Sime Darby Property

Another JV with SDG

OUTPERFORM ↔

Price : **RM1.30**

Target Price : **RM1.95** ↔

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SIMEPROP and SDG (OP; TP: RM5.10) have entered into a 50:50 JV to develop an industrial and logistic hub in Kuala Selangor. While details of the master plan with regards to GDV and timeline have yet to be provided, the JV would likely leverage on SIMEPROP's property development expertise with SDG injecting its land bank, which we believe will positively contribute to its long-term GDV pipeline. We opine SDG shareholders could see a more immediate benefit as the proceeds from the land sale could improve its near-term dividend outlook. Maintain our forecasts for now, TP of RM1.95 and OUTPERFORM call. SIMEPROP is one of our 4QCY25 Top Pick for the sector.

3,000 acre master plan. The development is located approximately 40 minutes from Port Klang, positioned within SDG's Bukit Kerayong and Bukit Cherakah estates. It enjoys strong connectivity via direct access to the West Coast Expressway (E32), the Kuala Selangor–Kepong federal route (54), and the coastal road (route 5). In addition, two upcoming East Coast Rail Link (ECRL) stations, at Puncak Alam and Kapar, will further enhance accessibility.

The initial phase will cover 1,000 acres and is expected to comprise of integrated industrial products, supported by robust road networks, port accessibility, and proximity to surrounding townships such as Bandar Bukit Raja. These factors are likely to uplift the overall value and attractiveness of the wider development.

Forecast. Maintained for now, due to the lack of further information regarding the GDV and timeline of the JV's development.

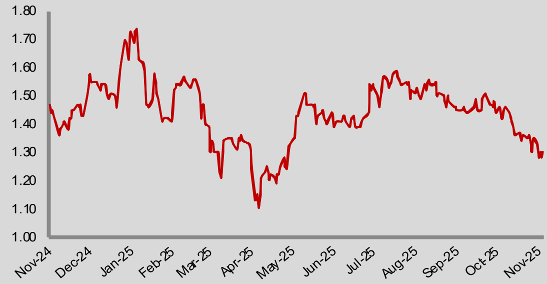
That said, assuming a hypothetical land value of RM30 psf (in line with the area's average), the first 1,000 acres of development land would translate to a land cost of approximately RM1.31b. Further assuming a land cost-to-GDV ratio of 15% (consistent with industry average), the initial phase could support a total project GDV of c.RM8.7b, providing the JV with a 7-10 years development runway.

Assuming the group's property development margin of c.15% is sustained throughout this project, it could generate JV contributions to the group of up c.RM80m-RM95m annually (i.e. 14%-17% additional earnings to our FY26F assumptions).

Maintain OUTPERFORM and TP of RM1.95. Our TP is based on an unchanged 45% discount to RNAV (in line with our applied industry average). There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us.

We like SIMEPROP for: (i) its diversified portfolio in both landed residential and industrial products, reducing its dependency on residential high-rise products, (ii) a strong foothold in matured townships, and (iii) proactive initiatives to boost recurring income via strategic investments. **SIMEPROP is our Top Pick for the sector.**

Share Price Performance



KLCI	1,619.13
YTD KLCI chg	-1.4%
YTD stock price chg	-23.1%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SDPR MK Equity
Market Cap (RM m)	8,841.1
Shares Outstanding	6,800.8
52-week range (H)	1.74
52-week range (L)	1.10
3-mth avg. daily vol.	9,751,450
Free Float	49%
Beta	1.52

Major Shareholders

Amanah Saham Nasional	40.4%
Employees Provident Fund	14.2%
Kumpulan Wang Persaraan	6.7%

Summary Earnings Table

FY Dec (RM m)	2024A	2025F	2026F
Turnover	4,250.8	4,484.6	4,544.0
Operating Profit	899.8	984.6	996.5
Profit Before Tax	780.0	801.3	859.9
Net Profit	**502.2**	**518.3**	**556.2**
Core Net Profit	**502.2**	**518.3**	**556.2**
Consensus (NP)	-	553.6	601.5
Earnings Revision	-	-	-
Core EPS (sen)	7.4	7.6	8.2
Core EPS Growth (%)	26.1	3.2	7.3
NDPS (sen)	3.0	3.0	3.3
BVPS (RM)	1.51	1.55	1.60
PER (x)	17.6	17.1	15.9
PBV (x)	0.86	0.84	0.81
Net Gearing (x)	0.28	0.26	0.21
Net Div. Yield (%)	2.3	2.3	2.5

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	3,701.5
Klang	2,336.0	24.80	2,329.7
Negeri Sembilan	3,865.0	13.70	1,377.8
Serenia City	838.0	7.20	776.6
Other Klang Valley	343.0	21.60	2,329.9
Johor	2,184.0	6.40	715.5
Total	**13,586.0**	**115.80**	**11,231.0**
Unbilled Sales (as of 2QFY25)		**3,900.0**	**213.5**
Shareholders Fund (FY24)			**10,265.6**
Total RNAV (RM m)			**21,710.1**
Discount to RNAV			45%
Discounted RNAV			**11,940.6**
Data Centre DCF valuation			1,347.1
Total SoP value			**13,287.6**
Number of shares (m)			6,800.8
SoP-TP (RM)			**1.95**

Source: Company, Kenanga Research

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Income Statement

FY Dec (RM m)	2022A	2023A	2024A	2025F	2026F
Revenue	2,742	3,437	4,251	4,485	4,544
Operating Profit	**436**	**606**	**900**	**985**	**996**
Depreciation	-32	-32	-65	-45	-50
Interest Inc/(Exp)	9	40	42	35	75
Associate Earnings	14	-36	-162	-218	-212
Profit Before Tax	**459**	**610**	**780**	**801**	**860**
Taxation	-147	-193	-262	-272	-292
Minority Interest	4	-10	-15	-11	-11
Net Profit	316	408	502	518	556
Core Net Profit	**276**	**398**	**502**	**518**	**556**

Balance Sheet

FY Dec (RM m)	2022A	2023A	2024A	2025F	2026F
Fixed Assets	586	593	576	560	540
Intangible Assets	7	6	9	9	9
Other Fixed Assets	10,088	10,795	11,254	11,231	11,231
Inventories	1,527	2,045	2,073	2,428	2,338
Receivables	863	690	658	797	755
Other Current Assets	1,207	1,197	1,314	1,314	1,314
Cash	985	603	640	725	1,192
Total Assets	**15,263**	**15,929**	**16,524**	**17,065**	**17,380**
Payables	1,297	1,542	1,687	1,936	1,920
ST Borrowings	754	413	1,213	1,213	1,213
Other ST Borrowings	465	377	394	394	394
LT Borrowings	2,284	2,481	1,932	1,932	1,932
Other LT Borrowings	819	832	801	824	824
Net Assets	**9,645**	**10,284**	**10,497**	**10,767**	**11,099**
Shareholders' Equity	9,520	10,057	10,266	10,535	10,867
Minority Interests	125	226	231	231	231
Total Equity	**9,645**	**10,284**	**10,497**	**10,767**	**11,099**

Cashflow Statement

FY Dec (RMm)	2022A	2023A	2024A	2025F	2026F
Operating CF	1,015	-75	-75	502	858
Investing CF	47	-71	-71	-270	-242
Financing CF	-987	-249	-249	-147	-149
Net Change in Cash	75	-395	-395	85	467
Free CF	**988**	**-281**	**-281**	**472**	**828**

Financial Data & Ratios

FY Dec	2022A	2023A	2024A	2025F	2026F
Growth					
Turnover	23.7%	25.3%	23.7%	5.5%	1.3%
EBITDA	32.6%	36.3%	51.2%	6.8%	1.6%
Operating Profit	37.3%	39.0%	48.4%	9.4%	1.2%
PBT	64.1%	33.0%	27.8%	2.7%	7.3%
Core Net Profit	87.6%	44.5%	26.1%	3.2%	7.3%
Profitability					
Operating Margin	15.9%	17.6%	21.2%	22.0%	21.9%
PBT Margin	16.7%	17.8%	18.4%	17.9%	18.9%
Core Net Margin	10.1%	11.6%	11.8%	11.6%	12.2%
Effective Tax Rate	32.1%	31.6%	33.6%	34.0%	34.0%
ROA	2.0%	2.6%	3.1%	3.1%	3.2%
ROE	3.3%	4.2%	4.9%	5.0%	5.2%
DuPont Analysis					
Net Margin	10.1%	11.6%	11.8%	11.6%	12.2%
Assets Turnover (x)	0.2	0.2	0.3	0.3	0.3
Leverage Factor (x)	1.6	1.6	1.6	1.6	1.6
ROE	3.3%	4.2%	4.9%	5.0%	5.2%
Leverage					
Debt/Asset (x)	0.2	0.2	0.2	0.2	0.2
Debt/Equity (x)	0.3	0.3	0.3	0.3	0.3
Net (Cash)/Debt	2,053	2,291	2,504	2,420	1,953
Net Debt/Equity (x)	0.2	0.2	0.2	0.2	0.2
Valuations					
Core EPS (sen)	4.1	5.9	7.4	7.6	8.2
NDPS (sen)	2.0	2.5	3.0	3.0	3.3
BV/sh (RM)	1.4	1.5	1.5	1.5	1.6
PER (x)	32.1	22.2	17.6	17.1	15.9
Div. Yield (%)	1.5%	1.9%	2.3%	2.3%	2.5%
PBV (x)	0.9	0.9	0.9	0.8	0.8
EV/EBITDA (x)	19.4	108.9	71.8	69.4	72.4

Source: Kenanga Research

Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen) 1-Yr. Fwd.	Core EPS (sen) 2-Yr. Fwd.	Core EPS Growth 1-Yr. Fwd.	Core EPS Growth 2-Yr. Fwd.	PER (x) - Core Earnings 1-Yr. Fwd.	PER (x) - Core Earnings 2-Yr. Fwd.	PBV (x) 1-Yr. Fwd.	ROE (%) 1-Yr. Fwd.	Net. Div. (sen) 1-Yr. Fwd.	Net Div Yld 1-Yr. Fwd.
PROPERTY DEVELOPERS																	
ECO WORLD DEVELOPMENT GROUP	MP	2.10	2.15	2.4%	6,721	Y	10/2025	13.0	14.4	13.2%	10.1%	16.1	14.6	1.2	8.1%	7.0	3.3%
IOI PROPERTIES GROUP BHD	MP	2.09	2.01	-3.8%	11,508	Y	06/2026	7.9	8.6	49.6%	9.0%	26.4	24.2	0.5	1.8%	4.5	2.2%
LBS BINA GROUP BHD	OP	0.420	0.640	52.4%	648	Y	12/2025	6.2	7.6	45.7%	23.3%	6.8	5.5	0.3	5.4%	2.3	5.5%
MAH SING GROUP BHD	OP	1.03	1.74	68.9%	2,637	Y	12/2025	10.5	10.2	12.0%	-2.8%	9.8	10.1	0.6	6.4%	4.5	4.4%
S P SETIA BHD	OP	0.825	1.43	73.3%	4,128	Y	12/2025	6.1	7.3	-33.3%	18.9%	13.5	11.4	0.2	2.4%	2.0	2.4%
SIME DARBY PROPERTY BHD	OP	1.30	1.95	50.0%	8,841	Y	12/2025	7.6	8.2	3.2%	7.3%	17.1	15.9	0.8	4.9%	3.0	2.3%
SUNWAY BHD	UP	5.47	4.73	-13.5%	34,053	Y	12/2025	28.2	23.1	66.8%	-18.3%	19.4	23.7	1.9	10.1%	6.5	1.2%
UOA DEVELOPMENT BHD	OP	1.85	1.91	3.2%	4,912	Y	12/2025	12.8	13.7	40.4%	7.0%	14.4	13.5	0.9	6.0%	11.0	5.9%
SECTOR AGGREGATE					**73,447**					**30.4%**	**-3.8%**	**20.3**	**21.1**	**0.7**	**5.3%**		**3.4%**

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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