

IOI Properties Group

Slower Sales, but Big Plans

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IOIPG's 1HFY25 results were below expectations as core net profit fell 45% due to a surge in its interest expense, resulting in 30%/34% cut in our FY25F/FY26F earnings. The bright spot was the good response to its high-value projects in Singapore, while its property investment and hospitality assets are fetching decent yields. We maintain our UNDERPERFORM call with a slightly higher TP of RM1.69 (from RM1.67) on RNAV updates.

Its 1HFY25 core net profit of RM163.9m came below expectations, making up only 30% and 28% of our full-year forecast and the full-year consensus estimate, respectively. The negative deviation against our forecast was due to us under-accounting the interest expense attributed to the long-term SGD loans drawn down from the commencement of operations of IOI Central Boulevard Towers ("ICBT"), Singapore.

YoY, its 1HFY25 revenue rose 13% driven mainly by improved performance of the property investment (+53%) and hospitality leisure segment (+113%), which offset the lower contribution of the property development segment (-14%). However, its core net profit declined by 45%, weighed down by interest expense amounting to RM117.8m for its IOI Central Boulevard project in Singapore since April 2024.

QoQ, its 2QFY25 revenue increased 6% from better contribution from property development during the period. All in, core net profit saw a significant rise by 37% after adjusting for one-off impairments and revaluations, thanks to better margins from its property development arm.

The key takeaways from its results briefing are as follows:

- For FY26, the group remains focused on launching Marina View Residence in Singapore. The sales gallery is currently under construction, with plans underway for the property's launch and expectations of long-term earnings.
- Although property development sales were weaker in 1H, the group remains committed to its RM2.0b sales target, locally. Some letters of offer have already been circulated with an industrial park player, and the group is confident these will materialize, likely in FY25. Sales are expected to be lumpy, but the RM2b target remains in sight, with strong confidence in the land sale.
- The occupancy rate at IOI City Mall is consistently strong, averaging 96% across the group's mall portfolio. Now, a detailed market analysis is being conducted to prevent oversaturation from too much retail space.
- The acquisition of Tropicana Gardens Mall was finalized in December 2024, and it has been rebranded as IOI Mall Damansara. The group plans to reconfigure the mall, introduce new tenants, and make minor structural upgrades.

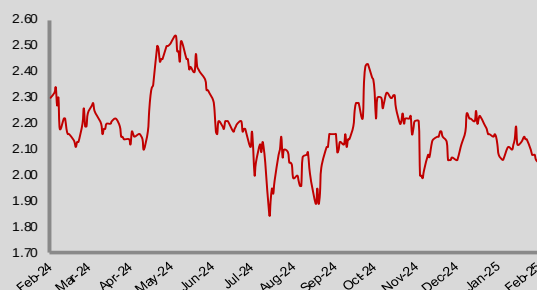
Forecasts. We cut our FY25F and FY26F earnings by 30% and 34%, respectively, to account for the higher interest expense for IOI Central Boulevard. We have not factored in the rental income impact, and it will most likely only affect FY26. However, we opine that in the near-term, it would be compensated by better performance in its investment and hospitality units.

UNDERPERFORM ↔

Price : RM1.99

Target Price : RM1.69 ↑

Share Price Performance



KLCI 1,588.71
YTD KLCI chg -3.3%
YTD stock price chg -11.2%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	IOIPG MK Equity
Market Cap (RM m)	10,957.2
Shares Outstanding	5,506.1
52-week range (H)	2.54
52-week range (L)	1.85
3-mth avg. daily vol.	2,319,179
Free Float	26%
Beta	1.23

Major Shareholders

Vertical Capacity Sdn Bhd	65.7%
Employee Provident Fund Board	8.4%
AIA Bhd	3.9%

Summary Earnings Table

FYE Jun (RM m)	2024A	2025F	2026F
Turnover	2,940	2,885	2,924
Operating Profit	830	831	841
Profit Before Tax	2,296	420	425
Net Profit (NP)	2,062	377	381
Core NP	512	377	381
Consensus (CNP)	-	579	786
Earnings Revision	-	-30%	-34%
Core EPS (sen)	9.3	6.8	6.9
Core EPS Growth (%)	(18.8)	(26.3)	1.1
NDPS (sen)	4.5	4.5	4.5
BV/Share (RM)	4.4	4.4	4.4
Core PER (x)	21.4	29.1	28.8
Price/BV (x)	0.5	0.5	0.4
Net Gearing (x)	0.7	0.7	0.7
Dividend Yield (%)	2.3	2.1	2.1

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Valuations. Against our unchanged discount to RNAV of 65%, our TP is slightly increased to RM1.69 (from RM1.67) as we tweak our RNAV inputs, namely book value. 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 IOIPG due to: (i) its focus on high-value products in matured townships with its well-diversified products, (ii) its expanding investment property portfolio which provides recurring incomes, and (iii) its presence in the vibrant property sector in Singapore. However, due to its presently rich valuations amidst near-term headwinds, we believe its risk-reward is unfavourably skewed now. Maintain **UNDERPERFORM**.

Risks to our call include: (i) a stronger-than-expected recovery in the property market in China, (ii) mortgage rates ease, boosting affordability, (iii) benign construction cost, and (iv) good management of risks associated with overseas operations.

Result Highlights

	2Q	1Q	QoQ	2Q	YoY	6M	6M	YoY
FYE Jun (RM m)	FY25	FY25	Chg	FY24	Chg	FY25	FY24	Chg
Revenue	729.0	687.9	6.0%	606.9	20.1%	1,416.9	1,254.9	12.9%
Cost of Sales	-341.1	-363.8	-6.3%	-338.6	0.7%	-704.9	-720.7	-2.2%
Gross Profit	387.9	324.0	19.7%	268.3	44.6%	712.0	534.3	33.3%
Operating Income	28.8	47.0	-38.7%	26.5	8.9%	75.8	50.1	51.4%
Marketing and Selling Expenses	-33.8	-29.1	15.9%	-19.9	69.8%	-62.9	-38.6	62.7%
Administrative Expenses	-72.2	-65.3	10.6%	-61.8	16.9%	-137.5	-120.9	13.8%
Other Operating Expenses	-73.8	-55.1	33.9%	-43.0	71.7%	-128.9	-82.8	55.6%
Operating Profit	237.0	221.5	7.0%	170.2	39.3%	458.6	342.0	34.1%
Core Operating Profit	237.0	221.5	7.0%	170.2	39.3%	458.6	342.0	34.1%
Associate Contribution	0.5	0.5	12.6%	0.4	52.1%	1.0	0.7	43.2%
JV Contribution	14.3	8.8	62.9%	-0.9	N.M	23.1	38.5	-40.0%
Interest Income/Expenses	-101.0	-97.1	4.0%	9.9	N.M	-198.1	23.8	-932.7%
Exceptional Items	0.0	0.0	N.M	0.0	N.M.	0.0	0.0	N.M
Profit Before Tax	150.8	133.7	12.8%	179.5	-16.0%	284.5	405.0	-29.7%
Taxation	-54.3	-63.5	-14.5%	-54.8	-0.9%	-117.8	-103.8	13.5%
Minority Interest	-1.7	-1.1	62.6%	-3.2	-45.5%	-2.8	-5.2	-46.6%
Net Profit	94.8	69.2	37.0%	121.5	-22.0%	163.9	295.9	-44.6%
Core Net Profit	94.8	69.2	37.0%	121.5	-22.0%	163.9	295.9	-44.6%
Key Operating Metrics:								
Gross Profit Margin	53.2%	47.1%		44.2%		53.2%	44.2%	
Core Operating Margin	32.5%	32.2%		28.0%		32.4%	27.3%	
Pretax Margin	20.7%	19.4%		29.6%		20.1%	32.3%	
Core Net Margin	13.0%	10.1%		20.0%		11.6%	23.6%	
Effective Tax Rate	-36.0%	-47.5%		-30.5%		-181.3%	-241.3%	

* Core Adjustments account for: (i) fair value gains/(losses) on investment properties; (ii) one-off impairments; and (iii) one-off write downs

~ Includes adjustment for reversals in JV operations

Source: Company, Kenanga Research

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Segmental Breakdown

FYE Jun (RM m)	2Q FY25	1Q FY25	QoQ Chg	2Q FY24	YoY Chg	6M FY25	6M FY24	YoY Chg
Revenue								
Property Development	375.7	354.4	6.0%	395.2	-4.9%	730.1	846.7	-13.8%
Property Investment	233.8	218.7	6.9%	150.7	55.2%	452.5	295.0	53.4%
Hospitality	115.9	110.7	4.7%	57.6	101.2%	226.6	106.4	113.1%
Other Operations	3.6	4.1	-11.4%	3.5	4.1%	7.7	6.9	10.6%
Total Revenue	729.0	687.9	6.0%	606.9	20.1%	1,416.9	1,254.9	12.9%
Core Operating Profit								
Property Development	97.0	75.3	28.8%	89.6	8.2%	172.3	190.9	-9.7%
Property Investment	129.9	133.4	-2.7%	74.5	74.4%	263.3	146.1	80.2%
Hospitality	1.8	6.0	-70.6%	-0.1	-2980.3%	7.7	-4.4	-275.5%
Other Operations	8.3	6.8	22.3%	6.1	36.9%	15.2	9.4	61.6%
Total Core Operating Profit	237.0	221.5	7.0%	170.2	39.3%	458.6	342.0	34.1%
Operating Margin								
Property Development	25.8%	21.2%		22.7%		23.6%	22.5%	
Property Investment	55.6%	61.0%		49.4%		58.2%	49.5%	
Hospitality	1.5%	5.4%		-0.1%		3.4%	-4.1%	
Other Operations	231.6%	167.8%		176.2%		197.8%	135.4%	
Total Operating Margin	32.5%	32.2%		28.0%		32.4%	27.3%	

Source: Company, Kenanga Research

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IOIPG's RNAV

Project	Remaining Land Bank (acres)	Outstanding GDV (RM b)	NPV of profit (RM m)
On-going projects			
Bandar Puchong Jaya	13.0	0.84	48.8
IOI Resort City	293.0	15.01	532.8
Bandar Putra Kulai	3,418.0	4.22	205.3
Bandar IOI Segamat	74.0	0.50	30.5
Bandar Puteri Puchong	138.0	12.43	475.4
Taman Lagenda Putra	18.0	0.10	5.9
Taman Kempas Utama	26.0	0.73	42.5
16 Sierra Puchong	148.0	6.07	241.1
IOI Palm City, Xiamen, PRC (RMB)	-	-	0.0
-	-	-	0.0
Bandar IOI, Bahau, Negeri Sembilan	18.0	0.14	7.4
Bandar Puteri Bangi, Selangor	184.0	5.02	278.6
Warisan Puteri Sepang, Selangor	173.0	3.60	199.6
i-Synergy, Senai, Kulai, Johor	250.0	1.69	107.7
IOI Palm International Parkhouse, Xiamen, PRC	-	-	0.0
IOI Industrial Park, Banting	325.0	2.06	119.5
Marina View	1.0	12.63	614.9
Completed joint-ventures			
Seascape @ Sentosa Cove	-	1.18	68.4
Cape Royale @ Sentosa Cove	-	3.46	192.2
PJ Midtown	-	0.10	6.0
Total	5,079	70	3,177
Unbilled Sales (as of 2QFY25)		687.00	36.83
Shareholders Fund (2QFY25)			23,447
Total RNAV			26,660
Number of shares (m shares)			5,506
RNAV/share (RM)			4.84
Discount to RNAV (%)			65%
TP (RM)			1.69

Source: Company, 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																	
IOI PROPERTIES GROUP BHD	UP	1.99	1.69	-15.1%	10,957.2	N	06/2025	9.8	10.5	5.1%	8.0%	20.4	18.9	0.4	2.2%	4.5	2.3%
MAH SING GROUP BHD	OP	1.31	2.32	77.1%	3,353.8	Y	12/2024	10.2	11.0	14.6%	8.5%	12.9	11.9	0.8	6.5%	4.0	3.1%
MKH BHD	OP	1.09	1.64	50.5%	629.1	Y	09/2025	14.6	15.4	15.7%	5.7%	7.5	7.1	0.3	4.0%	4.0	3.7%
S P SETIA BHD	UP	1.34	1.25	-6.7%	6,703.4	Y	12/2024	8.8	5.8	97.5%	-34.2%	15.2	23.1	0.4	3.5%	5.0	3.7%
SIME DARBY PROPERTY BHD	OP	1.47	1.79	21.8%	9,997.2	Y	12/2025	8.0	8.1	36.7%	1.4%	18.4	18.1	0.9	5.2%	2.8	1.9%
SUNWAY BHD	UP	4.63	3.35	-27.6%	28,604.0	Y	12/2025	14.7	15.4	27.2%	5.0%	31.5	30.0	1.8	6.7%	6.0	1.3%
UOA DEVELOPMENT BHD	MP	1.78	1.82	2.2%	4,670.3	Y	12/2025	10.5	11.0	4.9%	4.9%	17.0	16.2	0.8	4.5%	10.0	5.6%
SECTOR AGGREGATE					64,915.0					26.4%	-0.3%	22.0	22.1	0.8	4.6%		3.1%

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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