

IOI Properties Group Bhd

1QFY22 Broadly Within Expectations

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1QFY22 CNP of RM124m come broadly within our/consensus forecast at 20%/18% of full-year estimate as we expect stronger quarters ahead on easier lockdown measures and stronger property sales. 1QFY22 property sales of RM295m is also considered in line with our RM1.9b target (at 16%) as we expect launches at China in 2QFY22/3QFY22 to drive sales. We keep our earnings estimates but upgrade it to OP (from MP) on unchanged TP of RM1.32 given the recent retracement in its share price.

Broadly within expectations. 1QFY22 CNP of RM124m* came broadly within our/consensus expectations at 20%/18% of full-year estimate as 1QFY22 was affected by the FMCO lockdowns which only allowed c.1.5 months of operations during the quarter. Hence, we expect stronger quarters ahead backed by normalised construction progress and higher property sales from China upon new planned launches in 2QFY22/3QFY22. No dividends as expected.

* derived core after stripping of land gain sale of RM86m.

Sales also considered in line. 1QFY22 sales of RM295m (Malaysia: RM198m; China: RM97m) which accounted for 16% of our full-year target of RM1.9b is also considered inline as we anticipate stronger sales in the quarters ahead as explained above

Highlights. QoQ, 1QFY22 CNP of RM124m came off 22% on lower revenue (-34%) as the quarter's construction progress was impacted by the FMCO lockdowns, and property sales of RM295m during the quarter was also weaker against sales of RM742m in 4QFY21. Likewise, CNP came off 29% YoY due to similar reasons mentioned – harsher lockdowns and stronger sales in 1QFY21 of RM473m.

Earnings forecasts. Post results, maintain FY22E/FY23E earnings post results backed by unchanged sales target of RM1.9b.

Given the retracement in its share price recently, we upgrade it to OP (from MP) with an unchanged TP of RM1.32 based on 0.38x Fwd. PBV pegged to 1.0SD below 5-year mean.

Risks to our call include: (i) weaker-than-expected property sales, (ii) margin compressions, and (iii) unfavourable changes in real estate policies/lending environments.

OUTPERFORM

Price : RM1.11
Target Price : RM1.32 

Share Price Performance



KLCI	1,517.60
YTD KLCI chg	-6.7%
YTD stock price chg	-28.4%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	IOIPG MK EQUITY
Market Cap (RM m)	6,111.8
Shares Outstanding	5,506.1
52-week range (H)	1.77
52-week range (L)	0.99
3-mth avg daily vol:	965,868
Free Float	13%
Beta	1.0

Major Shareholders

Vertical Capacity Sdn Bhd	65.7%
Employee Provident Fund Board	8.1%
Amanah Saham Bumiputera	6.4%

Summary Earnings Table

FYE Jun (RM m)	2021A	2022E	2023E
Turnover	2,489	2,036	2,230
EBIT	714	813	917
PBT	1,078	953	1,059
Net Profit (NP)	660	637	709
Core NP	628	637	709
Consensus (CNP)	n.a.	714	753
Earnings Revision	n.a.	0%	0%
Core EPS (sen)	11.4	11.6	12.9
Core EPS growth (%)	1.6	1.4	11.3
NDPS (sen)	2.0	2.8	3.1
BV/Share (RM)	3.48	3.57	3.66
Core PER (x)	9.7	9.6	8.6
Price/BV (x)	0.32	0.31	0.30
Net Gearing (x)	0.6	0.6	0.4
Dividend Yield (%)	1.8	2.5	2.8

*CNP excludes Fair Value/Revaluation (FV) adjustments, one-off PPE write-off from property investment, unrealized FOREX gains/losses, share of impairment loss,

** Note that subsidiary sales figure does not include JCE project sales (e.g. South Beach, Sentosa Cove, PJ Midtown)

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Result Highlights (adjust every liner to its core for easier comparison)								
FYE Jun (RM m)	1Q22	4Q21	QoQ	1Q21	YoY	1Q22	1Q21	YoY
Revenue	431.8	658.6	-34%	659.7	-35%	431.8	659.7	-35%
Cogs	-247.1	-424.9	-42%	-303.6	-19%	-247.1	-303.6	-19%
Core GP	184.7	233.8	-21%	356.1	-48%	184.7	356.1	-48%
Operating Income	17.2	21.3	-19%	15.1	14%	17.2	15.1	14%
Operating Expense	-75.0	-80.3	-7%	-78.1	-4%	-75.0	-78.1	-4%
Core OP	126.9	174.8	-27%	293.0	-57%	126.9	293.0	-57%
Associate	0.6	0.6	0%	-1.6	n.a.	0.6	-1.6	n.a.
JV	36.2	38.3	-5%	22.0	65%	36.2	22.0	65%
Core EBIT	163.7	213.7	-23%	313.4	-48%	163.7	313.4	-48%
Net Interest	11.9	9.8	21%	8.3	43%	11.9	8.3	43%
Core PBT	175.6	223.5	-21%	321.7	-45%	175.6	321.7	-45%
Tax	-52.2	-64.9	-20%	-147.0	-64%	-52.2	-147.0	-64%
Core PAT	123.4	158.6	-22%	174.7	-29%	123.4	174.7	-29%
MI	-0.3	1.1	-126%	0.5	-154%	-0.3	0.5	-154%
Core PATAMI	123.7	157.6	-22%	174.2	-29%	123.7	174.2	-29%
DPS	0.0	2.0	-100%	0.0	n.a.	0.0	0.0	n.a.
GP margin	43%	35%		54%		43%	54%	
EBIT margin	29%	27%		44%		29%	44%	
Pretax margin	41%	34%		49%		41%	49%	
CNP margin	29%	24%		26%		29%	26%	
Effective tax	-30%	-29%		-46%		-30%	-46%	

Source: Company, Kenanga Research

Result Highlights								
	1Q22	4Q21	QoQ	1Q21	YoY	1Q22	1Q21	YoY
External Revenue								
Prop Development	363.2	579.8	-37%	549.7	-34%	363.2	549.7	-34%
Prop Investment	59.2	57.5	3%	83.2	-29%	59.2	83.2	-29%
Hospitality	7.6	18.9	-60%	24.5	-69%	7.6	24.5	-69%
Other Ops	1.8	2.5	-26%	2.3	-22%	1.8	2.3	-22%
	431.8	658.6	-34%	659.7	-35%	431.8	659.7	-35%
Operating Profit								
Prop Development	202.2	166.1	22%	249.1	-19%	202.2	249.1	-19%
Prop Investment	25.0	18.3	37%	47.1	-47%	25.0	47.1	-47%
Hospitality	-15.3	-11.3	35%	-3.3	360%	-15.3	-3.3	360%
Other Ops	0.9	1.8	-46%	1.1	-14%	0.9	1.1	-14%
Total OP	212.9	174.8	22%	293.9	-28%	212.9	293.9	-28%
OP Margins								
Prop Development	56%	29%		45%		56%	45%	
Prop Investment	42%	32%		57%		42%	57%	
Hospitality	-202%	-60%		-14%		-202%	-14%	
Other Ops	51%	71%		47%		51%	47%	
Total EBIT	49%	27%		45%		49%	45%	

Source: Company, Kenanga Research

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Peer Comparison

Name	Last Price (RM)	Market Cap (RM'm)	Shariah Compliant	Current FYE	PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div Yld (%)	Target Price	Rating
					Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.		
STOCKS UNDER COVERAGE													
ECO WORLD DEVELOPMENT GROUP	0.855	2,517.4	Y	10/2021	10.7	10.7	9.5	0.5	0.5	3.7%	2.5%	0.850	MP
IOI PROPERTIES GROUP BHD	1.11	6,111.8	Y	06/2022	9.7	9.6	8.6	0.3	0.3	3.4%	2.5%	1.32	OP
MAH SING GROUP BHD	0.705	1,711.5	Y	12/2021	50.4	14.7	10.7	0.5	0.5	3.9%	4.3%	0.850	MP
MALAYSIAN RESOURCES CORP BHD	0.370	1,653.0	Y	12/2021	N.A.	N.A.	33.6	0.3	0.3	-0.6%	2.7%	0.405	MP
SIME DARBY PROPERTY BHD	0.665	4,522.6	Y	12/2021	31.7	28.9	13.0	0.5	0.5	1.7%	2.0%	0.735	MP
SP SETIA BHD	1.38	5,613.8	Y	12/2021	153.3	44.5	11.0	0.5	0.5	0.9%	2.8%	1.19	UP
SUNWAY BHD	1.68	8,213.6	Y	12/2021	27.1	34.3	20.7	0.9	0.8	3.0%	1.2%	2.05	OP
UEM SUNRISE BHD	0.335	1,694.6	Y	12/2021	N.A.	N.A.	32.2	0.2	0.2	-0.9%	0.0%	0.400	OP
UOA DEVELOPMENT BHD	1.70	3,955.0	Y	12/2021	11.3	12.1	11.3	0.7	0.7	3.0%	7.6%	1.76	OP
Simple Average					42.0	22.1	16.7	0.5	0.5	2.0%	2.8%		

Source: Bloomberg, Kenanga Research

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Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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