

26 November 2021

Sime Darby Property Bhd

9MFY21 Broadly Within Expectations

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9MFY21 CNP of RM68m came broadly within expectations as we anticipate a strong 4QFY21 fueled by normalized construction progress and a surge in property sales. 9MFY21 sales of RM1.9b exceeded ours/management's RM2.4b target as 4QFY21 should come in strong backed by RM1.6b worth of launches and last minute buying before HOC ends in Dec-21. Consequently, raise FY21 sale to RM2.8b. Maintain FY21/22E earnings. Keep MP on unchanged TP of RM0.735 pegged to FY22E PBV of 0.5x.

Broadly within expectations. 3QFY21 core net loss (CNL) of RM12.5m dragged 9MFY21 CNP to RM67.8m, accounting for 42%/35% of ours/consensus full year estimates respectively. We deem this broadly within ours as we anticipate a strong 4QFY21 fueled by normalized construction progress and a surge in property sales. No dividends as expected.

Sales above target. 3QFY21 sales of RM0.62b led 9MFY21 sales to RM1.926b – above our/management's RM2.4b target as 4QFY21 sales is expected to come in strong in view of (i) high launches set for 4QFY21 at RM1.6b (9MFY21 launched RM2.3b), and (ii) last minute buying prior to HOC ending by year end. Consequently, we raise our FY21E sales target to RM2.8b.

Results' highlights. YoY, 9MFY21 CNP of RM68m improved 117% mainly because of the higher revenue recognized (+9%) stemming from shorter and easier lockdown measures. QoQ, 3QFY21 CNL of RM12.5m reversed into a loss mainly from reduced revenue (-23%) caused by the FMCO lockdown in July till mid-Aug which impede construction progress.

Outlook. The group's upcoming RM1.6b worth of launches in 4QFY21 consist mostly residential projects (landed residential: 58% and high rise residential: 14%) located in prime Klang Valley areas, 26% of industrial and 1% of commercial products. Unbilled sales of RM2.1b provide c.1-year visibility.

Post results, we keep FY21/22E earnings unchanged.

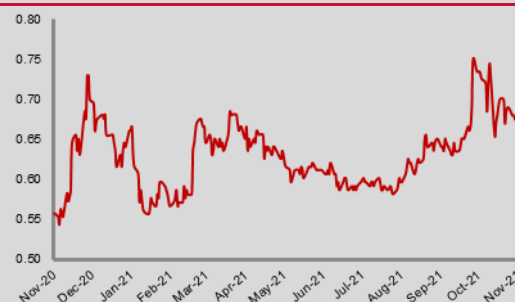
Maintain MARKET PERFORM and unchanged TP of RM0.735 based on FY22E PBV of 0.53x pegged to 0.5SD below 5-year mean. Against peers, we believe SIMEPROP has better earnings visibility as it owns vast land banks (at low rates) in matured townships allowing them to focus on landed/industrial products during these challenging times and therefore be less affected by the high-rise oversupply issue.

Risks include: (i) weaker/stronger-than-expected property sales, (ii) weaker margins, (iii) changes in real estate policies, and (iv) changes in lending environment.

MARKET PERFORM ↔

Price : RM0.665
Target Price : RM0.735 ↔

Share Price Performance



KLCI 1,517.60
YTD KLCI chg -6.7%
YTD stock price chg 0.0%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SDPR MK Equity
Market Cap (RM m)	4,522.6
Shares Outstanding	6,800.8
52-week range (H)	0.80
52-week range (L)	0.56
3-mth avg daily vol:	3,801,543
Free Float	26%
Beta	1.2

Major Shareholders

Amanah Saham Nasional	51.3%
Employees Provident	9.1%
Kumpulan Wang Persar	6.3%

Summary Earnings Table

FY Dec (RM m)	2020A	2021E	2022E
Turnover	2062.8	2102.0	2342.5
EBITDA	-505.3	262.5	459.1
PBT	-476.9	247.5	419.1
Net Profit (NP)	-501.5	158.4	347.3
Core Net Profit	67.1	158.4	347.3
Consensus(NP)	n.a.	191.0	298.8
Earnings Revision	n.a.	0%	0%
Core EPS (sen)	1.0	2.3	5.1
Core EPS growth	-87%	136%	119%
NDPS (sen)	1.0	1.0	2.0
BV/Share (RM)	1.34	1.35	1.38
Core PER (x)	67.4	28.6	13.0
Price/BV (x)	0.50	0.49	0.48
Net Gearing (x)	0.28	0.29	0.29
Net Dvd Yield (%)	1.5	1.5	3.0

26 November 2021

Result Highlight								
FYE Dec (RM'm)	3Q21	2Q21	QoQ	3Q20	YoY	9M21	9M20	YoY
Revenue	388.2	502.8	-23%	592.6	-34%	1480.6	1357.6	9%
COGS	-312.4	-383.8	-19%	-501.9	-38%	-1127.6	-1217.3	-7%
GP	75.8	119.0	-36%	90.8	-16%	352.9	140.3	152%
Other income	1.6	3.7	-57%	2.8	-43%	8.9	9.2	-3%
Selling and marketing	-18.5	-18.2	2%	-21.8	-15%	-57.5	-51.2	12%
Admin	-50.2	-48.1	4%	-47.4	6%	-136.2	-158.3	-14%
OP	8.7	56.4	-85%	24.4	-64%	168.2	-60.0	n.a.
JV	-14.8	-5.6	163%	-351.9	-96%	-24.7	-373.8	-93%
Associate	0.0	0.6	-102%	-0.4	-97%	0.4	0.7	-40%
Other (losses)/gains	-0.7	1.3	-150%	-14.4	-95%	-0.1	-18.9	-100%
EBIT	-6.8	52.6	-113%	-342.3	-98%	143.8	-452.0	n.a.
Finance income	24.3	26.8	-9%	26.5	-8%	77.1	84.3	-9%
Finance costs	-22.4	-22.1	1%	-6.6	241%	-73.5	-74.1	-1%
PBT	-4.8	57.3	-108%	-322.4	-99%	147.4	-441.9	n.a.
Taxation	-11.1	-30.7	-64%	-36.2	-69%	-70.8	-38.5	84%
PAT	-15.9	26.5	-160%	-358.6	-96%	76.7	-480.4	n.a.
MI	-0.1	6.6	-102%	-3.3	-96%	11.9	-34.9	n.a.
PATAMI	-15.8	19.9	-179%	-355.3	-96%	64.7	-445.5	n.a.
Exceptional	-3.3	1.9	-281%	-429.5	-99%	-3.1	-476.8	-99%
CNP	-12.5	18.1	-169%	74.3	-117%	67.8	31.2	117%
DPS	0.0	1.0		1.0		1.0	1.0	
Net Gearing	0.32	0.30		0.26		0.32	0.26	
GP margin	20%	24%		15%		24%	10%	
OP margin	2%	11%		4%		11%	-4%	
EBIT margin	-2%	10%		-58%		10%	-33%	
PBT margin	-1%	11%		-54%		10%	-33%	
PAT margins	-4%	5%		-61%		5%	-35%	
PATAMI margins	-4%	4%		-60%		4%	-33%	
CNP margin	-3%	4%		13%		5%	2%	
Effective tax	230%	-54%		11%		-48%	9%	

Source: Company, Kenanga Research

Segmental breakdown								
Revenue	3Q21	2Q21	QoQ	3Q20	YoY	9M21	9M20	YoY
Property Development	356.5	467.8	-24%	551.0	-35%	1377.3	1254.3	10%
Investment and Asset Management	20.7	22.3	-7%	17.0	21%	65.5	48.5	35%
Leisure	11.0	12.7	-13%	24.6	-55%	37.8	54.8	-31%
Total	388.2	502.8	-23%	592.6	-34%	1480.6	1357.6	9%
EBIT								
Property Development	13.6	86.5	-84%	-342.4	n.a.	203.8	-426.7	n.a.
Investment and Asset Management	-6.1	0.5	-1434%	-6.2	-2%	-8.4	-15.7	-47%
Leisure	-9.3	-3.1	198%	1.7	-645%	-15.6	-14.3	9%
Total	-6.8	52.6	-113%	-346.9	-98%	143.8	-456.6	n.a.
EBIT Margins								
Property Development	4%	18%		-62%		15%	-34%	
Construction	-30%	2%		-37%		-13%	-32%	
Others	-85%	-25%		7%		-41%	-26%	
Total	-2%	10%		-59%		10%	-34%	

Source: Company, Kenanga Research

26 November 2021

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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