

IOI Properties Group

Better Shape in Singapore

By Clement Chua | clement.chua@kenanga.com.my

IOIPG's 1QFY26 core net earnings (+134%) beat our expectation thanks to higher property investment contributions and significantly better interest rates from its Singapore operation. This led us to raise our FY26F/FY27F earnings by 42%/43%. Despite net gearing surging to an industry high of 0.95x, we opine investors may be more focused on its property investment value accretion and in view of its upcoming REIT listing, prompting us to cut our RNAV discount further to 55% (from 60%). We increase our TP to RM2.30 (from RM2.01) and maintain MARKET PERFORM.

Above expectations. Adjusting for JV remeasurement gains of RM503m, IOIPG's 1QFY26 core net profit of RM161.5m made up 37% of our full-year forecast and 26% of consensus full-year estimate. The positive deviation is due to significantly higher interest savings from its Singapore operations thanks to easing SORA rates which is likely to remain more favourable than we had initially expected.

Singaporean borrowings constitute 84% of the group's total debt (which are entirely variable), underpinning its expectedly high 0.95x gearing (FY25: 0.70x). During 1QFY26, the average SORA stood at 1.44% (vs. 2.04% in 4QFY25; 3.47% in 1QFY25).

YoY, 3MFY25 revenue rose by 41% following significantly stronger performance across the board, with: (i) property development reporting higher sales in both Malaysia and China, (ii) property investment gaining from higher occupancy rates from IOI Central Boulevard Towers in Singapore, and (iii) hospitality & leisure segments registering higher income from the newly acquired JW Marriott Singapore South Beach and newly opened Sheraton Grand Xiamen Jimei.

A JV remeasurement gain of RM503m was reported following the completion of IOIPG's 50.1%-stake acquisition of South Beach, Singapore in 1 Sep 2025. Adjusting for this, 1QFY26 core net profit still expanded to RM161.5m (+134%) thanks to the better sales mix from property development (operating margin +8.6 pts) as well as the abovementioned lower interest rates enjoyed (-18%) during the period.

QoQ, 1QFY25 core net profit surged tenfold from 4QFY25's RM14.5m led by higher contributions from property investments (IOI Central Boulevard Towers and Scottsdale Properties).

Highlights. IOIPG's property development pipeline looks to introduce more industrial products into its portfolio, albeit still within a preferred mix of 70:30 residential and non-residential products. Meanwhile, its unsold inventories continued to shrink with the group keeping its RM2b sales target for FY26 intact, fuelled by W Residences, Singapore and core township developments in Puchong.

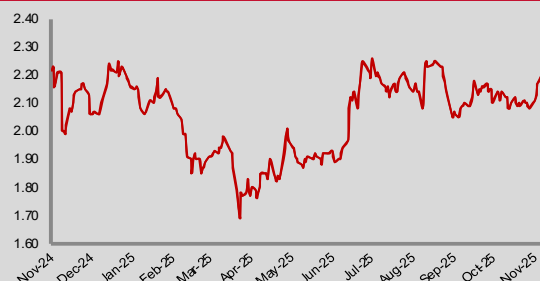
On property investment, the group's completed consolidation of Scottsdale Properties (from a 49.9%-stake) further supplements its Singaporean investment asset portfolio with the inclusion South Beach Tower. Meanwhile, IOI Central Boulevard Towers continue to see improvements to its committed occupancy, now at 95% which would translate to stronger rental income in the medium-term.

Meanwhile, the incorporation of its REITs subsidiary is still on track to be finalised by 2HCY26, which would help the group is paring down its debts and net gearing of 0.95x. Despite its high readings, the group appears comfortable to operate at such levels, thanks to a more favourable interest rate environment granted by a low SORA .

MARKET PERFORM ↔

Price : RM2.21
Target Price : RM2.30 ↑

Share Price Performance



KLCI 1,618.78
YTD KLCI chg -1.4%
YTD stock price chg -1.3%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	IOIPG MK Equity
Market Cap (RM m)	12,168.6
Shares Outstanding	5,506.1
52-week range (H)	2.26
52-week range (L)	1.69
3-mth avg. daily vol.	4,648,063
Free Float	26%
Beta	1.14

Major Shareholders

Vertical Capacity Sdn Bhd	65.7%
Employee Provident Fund Board	5.5%
AIA Bhd	3.9%

Summary Earnings Table

FYE Jun (RM m)	2025A	2026F	2027F
Turnover	3,062	3,595	3,715
Operating Profit	1,847	1,672	1,233
Profit Before Tax	1,454	1,323	854
Net Profit (NP)	1,064	1,121	681
Core NP	291	618	681
Consensus (CNP)	-	625	733
Earnings Revision	-	+41.8%	+43.4%
Core EPS (sen)	5.3	11.2	12.4
Core EPS Growth (%)	-43.1	112.2	10.1
NDPS (sen)	8.0	5.0	5.5
BV/Share (RM)	4.44	4.59	4.66
Core PER (x)	41.6	19.6	17.8
Price/BV (x)	0.50	0.48	0.47
Net Gearing (x)	0.7	0.7	0.7
Dividend Yield (%)	3.6	2.3	2.5

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Forecasts. We raise our FY26F/FY27F earnings by 42%/43% as we account for: (i) stronger performance from IOIPG's property investment unit, led by its Singaporean assets which we had under accounted for, and (ii) lower effective interest charges for both years (from 2.3% to 1.6%/1.7%, respectively).

Maintain MARKET PERFORM with a higher TP of RM2.30 (from RM2.01), as we lower our RNAV discount to 55% (from 60%) for IOIPG. While we believe the group may continue to see a relatively slower property development turnaround as opposed to other developers and significantly higher gearing of 0.95x (vs. peer average of c.0.4x), investors may be more supportive of the group thanks to its focus in boosting its property investment divisions, propping up its looming REIT listing which is scheduled for 2HCY26. That said, we are mindful that the group may see earnings headwinds should interest costs rise from the normalisation of Singapore SORA, whereby 84% of its borrowings are Singapore-based.

Risks to our call include: (i) a weaker/stronger-than-expected recovery in the property market in China, (ii) mortgage rates, (iii) construction cost, and (iv) risks associated with Singapore operation.

Result Highlights

	1Q	4Q	QoQ	1Q	YoY	3M	3M	YoY
FYE Jun (RM m)	FY26	FY25	Chg	FY25	Chg	FY26	FY25	Chg
Revenue	968.7	890.2	8.8%	687.9	40.8%	968.7	687.9	40.8%
Cost of Sales	-480.5	-602.3	-20.2%	-363.8	32.1%	-480.5	-363.8	32.1%
Gross Profit	488.2	287.9	69.6%	324.0	50.7%	488.2	324.0	50.7%
Operating Income	534.7	981.1	-45.5%	47.0	1037.1%	534.7	47.0	1037.1%
Marketing and Selling Expenses	-31.0	-70.8	-56.3%	-29.1	6.3%	-31.0	-29.1	6.3%
Administrative Expenses	-94.2	-80.4	17.1%	-65.3	44.2%	-94.2	-65.3	44.2%
Other Operating Expenses	-79.6	-76.9	3.4%	-55.1	44.4%	-79.6	-55.1	44.4%
Operating Profit	818.2	1,040.9	-21.4%	221.5	269.3%	818.2	221.5	269.3%
Core Operating Profit	315.4	231.4	36.3%	221.5	42.4%	315.4	221.5	42.4%
Associate Contribution	0.6	0.6	10.8%	0.5	33.5%	0.6	0.5	33.5%
JV Contribution	14.6	62.4	-76.6%	8.8	66.6%	14.6	8.8	66.6%
Interest Income/(Expense)	-79.9	-80.3	-0.5%	-97.1	-17.8%	-79.9	-97.1	-17.8%
Profit Before Tax	753.6	1,023.5	-26.4%	133.7	463.7%	753.6	133.7	463.7%
Taxation	-86.7	-198.6	-56.3%	-63.5	36.6%	-86.7	-63.5	36.6%
Minority Interest	-2.6	-1.0	160.9%	-1.1	145.0%	-2.6	-1.1	145.0%
Net Profit	664.3	823.9	-19.4%	69.2	860.4%	664.3	69.2	860.4%
Exceptional Items*	-502.8	-809.4	-37.9%	0.0	N.M.	-502.8	0.0	N.M.
Core Net Profit	161.5	14.5	1015.1%	69.2	133.5%	161.5	69.2	133.5%
Key Operating Metrics:								
Gross Profit Margin	50.4%	32.3%		47.1%		50.4%	47.1%	
Core Operating Margin	32.6%	26.0%		32.2%		32.6%	32.2%	
Pretax Margin	77.8%	115.0%		19.4%		77.8%	19.4%	
Core Net Margin	16.7%	1.6%		10.1%		16.7%	10.1%	
Effective Tax Rate	-11.5%	-19.4%		-47.5%		-11.5%	-47.5%	

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

Source: Company, Kenanga Research

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Segmental Breakdown

FYE Jun (RM m)	1Q FY26	4Q FY25	QoQ Chg	1Q FY25	YoY Chg	3M FY26	3M FY25	YoY Chg
Revenue								
Property Development	519.3	526.0	-1.3%	354.4	46.5%	519.3	354.4	46.5%
Property Investment	287.2	244.0	17.7%	218.7	31.3%	287.2	218.7	31.3%
Hospitality	159.0	117.7	35.1%	110.7	43.6%	159.0	110.7	43.6%
Other Operations	3.2	2.6	27.0%	4.1	-20.2%	3.2	4.1	-20.2%
Total Revenue	968.7	890.2	8.8%	687.9	40.8%	968.7	687.9	40.8%
Core Operating Profit								
Property Development	155.0	152.5	1.6%	75.3	105.8%	155.0	75.3	105.8%
Property Investment	149.7	68.4	119.0%	133.4	12.2%	149.7	133.4	12.2%
Hospitality	4.3	-0.9	-561.9%	6.0	-28.1%	4.3	6.0	-28.1%
Other Operations	6.5	11.5	-43.9%	6.8	-5.4%	6.5	6.8	-5.4%
Total Core Operating Profit	315.4	231.4	36.3%	221.5	42.4%	315.4	221.5	42.4%
Operating Margin								
Property Development	29.8%	29.0%		21.2%		29.8%	21.2%	
Property Investment	52.1%	28.0%		61.0%		52.1%	61.0%	
Hospitality	2.7%	-0.8%		5.4%		2.7%	5.4%	
Other Operations	199.0%	450.3%		167.8%		199.0%	167.8%	
Total Operating Margin	32.6%	26.0%		32.2%		32.6%	32.2%	

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	1.10	73.08
IOI Resort City	293	15.65	634.73
Bandar Putra Kulai	3,390	3.82	212.71
Bandar IOI Segamat	71	0.48	33.53
Bandar Puteri Puchong	138	13.43	587.11
Taman Lagenda Putra	16	0.06	3.89
Taman Kempas Utama	26	0.74	49.27
16 Sierra Puchong	150	6.56	297.85
IOI Palm City, Xiamen, PRC (RMB)	0	0.00	0.00
Bandar IOI, Bahau, Negeri Sembilan	18	0.14	8.49
Bandar Puteri Bangi, Selangor	197	4.74	300.44
Warisan Puteri Sepang, Selangor	147	3.16	200.34
i-Synergy, Senai, Kulai, Johor	230	1.67	121.45
IOI Palm International Parkhouse, Xiamen, PRC	0	0.00	0.00
IOI Industrial Park, Banting	325	1.63	108.16
Marina View	1	11.76	654.26
Completed joint-ventures			
Seascape @ Sentosa Cove	0	0.99	65.92
Cape Royale @ Sentosa Cove	0	3.08	195.39
PJ Midtown	0	0.05	3.93
Total	5,015	69.07	3,550.55
Unbilled Sales (as of 4QFY25)		780.00	41.82
Shareholders Fund (4QFY25)			24,542
Total RNAV			28,135
Number of shares (m shares)			5,506
RNAV/share (RM)			5.11
Discount to RNAV (%)			55%
TP (RM)			2.30

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.				
PROPERTY DEVELOPERS																	
ECO WORLD DEVELOPMENT GROUP	MP	2.13	2.15	0.9%	6,818	Y	10/2025	13.0	14.4	13.2%	10.1%	16.3	14.8	1.2	8.1%	7.0	3.3%
IOI PROPERTIES GROUP BHD	MP	2.21	2.30	4.1%	12,169	Y	06/2026	11.2	12.4	112.2%	10.1%	19.7	17.9	0.5	4.5%	5.0	2.3%
LBS BINA GROUP BHD	OP	0.400	0.640	60.0%	617	Y	12/2025	6.2	7.6	45.7%	23.3%	6.5	5.3	0.3	5.4%	2.3	5.8%
MAH SING GROUP BHD	OP	0.985	1.74	76.6%	2,522	Y	12/2025	10.5	10.2	12.0%	-2.8%	9.4	9.7	0.6	6.4%	4.5	4.6%
S P SETIA BHD	OP	0.855	1.43	67.3%	4,278	Y	12/2025	6.1	7.3	-33.3%	18.9%	14.0	11.8	0.2	2.4%	2.0	2.3%
SIME DARBY PROPERTY BHD	OP	1.36	1.97	44.9%	9,249	Y	12/2025	8.3	8.6	11.9%	4.6%	16.5	15.7	0.9	5.3%	3.0	2.2%
SUNWAY BHD	UP	5.61	4.73	-15.7%	35,183	Y	12/2025	28.2	23.1	66.8%	-18.3%	19.9	24.3	1.9	10.1%	6.5	1.2%
UOA DEVELOPMENT BHD	OP	1.83	1.91	4.4%	4,859	Y	12/2025	12.8	13.7	40.4%	7.0%	14.3	13.3	0.9	6.0%	11.0	6.0%
SECTOR AGGREGATE					75,694					38.6%	-3.2%	19.7	20.3	0.8	5.7%		3.5%

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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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