IOI Properties Group Berhad

(5249 | IOIPG MK) Main | Property

FTSE4Good

ESG 4 Stars

Maintain **NEUTRAL**

Unchanged Target Price **RM2.04**

Corporate Update

2QFY25 Results Review
Weaker earnings in 1HFY25

Maintain NEUTRAL on IOI Properties Group with an unchanged TP of RM2.04. IOI Properties Group 1HFY25 earnings came in below expectations as earnings from property development division was weaker in 1HFY25. Earnings in 1HFY25 were weaker (-42.8%yoy) due to interest expenses of IOI Central Boulevard Towers and lower contribution from property development division which cushioned by higher contribution from property investment division. We make downwards revision to our earnings forecast. We maintain NEUTRAL on IOI Properties due to limited catalyst and high net gearing of 0.75x as of 2QFY25.

1HFY25 earnings below expectations. IOI Properties Group 1HFY25 core net income of RM170.3m came in below expectations, making up 34% and 29% of our and consensus full year estimates respectively. The negative deviation could be due to weaker than expected contribution from property development division which dragged by lower progress billing.

Earnings dragged by higher interest expenses. Sequentially, 2QFY25 core net income was higher at RM95.6m (+28%qoq) mainly due to higher contribution from property development division. On yearly basis, 2QFY25 core net income was lower (-21.9%yoy) despite higher topline (+20.1%yoy) mainly owing to higher interest expenses. Interest expenses surged to RM111m in 2QFY25 from RM180k in 2QFY24 as interest cost of IOI Central Boulevard Towers in Singapore is expensed out following completion of the building in July 2024.

Lower earnings in 1HFY25. 1HFY25 core net earnings were lower at RM170.3m (-42.8%yoy). The lower earnings were due to higher interest expenses and lower contribution from property development division. Profit before tax of property development division declined by -12%yoy due to lower progress billing from its property projects. Nevertheless, profit before tax of property investment division surged 67%yoy due to contribution from IOI Central Boulevard Towers and IOI City Mall.

1HFY25 new sales at RM693m. New property sales in 2QFY25 increased to RM361m from RM332m in 1QFY25, bringing total new sales to RM693m in 1HFY25 which is lower than new sales of RM1.17b in 1HFY24. Note that new sales in 1HFY24 were lifted by land sales amounting RM365m.

Target price maintained at RM2.04. We revise our earnings forecast for FY25/26/27F by -20.5%/-16.1%/-11.7% as 1HFY25 earnings came in below expectations. We maintain our TP for IOI Properties at RM2.04 based on 60% discount to RNAV. We maintain NEUTRAL on IOI Properties due to limited catalyst. Net gearing of IOI Properties increased to 0.75x in 2QFY25 from 0.69x in 1QFY25 due to drawdown of borrowings for the acquisition of IOI Mall Damansara.

RETURN STATISTICS	
Price @ 26th Feb 2025 (RM)	1.99
Expected share price return (%)	+2.5
Expected dividend yield (%)	+2.5
Expected total return (%)	+5.0

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-4.3	-5.2
3months	-11.2	0.4
12 months	-14.2	-16.4

INVESTMENT STATISTICS

FYE June	2025E	2026F	2027F
Revenue	2,925	3,523	3,782
Operating Profit	812	1,026	1,129
Profit Before Tax	535	749	851
Core PATAMI	393	550	626
Core EPS	7.09	9.93	11.29
DPS	5.00	5.00	5.00
Dividend Yield	2.5%	2.5%	2.5%

KEY STATISTICS

FBM KLCI	1,588.71
Issue shares (m)	5506.15
Estimated free float (%)	26.30
Market Capitalisation (RM'm)	10,957
52-wk price range	RM1.77 – RM2.55
3-mth average daily volume (m)	2.33
3-mth average daily value (RM'm)	4.90
Top Shareholders (%)	
Vertical Capacity Sdn Bhd	65.67
EPF	8.36

Analyst

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IOI Properties Group: 2QFY25 RESULTS SUMMARY

FYE June (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	2QFY25	%YoY	%QoQ	FY25	%YoY
Revenue	729.0	20.1%	6.0%	1,416.9	12.9%
Core EBIT	237.8	39.0%	4.7%	464.9	35.3%
Core PBT	151.6	-16.0%	8.9%	290.8	-28.5%
Net Income	94.8	-22.0%	37.0%	163.9	-44.6%
Core Net Income	95.6	-21.9%	28.0%	170.3	-42.8%
EPS (sen)	1.7	-22.0%	37.0%	3.0	-44.6%
Core EPS (sen)	1.7	-21.9%	28.0%	3.1	-42.8%
Net DPS (sen)	0.0	NA	N/A	0.0	NA
NTA/share (RM)	4.3	4.8%	NA	4.3	NA
Net Gearing (x)	0.7	NA	NA	0.7	NA
Core EBIT Margin	32.6%	NA	NA	32.8%	NA
Core PBT Margin	20.8%	NA	NA	20.5%	NA

Source: Company, MIDF Research

IOI Properties Group RNAV

	Stake	Est remaining GDV (RM m)	WACC (%)	Value (RM m)
Klang Valley Projects				
16 Sierra, South Puchong	100%	5600	11%	532
Bandar Puchong Jaya, Puchong	100%	500	11%	66
Bandar Puteri, Puchong	100%	12000	11%	1140
IOI Resort City, Putrajaya	100%	14900	11%	920
Bandar Puteri Bangi, Selangor	100%	5400	11%	513
Bandar Puteri Warisan, Sepang	100%	3400	11%	369
BC Industrial Park	100%	2100	11%	339
Johor Projects				
Bandar Putra Kulai, Johor	100%	5400	11%	513
Bandar IOI Segamat, Johor	100%	500	11%	66
Taman Lagenda Putra, Kulai, Johor	100%	100	11%	15
Taman Kempas Utama, Johor Bahru, Johor	100%	800	11%	100
i-Synergy, Senai, Kulai, Johor	100%	1800	11%	215
Other States Projects				
Desaria , Sungai Ara, Penang	100%	200	11%	26
Bandar IOI, Bahau, Negeri Sembilan	100%	200	11%	24
Singapore Projects				
Cape Royale @ Sentosa Cove, Singapore	65%	4760	11%	299

Seascape @ Sentosa Cove	50%	1020	11%	67
Marina View	100%	8840	11%	995
China Projects				
IOI Palm International Parkhouse, Xiamen, PRC	100%	715	11%	94
IOI Palm City, Xiamen, PRC	100%	195	11%	22
Unbilled sales		1500		69
Subtotal				6380
Remaining Landbank		Size (acre)		Net Surplus (RM m)
Nusa Jaya	100%	7		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				6380
Shareholder Funds				21742.3
Total RNAV				28123
Enlarged share base				5506.0
Fully-diluted RNAV per share (RM)				5.11
Discount				60%
Target Price (RM)				**2.04**

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2023A	2024A	2025E	2026F	2027F
Revenue	2,593	2,940	2,925	3,523	3,782
EBIT	1,276	703	812	1,026	1,129
PBT	867	776	535	749	851
Net Income	1,393	541	393	550	626
Core Net Income	640	541	393	550	626
Core EPS (sen)	11.6	9.8	7.1	9.9	11.3
Core PER (x)	17.1	20.3	28.1	20.0	17.6
NTA/share	3.87	4.38	4.37	4.53	4.70
P/NTA	0.51	0.45	0.45	0.44	0.42

Balance Sheet (RM'm)	2023A	2024A	2025E	2026F	2027F
Property, plant and equipment	3,296	3,848	3,809	3,581	3,366
Land held for property development	5,607	5,549	5,660	5,586	5,513
Total non-current assets	31,753	35,269	35,692	35,335	35,724
Property development costs	5,125	5,738	5,856	7,320	7,910
Inventories	2,414	1,920	1,959	1,998	2,038
Cash and bank balances	1,758	2,050	2,114	2,158	2,225
Other assets	1,575	1,101	301	429	725
Total Assets	**42,624**	**46,078**	**45,922**	**47,240**	**48,622**
Long Term Borrowings	2,829	18,684	19,113	19,553	20,003
Short-term Borrowings	15,035	483	494	505	516
Other Liabilities	2,320	2,636	1,976	1,972	1,969
Total Liability	20,183	21,803	21,584	22,030	22,487
Share capital	18,514	18,514	18,514	18,514	18,514
Other Equity	3,926	5,760	5,824	6,696	7,621
Total Equity	22,441	24,275	24,338	25,210	26,135
Equity + Liability	**42,624**	**46,078**	**45,922**	**47,240**	**48,622**

Cash Flow (RM'm)	2023A	2024A	2025E	2026F	2027F
Cash flows from operating activities					
Net income before taxation	1620	2296	673	892	964
Net cash from operating activities	1594	1275	242	437	520
Cash flows from investing activities					
Net cash used in investing activities	-214	-1720	-190	-190	-200
Cash flows from financing activities					
Drawdown of borrowings	1700	16825	-230	-218	63
Net cash from/(used in) financing activities	-1057	-47	-503	-490	-208
Net increase/(decrease) in cash and cash equivalents	322	-493	-451	-243	112
Cash and cash equivalent at 1 January	2351	2711	2194	1747	1509
Cash and cash equivalent at 1 December	2682	2194	1747	1509	1627

Profitability Ratios (%)	2023A	2024A	2025E	2026F	2027F
EBIT margin	49.2%	23.9%	32.5%	33.2%	32.8%
PBT margin	33.4%	26.4%	23.0%	25.3%	25.5%
PAT margin	53.7%	18.4%	16.9%	18.6%	18.7%
Core PATAMI margin	24.7%	18.4%	16.9%	18.6%	18.7%
ROE	3.0%	2.3%	2.0%	2.6%	2.7%
ROA	1.5%	1.2%	1.1%	1.4%	1.5%

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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	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
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	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

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