

24 May 2024

Sime Darby Property

More Offerings, Foray into Data Centre

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SIMEPROP is on track to meet its sales target of RM3b in FY24, having already reported sales of RM955.9m in 1QFY24. It is broadening its product portfolio with more high-rise residential and industrial products. It is investing in a RM2b hyperscale data centre. We maintain our forecasts, TP of RM1.08 and MARKET PERFORM call.

We came away from SIMEPROP's results briefing yesterday feeling positive on its near-term outlook. The key takeaways are as follows:

1. It is on track to meet its sales target of RM3b in FY24, having already reported sales of RM955.9m in 1QFY24. Our forecasts assume higher FY24 sales of RM3.5b as SIMEPROP tends to be conservative in its sales targets. As at end-Mar 2024, its unbilled sales stood at RM3.6b (maintained since end FY23: RM 3.6b)
2. SIMEPROP is broadening its product portfolio with more high-rise residential and industrial products to seize the opportunities in the market.
3. SIMEPROP is exploring measures like restructuring the Battersea team and cautiously launching there. Its losses at Battersea increased in 1QFY24 with no immediate signs of improvement.
4. In 1QFY24, the average take-up rate for all its products was 80%. More specifically, high-rise residential achieved 80% while industrial hit 73%. It is worth noting that residential high-rise makes up 25% of its total sales, an indication high-rise residential has increasingly become an important segment.
5. Its Elmina Lakeside Mall has reached 85% occupancy on pre-opening, while KL East Mall has achieved a 90% occupancy rate with improving yields thank to higher average rentals upon renewals.

Separately, it yesterday announced that it is investing in a hyperscale data center valued up to RM2b, to be leased to Raidan APAC Pte. Ltd. at its Elmina Business Park, Selangor. The 20-year lease commences upon project completion, with the option for renewal for an additional five years. Subsequently, there is the option of extending the lease for another five years. The data center, set to be completed in FY26 is on a 49-acre plot within the 1,500-acre Elmina Business Park. We are positive on the latest development as it adds on to its investment property portfolio and grows its recurring income stream. However, contribution from the new investment will be beyond our forecast period.

Forecasts. Maintained.

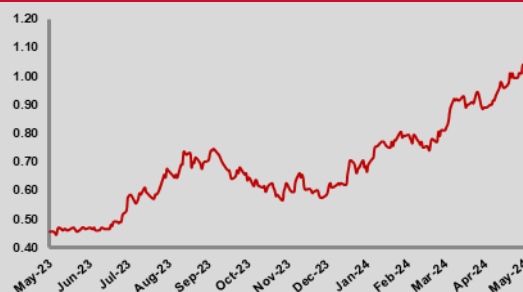
Valuations. We also maintain our TP of RM1.08 based on an unchanged 55% discount to RNAV which is in line with the sector average. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 5).

Investment case. We like SIMEPROP for: (i) its diversified portfolio in both landed residential and industrial products which reduce its dependency on residential high-rise products, (ii) strong foothold in matured townships, (iii) proactive initiatives to boost recurring income via strategic investments. That said, its valuations are rich at the current level. Maintain **MARKET PERFORM**.

MARKET PERFORM ↔

Price : **RM1.16**
Target Price : **RM1.08** ↔

Share Price Performance



KLCI	1,629.18
YTD KLCI chg	12.0%
YTD stock price chg	85.6%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SDPR MK Equity
Market Cap (RM m)	7,889.0
Shares Outstanding	6,800.8
52-week range (H)	1.16
52-week range (L)	0.45
3-mth avg. daily vol.	25,756,770
Free Float	26%
Beta	1.4

Major Shareholders

Amanah Saham Nasional	50.2%
Kumpulan Wang Persaraan	6.6%
Yayasan Pelaburan Bumiputra	5.5%

Summary Earnings Table

FY Dec (RM m)	2023A	2024F	2025F
Turnover	3,436.9	3,774.8	3,856.9
Operating Profit	606.4	656.3	672.6
Profit Before Tax	610.3	621.6	645.4
Net Profit	407.9	426.4	442.8
Core Net Profit	398.2	426.4	442.8
Consensus (NP)	-	442.8	471.3
Earnings Revision	-	-	-
Core EPS (sen)	5.9	6.3	6.5
Core EPS Growth (%)	44.5	7.1	3.8
NDPS (sen)	2.5	3.0	3.5
BVPS (RM)	1.5	1.5	1.5
PER (x)	18.3	17.1	16.4
PBV (x)	0.7	0.7	0.7
Net Gearing (x)	0.3	0.3	0.2
Net Div. Yield (%)	2.3	2.8	3.3

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Risks to our call include: (i) elevated mortgage rates eroding affordability, (ii) consumers delaying purchases of big-ticket items including properties on weak spending confidence amidst sustained high inflation, (iii) construction cost inflation, and (iv) risks associated with overseas operations including forex.

SIMEPROP's RNAV			
Project	Remaining Land Bank (acres)	Outstanding GDV (RM b)	Effective NPV of profit (RM m)
Guthrie Corridor	4,020.0	42.10	1,912.4
Klang	2,336.0	24.80	1,219.1
Negeri Sembilan	3,865.0	13.70	730.9
Serenia City	838.0	7.20	418.1
Other Klang Valley	343.0	21.60	1,254.3
Johor	2,184.0	6.40	388.2
Total	13,586.0	115.80	5,922.9
Unbilled Sales (as of FY23)		3,600.0	268.2
Shareholders Fund (FY23)			10,057.1
Total RNAV (RM m)			16,248.3
Number of shares (m)			6,800.8
RNAV/share (RM)			2.39
Discount to RNAV			55%
TP (RM)			1.08

Source: Company, Kenanga Research

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Income Statement						Financial Data & Ratios					
FY Dec (RM m)	2021A	2022A	2023A	2024F	2025F	FY Dec	2021A	2022A	2023A	2024F	2025F
Revenue	2,216.6	2,742.1	3,436.9	3,774.8	3,856.9	Growth					
Operating Profit	317.7	436.2	606.4	656.3	672.6	Turnover	7.5%	23.7%	25.3%	9.8%	2.2%
Depreciation	-35.4	-32.0	-31.7	-34.3	-34.3	EBITDA	289.7%	32.6%	36.3%	8.2%	2.4%
Interest Inc/(Exp)	7.8	8.6	40.0	-12.4	-12.4	Operating Profit	1013.9%	37.3%	39.0%	8.2%	2.5%
Associate Earnings	-45.0	14.0	-36.1	-22.4	-14.8	PBT	-152.2%	64.1%	33.0%	1.9%	3.8%
Profit Before Tax	279.6	458.9	610.3	621.6	645.4	Core Net Profit	-189.3%	87.6%	44.5%	7.1%	3.8%
Taxation	-117.3	-147.2	-192.8	-186.5	-193.6	Profitability					
Minority Interest	-15.4	4.1	-9.6	-8.7	-9.0	Operating Margin	14.3%	15.9%	17.6%	17.4%	17.4%
Net Profit	146.9	315.8	407.9	426.4	442.8	PBT Margin	12.6%	16.7%	17.8%	16.5%	16.7%
Core Net Profit	146.9	275.6	398.2	426.4	442.8	Core Net Margin	6.6%	10.1%	11.6%	11.3%	11.5%
Balance Sheet						Effective Tax Rate	41.9%	32.1%	31.6%	30.0%	30.0%
FY Dec (RM m)	2021A	2022A	2023A	2024F	2025F	ROA	1.0%	2.0%	2.6%	2.6%	2.7%
Fixed Assets	615.2	586.3	593.3	589.1	584.8	ROE	1.6%	3.3%	4.2%	4.2%	4.3%
Intangible Assets	7.3	6.6	6.2	6.2	6.2	Leverage					
LT Investments	4,432.7	3,970.4	4,336.9	4,336.9	4,336.9	Debt/Asset (x)	0.2	0.2	0.2	0.2	0.2
LT Inventories	3,869.5	4,016.6	4,450.4	4,450.4	4,450.4	Debt/Equity (x)	0.4	0.3	0.3	0.3	0.3
Other Fixed Assets	2,006.5	2,100.9	2,019.4	2,019.4	2,019.4	Net (Cash)/Debt	2,92	2,052	2,291	2,874	2,213
Inventories	1,922.8	1,527.3	2,044.6	2,710.8	2,404.1	Net Debt/Equity (x)	0.3	0.2	0.2	0.3	0.2
Receivables	716.2	862.6	689.7	1,076.0	1,028.9	Valuations					
Other Current Assets	1,142.0	1,206.6	1,197.2	1,197.2	1,197.2	Core EPS (sen)	2.2	4.1	5.9	6.3	6.5
Cash	909.7	985.3	602.6	19.8	680.5	NDPS (sen)	1.0	2.0	2.5	3.0	3.5
Total Assets	15,621.9	15,262.7	15,940.3	16,405.8	16,708.4	BV/sh (RM)	1.4	1.4	1.5	1.5	1.5
Payables	1,016.2	1,296.6	1,544.6	1,787.6	1,885.5	PER (x)	49.5	26.4	18.3	17.1	16.4
ST Borrowings	1,075.2	753.9	413.4	413.4	413.4	Div. Yield	0.9%	1.9%	2.3%	2.8%	3.3%
Other ST Borrowings	390.6	464.8	376.6	376.6	376.6	PBV (x)	0.8	0.8	0.7	0.7	0.7
LT Borrowings	2,756.4	2,284.0	2,480.7	2,480.7	2,480.7	EV/EBITDA (x)	25.3	19.4	108.9	103.3	104.9
Other LT Borrowings	829.5	818.7	841.5	841.5	841.5						
Net Assets	9,554.0	9,644.8	10,283.5	10,505.9	10,710.6						
Shareholders' Equity	9,412.4	9,519.7	10,057.1	10,279.5	10,484.2						
Minority Interests	141.6	125.1	226.4	226.4	226.4						
Total Equity	9,554.0	9,644.8	10,283.5	10,505.9	10,710.6						
Cashflow Statement											
FY Dec (RMm)	2021A	2022A	2023A	2024F	2025F						
Operating CF	494.3	1015.5	-75.1	-314.1	955.9						
Investing CF	-668.9	47.3	-71.0	-52.4	-44.8						
Financing CF	282.4	-987.3	-248.5	-216.4	-250.4						
Net Change in Cash	107.8	75.5	-394.6	-582.8	660.7						
Free CF	476.3	988.2	-280.8	-344.1	925.9						

Source: Kenanga Research

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS 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.
PROPERTY DEVELOPERS																	
ECO WORLD DEVELOPMENT GROUP	UP	1.56	1.27	-18.6%	4,593.2	Y	10/2024	9.7	10.0	5.2%	3.6%	16.1	15.5	0.9	5.9%	6.0	3.8%
IOI PROPERTIES GROUP BHD	UP	2.51	1.75	-30.3%	13,820.4	N	06/2024	14.1	14.4	23.5%	2.0%	17.8	17.4	0.6	3.4%	4.5	1.8%
MAH SING GROUP BHD	OP	1.47	1.60	8.8%	3,763.4	Y	12/2024	10.2	11.0	14.6%	8.5%	14.5	13.3	0.9	6.5%	4.0	2.7%
MKH BERHAD	OP	1.38	2.11	52.9%	796.8	Y	09/2024	18.0	20.1	41.8%	11.2%	7.7	6.9	0.4	5.3%	6.0	4.3%
S P SETIA BHD	UP	1.54	0.800	-48.1%	7,305.3	Y	12/2024	5.9	6.1	16.0%	2.7%	26.1	25.4	0.4	1.9%	5.5	3.6%
SIME DARBY PROPERTY BHD	MP	1.16	1.08	-6.9%	7,889.0	Y	12/2024	6.3	6.5	7.1%	3.8%	18.5	17.8	0.8	4.1%	3.0	2.6%
SUNWAY BHD	UP	3.75	2.47	-34.1%	21,113.4	Y	12/2024	14.6	14.7	26.0%	1.2%	25.8	25.5	1.4	6.0%	6.0	1.6%
UOA DEVELOPMENT BHD	MP	2.01	1.79	-10.9%	5,005.7	Y	12/2024	10.6	10.4	19.3%	-2.1%	18.9	19.3	0.9	4.5%	6.5	3.2%
SECTOR AGGREGATE					64,287.4					18.8%	2.7%	20.1	19.5	0.8	4.7%		3.0%

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★		
	Community Investment	★	★	★		
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	☆		
	Anti-Corruption Policy	★	★	☆		
	Emissions Management	★	★	☆		
SPECIFIC	Product Quality & Safety	★	★	★		
	Effluent/Water Management	★	★	★	☆	
	Waste Management	★	★	★		
	Biodiversity & Conservation	★	★	★	☆	
	Green Building	★	★	★		
	Supply Chain Management	★	★	★		
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.**

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