

01 December 2022

Sime Darby Property

A Slight Hiccup, Prospects Intact

By Lum Joe Shen | lumjs@kenanga.com.my

SIMEPROP guided for strong 9MFY22 sales momentum to extend into early-FY23. However, it alluded that FY23F sales would soften due to lower launches on labour constraints. It has made a conscious decision to hold back launches while waiting for its contractors to beef up their labour workforce. This will translate to more optimum and lower contracting cost for SIMEPROP. We maintain our forecasts, TP of RM0.55 and OUTPERFORM call.

The key takeaways from SIMEPROP's post-3QFY22 results briefing are as follows:

1. SIMEPROP attributed its strong 9MFY22 sales of RM2.7b to: (i) aggressive launches worth RM2.1b in 9MFY22, and (ii) strong demand for its landed residential and industrial properties. While the company expects the strong sales momentum to extend into early FY23, it guided for lower sales for FY23 as it intends to hold back launches amidst the lingering labour shortage issue. SIMEPROP made RM10.6m provision due to labour shortage in 3QFY22.
2. SIMEPROP has planned launches worth RM500m in 4QFY22 comprising: (i) its bread-and-butter landed residential worth c.RM150m, and (ii) two high-rise developments in Melawati Heights and Putra Heights totalling c.RM350m. Its unbilled sales stood at record high of RM3.5b as at end-September 2022.
3. Meanwhile, Battersea's 9MFY22 sales of GBP247m was satisfactory but the market condition remains challenging amidst a high interest rates environment and a weak economic backdrop. Our loss forecasts for Battersea (40% JV stake) are consistent with SIMEPROP's downbeat guidance for the project's near-term outlook.
4. SIMEPROP-LOGOS JV has commenced construction for E-Metro Logistic Hub 1 (with 800k square feet of leasing space) in Bandar Bukit Raja (Klang), scheduled for completion in mid-2023. The company has received encouraging enquiries for the space and is hopeful to secure a tenant soon (either one single tenant or multiple tenants). In view of the strong demand for the industrial logistic space, the JV has decided to commence construction for E-Metro Logistic Hub 2 which would add on another 1.2m square feet of leasing space within the vicinity.

We continue to like SIMEPROP for: (i) its wide products range enabling it to still cash in on landed residential and industrial products while the high-rise segment is weighed down by oversupply, (ii) its mature township projects that provide recurring sales, and (iii) its seemingly effective digital marketing through social media platforms, in addition to the conventional sales channels.

Post briefing, we maintain our forecasts and TP of RM0.55 based on an unchanged 65% discount to RNAV – in line with peers' discount range of 60-65%. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 4). **Maintain OUTPERFORM.**

OUTPERFORM ↔

Price: **RM0.485**
Target Price: **RM0.55** ↔

Share Price Performance



KLCI	1,488.80
YTD KLCI chg	-5.0%
YTD stock price chg	-18.5%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SDPR MK Equity
Market Cap (RM m)	3,298.4
Shares Outstanding	6,800.8
52-week range (H)	0.68
52-week range (L)	0.40
3-mth avg daily vol:	2,078,393
Free Float	25%
Beta	1.1

Major Shareholders

Amanah Saham Nasional	51.3%
Employees Provident Fund	9.2%
Kumpulan Wang Persaraan	6.4%

Summary Earnings Table

FY Dec (RM m)	2021A	2022F	2023F
Turnover	2219.9	2342.5	2459.6
EBITDA	260.5	334.1	364.5
PBT	268.3	309.1	339.5
Net Profit	136.9	236.1	259.2
Core Net Profit	139.8	236.1	259.2
Consensus	n.a.	224.4	267.2
Earnings Revision	n.a.	0%	0%
Core EPS (sen)	2.1	3.5	3.8
Core EPS growth	108%	69%	10%
NDPS (sen)	1.0	2.0	2.0
BV/Share (RM)	1.34	1.36	1.38
Core PER (x)	24.1	14.3	13.0
Price/BV (x)	0.37	0.36	0.36
Net Gearing (x)	0.32	0.28	0.25
Net Dvd Yield (%)	2.0	4.0	4.0

01 December 2022

Risks to our call include: (i) a prolonged downturn in the local property market, (ii) rising mortgage rates further hurting affordability, (iii) rising construction cost, and (iv) risks associated with overseas operations.

SIMEPROP's RNAV				
Project	Effective Stakes	Remaining Land Bank	GDV left (RM m)	NPV of profits (effective)
<u>Subsidiaries</u>				
Guthrie Corridor	100%	4221	36300	594
Klang	100%	1787	15100	247
Negeri Sembilan	100%	3403	11800	193
Serenia City	100%	967	7400	314
Other Klang Valley	100%	346	23600	1001
Johor	100%	2230	9700	411
		12954	103900	1033
Unbilled Sales (as of FY21)	100%		2383.3	163
			Shareholders Fund (FY21)	9241.5
			Total RNAV (RM m)	10437.6
			Number of shares	6801
			RNAV/share	1.53
			Discount to RNAV	65%
			Target Price	0.55
			BV/share (1 yr Fwd)	1.36
			EPS (1yr Fwd)	0.03
			ROE	2.55%
			Implied PBV (x)	0.40

Source: Company, Kenanga Research

01 December 2022

Peer Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside (%)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Core EPS (sen)		Core Earnings Growth		PER (x) - Core Earnings		PBV (x)	ROE (%)	Net Div. (sen)	Net Div. Yld. (%)
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
ECO WORLD DEVELOPMENT GROUP	OP	0.680	0.830	22.06%	2,002.2	Y	10/2022	8.0	8.0	-1.3%	-0.2%	8.5	7.6	0.4	4.9%	5.0	7.4%
IOI PROPERTIES GROUP BHD	OP	1.13	1.60	41.59%	6,221.9	Y	06/2023	13.5	14.3	4.2%	5.9%	8.4	7.9	0.3	4.0%	3.0	2.7%
MAH SING GROUP BHD	OP	0.530	0.600	13.21%	1,286.7	Y	12/2022	6.2	6.6	41.5%	6.7%	8.6	8.0	0.4	4.9%	3.0	5.7%
MALAYSIAN RESOURCES CORP BHD	MP	0.320	0.340	6.25%	1,429.6	Y	12/2022	1.0	0.7	-61.4%	-30.8%	32.0	45.7	0.3	0.9%	1.0	3.1%
SIME DARBY PROPERTY BHD	OP	0.485	0.550	13.40%	3,298.4	Y	12/2022	3.5	3.8	68.9%	9.8%	14.0	12.8	0.4	2.5%	2.0	2.7%
SP SETIA BHD	UP	0.695	0.380	-45.32%	2,847.8	Y	12/2022	4.2	4.4	4.9%	5.8%	16.5	15.8	0.2	2.2%	1.3	5.5%
SUNWAY BHD	OP	1.68	2.15	27.98%	8,213.6	Y	12/2022	10.1	14.7	52.1%	44.5%	16.6	11.5	0.8	5.7%	3.0	1.8%
UOA DEVELOPMENT BHD	MP	1.61	1.75	8.70%	3,876.0	Y	12/2022	10.4	10.6	7.7%	1.9%	11.5	10.7	0.6	4.4%	10.0	8.1%
Simple Average								7.1	7.9	14.6%	5.5%	14.5	15.0	0.4	3.7%		4.6%

Source: Kenanga Research

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★		
	Corporate Social Responsibility	★	★	★	★	
	Management/Workforce Diversity	★	★	★		
	Accessibility & Transparency	★	★	★	☆	
	Corruption-Free Pledge	★	★	★		
	Carbon-Neutral Initiatives	★	★	★		
SPECIFIC	Digital Transformation	★	★	★	☆	
	Adoption of Green Financing	★	★	★	★	
	Waste Management	★	★	★		
	Flora and Fauna Preservation	★	★	★		
	Green Building Planning	★	★	★	★	
	Supply Chain Auditing	★	★	★		
OVERALL		★	★	★		

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

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.**

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies.

Published by:

KENANGA INVESTMENT BANK BERHAD (15678-H)
 Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
 Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my

