

# IOI Properties Group Bhd

## Singapore Unit Drives Earnings Growth

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**IOIPG's 9MFY23 net profit and sales met expectations. Sustained recovery in property investment and hospitality segments more than offsets the weakness in its China division. Over the immediate term, its earnings will be driven by Marina View Residences and Central Boulevard Towers in Singapore. We maintain our forecasts, TP of RM1.60 and OUTPERFORM call.**

**Within expectations.** 9MFY23 core net profit of RM529m (after adjusting for RM470m fair value gain from IOI City Mall, impairment of RM35m, and RM193m of inventories reversal at the JV level) met expectations at 71% and 70% of our full-year forecast and consensus full-year estimates, respectively.

9MFY23 revenue increased 3% from stronger property investment and hospitality segment versus a pandemic-stricken period a year ago. Nonetheless, PBT declined 17% on weaker property development margins as a result of: (i) lower contributions from high-margin China developments, (ii) higher operating expenses, and (iii) lower JV contributions. All in, thanks to a lower effective tax rate (-16ppts), core net profit managed to increase marginally by 3%.

The key takeaways from its briefing are:

- 3QFY23 sales of RM443m led 9MFY23 sales to RM1,370m (comprising RM1,143m in Malaysia, RM183m in China and RM44m from Singapore) which came in-line with our and company's RM1.9b target. YTD, it has launched RM970m worth of properties with a significant portion derived from Kulai, Johor (c.50%). It plans to launch c.RM200m worth of properties in Malaysia in 4QCY23. As at end-March 2023, its unbilled sales stood at RM554m.
- Its RM5b Marina View development in Singapore is slated for launching as planned in Oct 2023 despite the Singapore government's hefty implementation of additional buyer's stamp duty (ABSD) on properties in late April 2023. IOIPG is not overly concerned over the ABSD which targets foreigners as it believes Marina View Residences will attract Singaporean buyers. Meanwhile, its RM12b Central Boulevard Towers are on schedule for completion in 4QCY23 and its secured leases have remained at 30%.
- While there are green shoots of recovery in China, the pace has been slow. It plans to clear all its RM1.16b completed inventories in China over the next 2-3 years before launching new ones. Meanwhile, its 640k sf Xiamen Mall has seen footfall picking up in March 2023 upon the easing of Covid-19 restrictions. Thereafter, it plans to gradually remove the rental subsidies in June 2023 currently in place at the mall.

We maintain our forecasts and TP of RM1.60 based on 60% discount to RNAV which is in line with peers' 60%-65% (see Page 3). There is no adjustment to TP based on ESG given a 3-star ESG rating as appraised by us (see Page 5).

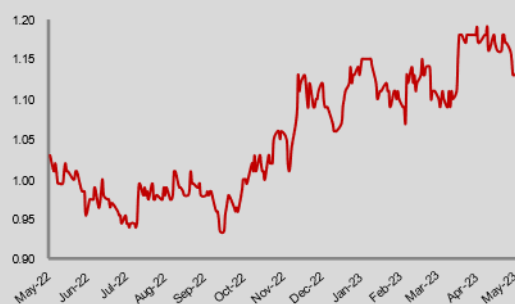
We like IOIPG for: (i) its expanding investment property portfolio that could eventually be monetised via a REIT, (ii) its vast land bank acquired at low cost that translates to above-average development margins in the industry, and (iii) its matured townships, enabling it to realise high-value products, particularly commercial. Maintain **OUTPERFORM**.

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

**OUTPERFORM** ↔

Price : **RM1.11**  
Target Price : **RM1.60** ↔

### Share Price Performance



KLCI 1,402.98  
YTD KLCI chg -6.2%  
YTD stock price chg 4.7%

### 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)	1.21
52-week range (L)	0.92
3-mth avg daily vol:	1,118,789
Free Float	13%
Beta	1.0

### Major Shareholders

Vertical Capacity Sdn Bhd	65.7%
Employee Provident Fund Board	7.8%
Amanah Saham Nasional	6.4%

### Summary Earnings Table

FYE Jun (RM m)	2022A	2023F	2024F
Turnover	2,590	2,197	2,380
EBIT	1,084	1,066	1,154
PBT	1,103	1,108	1,179
<b>Net Profit (NP)</b>	<b>687</b>	<b>742</b>	<b>790</b>
<b>Core NP</b>	<b>713</b>	<b>742</b>	<b>790</b>
Consensus (CNP)	-	761	796
Earnings Revision	-	-	-
Core EPS (sen)	12.9	13.5	14.3
Core EPS growth (%)	13	4	6
NDPS (sen)	4.0	3.0	4.5
BV/Share (RM)	3.64	3.74	3.84
Core PER (x)	8.6	8.2	7.7
Price/BV (x)	0.31	0.30	0.29
Net Gearing (x)	0.70	0.68	0.64
Dividend Yield (%)	3.6	2.7	4.1

- 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. Cape Royale, SeaScape Sentosa, PJ Midtown)

29 May 2023

## Result Highlights

FYE Jun (RM m) – Core profits only	3Q23	2Q23	QoQ	3Q22	YoY	9M23	9M22	3Q23
Revenue	564.7	670.4	-16%	737.8	-23%	1926.6	1874.4	564.7
Cogs	-320.7	-338.2	-5%	-361.6	-11%	-1049.7	-966.9	-320.7
GP	243.9	332.2	-27%	376.2	-35%	876.9	907.5	243.9
Operating Income	23.9	25.2	-5%	23.9	0%	78.0	62.9	23.9
Operating Expense	-131.5	-123.2	7%	-93.8	40%	-365.8	-282.0	-131.5
OP	136.4	234.3	-42%	306.3	-55%	589.1	688.4	136.4
Associate	0.1	0.3	-55%	0.6	-75%	0.8	1.6	0.1
JV	4.7	33.1	-86%	21.3	-78%	64.0	116.4	4.7
EBIT	141.2	267.7	-47%	328.1	-57%	653.9	806.4	141.2
Net Interest	12.5	12.8	-2%	-3.4	n.a.	34.6	20.0	12.5
PBT	153.7	280.6	-45%	324.7	-53%	688.5	826.4	153.7
Tax	-36.7	-68.4	-46%	-155.1	-76%	-154.1	-314.9	-36.7
PAT	117.0	212.2	-45%	169.6	-31%	534.4	511.5	117.0
MI	1.7	2.9	-42%	0.3	451%	5.0	-0.4	1.7
Net Profit	115.4	209.3	-45%	169.3	-32%	529.4	511.9	115.4
DPS	0.0	0.0	n.a.	0.0	n.a.	0.0	0.0	0.0
GP margin	43%	50%		51%		46%	48%	43%
EBIT margin	24%	35%		42%		31%	37%	24%
Pretax margin	27%	42%		44%		36%	44%	27%
Net Profit margin	20%	31%		23%		27%	27%	20%
Effective tax	-24%	-24%		-48%		-22%	-38%	-24%

Source: Company, Kenanga Research

## Result Highlights

	3Q23	2Q23	QoQ	3Q22	YoY	9M23	9M22	YoY
<b>External Revenue</b>								
Prop Development	375.4	480.9	-22%	605.9	-38%	1386.2	1540.8	-10%
Prop Investment	135.1	126.1	7%	99.7	36%	371.4	255.5	45%
Hospitality	51.3	59.6	-14%	30.1	71%	159.6	70.7	126%
Other Ops	2.9	3.8	-23%	2.2	36%	9.5	7.4	28%
	564.7	670.4	-16%	737.8	-23%	1926.6	1874.4	3%
<b>Operating Profit</b>								
Prop Development	78.6	165.4	-52%	265.0	-70%	409.6	587.7	-30%
Prop Investment	51.7	55.6	-7%	48.7	6%	155.9	122.8	27%
Hospitality	-2.2	3.9	-156%	-7.4	-71%	1.7	-23.9	n.a.
Other Ops	8.3	9.5	-12%	0.0	75627%	21.9	1.8	1100%
Total OP	136.4	234.3	-42%	306.3	-55%	589.1	688.4	-14%
<b>OP margins</b>								
Prop Development	21%	34%		44%		30%	38%	
Prop Investment	38%	44%		49%		42%	48%	
Hospitality	-4%	7%		-25%		1%	-34%	
Other Ops	284%	248%		1%		230%	25%	
Total OP Margins	24%	35%		42%		31%	37%	

Source: Company, Kenanga Research

29 May 2023

IOIPG's RNAV			
Location	Balance Land Bank (acres)	Balance GDV (RM m)	Effective NPV of profits (RM m)
Malaysia	5,341	51,400	1,528
Singapore	0	5,000	448
China	2	2,000	451
Total	<b>5,343</b>	<b>57,400</b>	<b>2,227</b>
Unbilled Sales (as of FY22)		630	122
Shareholders Fund (FY22)			20,452
<b>Total RNAV (RM m)</b>			<b>22,801</b>
Paid-up Capital (m shares)			5,506
<b>RNAV/share (RM)</b>			<b>3.98</b>
Discount to RNAV (%)			60
<b>TP (RM)</b>			<b>1.60</b>

Source: Company, Kenanga Research

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29 May 2023

## 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) 1-Yr. Fwd.	ROE (%) 1-Yr. Fwd.	Net Div. (sen) 1-Yr. Fwd.	Net Div. Yld. (%) 1-Yr. Fwd.
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.				
ECO WORLD	OP	0.745	0.830	11.41%	2,194.0	Y	10/2023	8.3	8.4	2.1%	1.5%	9.3	8.3	0.5	5.0%	5.0	6.7%
IOI PROPERTIES	OP	1.11	1.60	44.14%	6,112.0	N	06/2023	13.5	14.3	4.2%	5.9%	8.2	7.8	0.3	4.0%	3.0	2.7%
MAH SING GROUP BHD	OP	0.585	0.700	19.66%	1,420.0	Y	12/2023	6.6	7.0	1.9%	6.9%	8.9	8.3	0.4	4.6%	4.0	6.8%
MRCB	MP	0.305	0.340	11.48%	1,363.0	Y	12/2023	0.7	1.3	-32.7%	84.1%	43.0	23.1	0.3	0.7%	1.0	3.3%
SIME DARBY PROPERTY	OP	0.470	0.550	17.02%	3,196.0	Y	12/2023	4.1	4.6	-16.5%	11.3%	11.4	10.2	0.3	3.0%	2.0	2.8%
SP SETIA BHD	UP	0.520	0.380	-26.92%	2,122.0	Y	12/2023	2.9	2.0	15.5%	-31.9%	17.9	26.0	0.2	1.8%	1.5	7.3%
UOA DEVELOPMENT	MP	1.74	1.75	0.57%	4,191.0	Y	12/2023	10.6	11.7	-2.7%	10.2%	12.4	11.6	0.7	4.5%	10.0	7.5%
<b>Simple Average</b>					<b>28,447.0</b>					<b>-1.2%</b>	<b>5.6%</b>	<b>15.9</b>	<b>15.0</b>	<b>0.4</b>	<b>3.7%</b>		<b>4.9%</b>

Source: Bloomberg, Kenanga Research

29 May 2023

**Stock ESG Ratings:**

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

☆ 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.**

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