93.2%	-71.3%	21.0	193.6%
Core EPS (sen)	2.2	-28.8%	-42.5%	9.7	3.8%
Net DPS (sen)	0.0	NA	N/A	0.0	NA
NTA/share (RM)	3.9	8.6%	NA	3.9	NA
Net Gearing (x)	0.7	NA	NA	0.7	NA
Core EBIT Margin	25.2%	NA	NA	-1.9%	NA
Core PBT Margin	28.3%	NA	NA	35.9%	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**

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023E	2024F	2025F
Revenue	2,489	2,590	2,568	2,663	2,795
EBIT	1,033	1,040	929	949	1,039
PBT	1,217	1,103	1,001	1,021	1,112
Net Income	660	687	736	751	817
Core Net Income	799	715	736	751	817
Core EPS (sen)	14.5	13.0	13.3	13.6	14.7
Core PER (x)	7.6	8.5	8.4	8.2	7.5
NTA/share	3.55	3.71	3.78	3.86	3.95
P/NTA	0.31	0.30	0.29	0.29	0.28

Balance Sheet (RM'm)	2021A	2022A	2023E	2024F	2025F
Property, plant and equipment	1,531	3,054	3,024	2,993	2,963
Land held for property development	5,170	9,077	9,186	9,077	9,186
Total non-current assets	26,303	32,562	32,914	34,409	34,661
Property development costs	2,224	568	599	621	650
Inventories	2,412	3,052	3,418	4,956	5,055
Cash and bank balances	1,307	1,105	1,183	1,453	1,346
Other assets	1,187	2,214	3,392	478	742
Total Assets	**33,433**	**39,501**	**41,506**	**41,916**	**42,454**
Long Term Borrowings	10,676	3,331	4,725	4,961	4,713
Short-term Borrowings	334	13,486	13,783	13,507	13,804
Other Liabilities	2,704	2,074	1,985	1,980	1,976
Total Liability	13,714	18,891	20,493	20,449	20,494
Share capital	18,514	18,514	18,514	18,514	18,514
Other Equity	1,204	2,096	2,499	2,953	3,446
Total Equity	19,719	20,611	21,013	21,467	21,960
Equity + Liability	**33,433**	**39,501**	**41,506**	**41,916**	**42,454**

Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
Cash flows from operating activities					
Net income before taxation	1078	1103	1001	1021	1112
Net cash from operating activities	1019	694	205	467	572
Cash flows from investing activities					
Net cash used in investing activities	-287	-5246	-72	-103	-190
Cash flows from financing activities					
Drawdown of borrowings	605	5901	266	254	-230
Net cash from/(used in) financing activities	-398	5038	-70	-82	-476
Net increase/(decrease) in cash and cash equivalents	334	486	62	282	-94
Cash and cash equivalent at 1 January	1472	1848	2351	2415	2701
Cash and cash equivalent at 1 December	1848	2351	2415	2701	2611

Profitability Margins	2021A	2022A	2023E	2024F	2025F
EBIT margin	41.5%	40.1%	36.2%	35.6%	37.2%
PBT margin	48.9%	42.6%	39.0%	38.3%	39.8%
PAT margin	26.5%	26.5%	28.7%	28.2%	29.2%
Core PATAMI margin	32.1%	27.6%	28.7%	28.2%	29.2%
ROE	2.6%	3.5%	3.5%	3.5%	3.7%
ROA	1.5%	1.8%	1.8%	1.8%	1.9%

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 *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