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## IOI Properties Group

### IOIPG REIT Assets Unveiled

By Chris Tong | [christong@kenanga.com.my](mailto:christong@kenanga.com.my)

IOIPG unveiled the proposed assets to be injected into a diversified REIT valued at up to RM7.58b, including IOI City Mall Putrajaya, IOI City Towers, PFCC Towers alongside six hotels. Retaining a 60% stake in the REIT, disposal proceeds of c.RM4.6b is meant for deleveraging and to fund the group's property development and investment. Though we had earlier estimated the MREIT valuation to be RM8b at the time, and have reflected some benefits from the potential REIT listing earlier (refer to our note dated Jan CY26), we recognize a higher likelihood of a spinoff listing for its Singapore assets in the medium term, which we opine includes IOI Central Boulevard Towers. While we believe the MREIT asset unlocking is in the price, this has not been fully reflected for the SREIT. And as we accord partial benefit for SREIT mainly, our SoTP-based TP is lifted by 70 sen to RM3.70. Stock potential returns map to a MARKET PERFORM (from UNDERPERFORM).

**Value unlocking.** IOIPG has announced the proposed establishment and listing of IOIPG Malaysia REIT, via the injection of a diversified portfolio of retail, hotel and office assets with a total appraised value of RM7.58b. The portfolio is anchored by IOI City Mall (67% of total value), alongside six hotel assets and office towers (IOI City Towers and PFCC), providing a balanced mix of recurring income streams across retail, hospitality and commercial segments. The REIT will have an initial fund size of 5.5b units and is positioned to deliver stable income with long-term capital growth. Strategically, the REIT serves as a capital recycling platform, allowing IOIPG to unlock value from its mature, yield-stabilised assets while redeploying capital into higher-growth development projects or yield accretive assets.

**Listing structure.** The disposal of assets into the REIT will be undertaken for a total consideration of RM7.58b, comprising 65% in units (5.5b units at an illustrative price of RM0.90 each) and 35% in cash (c.RM2.65b), the latter funded via REIT-level borrowings. In conjunction, IOIPG will offer up to 2.2b units (40% of total units) to investors via retail and institutional offerings, while retaining a strategic controlling stake of 60%.

**Utilization of proceeds.** Total gross proceeds of c.RM4.6b will be raised from both the cash consideration and during the said offering, of which RM3.0b will be utilised for debt repayment with the remaining RM1.6b being earmarked for project development and investment. Tentatively, the REIT listing is targeted for completion by 4QCY26, subject to regulatory approvals.

**Financial impact.** The exercise is expected to strengthen IOIPG's balance sheet via deleveraging and capital recycling, while retaining earnings exposure through its majority stake in the REIT. However, the loss of rental income from the disposal of 40% stake in the abovementioned assets will likely be greater than the interest savings from debt repayment of approximately RM77m annually, which we estimate to result in a net decrease of about RM80m (or 10% of our FY27F earnings).

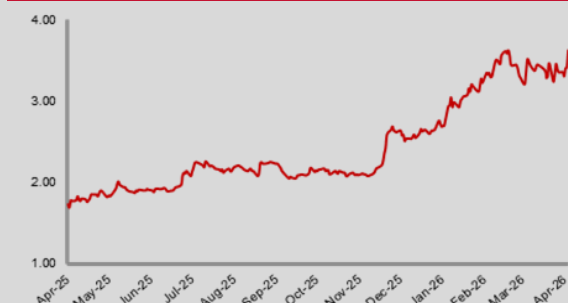
**Forecast.** Unchanged for now, pending completion of the REIT.

**Valuation.** Following the formalisation of assets earmarked for the proposed REIT, we revise our valuation approach for IOIPG from pure RNAV discount to sum-of-the-parts (SoTP) methodology to include the valuation accretion from the listing of IOIPG REIT and thereby allowing

## MARKET PERFORM ↑

Price : **RM3.63**  
Target Price : **RM3.70** ↑

### Share Price Performance



KLCI	1,691.31
YTD KLCI chg	0.7%
YTD stock price chg	37.5%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	IOIPG MK Equity
Market Cap (RM m)	19,987.3
Shares Outstanding	5,506.1
52-week range (H)	3.63
52-week range (L)	1.69
3-mth avg. daily vol:	8,083,141
Free Float	31%
Beta	1.07

### Major Shareholders

Vertical Capacity Sdn Bhd	65.7%
Employee Provident Fund Board	6.7%
Lee Yeow Seng	2.6%

### Summary Earnings Table

FYE Jun (RM m)	2025A	2026F	2027F
Turnover	3,062	3,538	3,748
Operating Profit	1,847	1,817	1,361
Profit Before Tax	1,454	1,468	984
<b>Net Profit (NP)</b>	<b>1,064</b>	<b>1,244</b>	<b>785</b>
<b>Core NP</b>	<b>291</b>	<b>741</b>	<b>785</b>
Consensus (CNP)	-	<b>712</b>	<b>898</b>
Earnings Revision	-	-	-
Core EPS (sen)	5.3	13.5	14.3
Core EPS Growth (%)	-43.1	154.5	5.9
NDPS (sen)	8.0	6.0	7.0
BV/Share (RM)	4.44	4.60	4.68
Core PER (x)	65.2	25.6	24.2
Price/BV (x)	0.78	0.75	0.74
Net Gearing (x)	0.7	0.7	0.7
Dividend Yield (%)	2.3	1.7	2.0

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for a more accurate reflection of its the embedded value to the group.

Meanwhile, we lower our group-level property development discount-to-RNAV of 40% (which we had previously lowered from 55%), as we believe it will continue to capture the remaining upside benefit the group could gain should its S-REIT listing materialise in the near-term. We believe this is justified as current levels prudently assumes an 80% book value of the group's key Singapore asset, being the IOI Central Boulevard Towers which is valued at RM13.7b as of Jun 2025.

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. We also remain cautious that the slow take-up rate in its W residence, Marina Singapore may partially hinder the near-term growth in its property development segment.

All in, we raise our TP from RM3.00 to RM3.70 and upgrade the stock to **MARKET PERFORM** from **UNDERPERFORM**.

**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 with steady recurring incomes that bodes well with its upcoming REIT listing, and (iii) its presence in the vibrant property sector in Singapore prime locations.

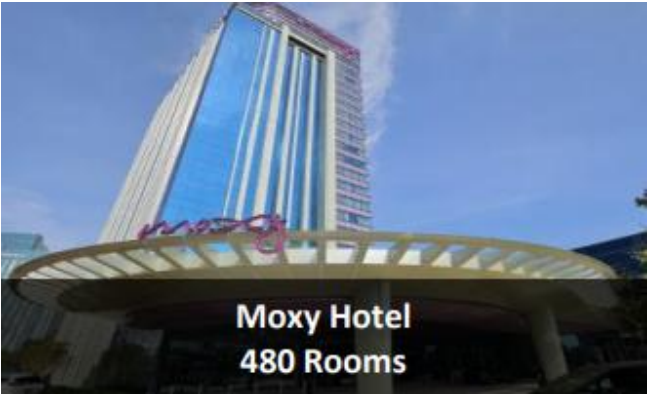
**Risks to our call include:** (i) lower-than-expected valuations for its REIT listing, and (ii) softer-than-expected performance from new launches.

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Exhibit 1: Assets to be Included in IOIPG REIT



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Source: Company, Kenanga

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<b>IOIPG's SoTP</b>		
<b>SOTP (RNAV + REIT)</b>	Remark	Value (RM'm)
<b>RNAV</b>		
On-going projects	NPV	5,325
Unbilled Sales	NPV	55
Shareholders funds		22,000
		27,380
Discount		40%
Sub-Total		16,428
<b>IOIPG REIT</b>		
Ownership of REIT at 60%	60% x Hypothetical market cap of the REIT at RM6.6b (based on 6% dividend yield from an estimated annual earnings)	3,960
Total		20,388
Number of shares (m)		5,510
Target Price (RM)		3.70

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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)		
								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.	1-Yr. Fwd.	1-Yr. Fwd.
<b>PROPERTY DEVELOPERS</b>																			
ECO WORLD DEVELOPMENT GROUP	OP	2.08	2.35	13.0%	6,701.0	Y	10/2026	17.9	18.1	28.9%	1.4%	11.6	11.5	1.0	8.6%	8.0	3.8%		
IOI PROPERTIES GROUP BHD	MP	3.63	3.70	1.9%	19,987.3	Y	06/2026	13.5	14.3	154.5%	5.9%	27.0	25.5	0.8	5.0%	6.0	1.7%		
LBS BINA BHD	OP	0.460	0.640	39.1%	709.1	Y	12/2026	8.1	8.8	15.1%	8.3%	5.7	5.2	0.3	6.9%	3.3	7.2%		
MAH SING GROUP BHD	OP	1.02	1.78	74.5%	2,611.3	Y	12/2026	10.9	11.7	7.0%	7.3%	9.4	8.7	0.6	6.7%	5.5	5.4%		
MALAYSIAN RESOURCES CORP BHD	MP	0.300	0.560	86.7%	1,340.3	Y	12/2026	1.8	1.4	19.2%	-18.9%	42.3	22.7	0.3	1.7%	1.0	3.3%		
PARAMOUNT CORPORATION BHD	OP	1.00	1.47	47.0%	622.8	Y	12/2026	19.1	21.8	66.6%	14.2%	5.2	4.6	0.4	7.8%	7.5	7.5%		
S P SETIA BHD	OP	0.845	1.43	69.2%	4,227.8	Y	12/2026	6.1	7.3	-33.3%	18.9%	13.9	11.7	0.2	2.4%	2.0	2.4%		
SIME DARBY PROPERTY BHD	OP	1.29	1.97	52.7%	8,773.1	Y	12/2026	8.2	9.2	8.0%	11.4%	15.7	14.1	0.8	5.1%	3.3	2.6%		
SUNWAY BHD	UP	5.20	5.32	2.3%	35,154.2	Y	12/2026	20.5	19.4	7.8%	-5.4%	25.3	26.8	1.9	7.8%	6.5	1.3%		
UOA DEVELOPMENT BHD	OP	1.81	1.91	5.5%	4,805.6	Y	12/2026	13.7	14.5	18.1%	6.0%	13.2	12.4	0.8	5.8%	12.0	6.6%		
<b>SECTOR AGGREGATE</b>					<b>84,932.4</b>					<b>22.8%</b>	<b>3.6%</b>	<b>21.6</b>	<b>20.9</b>	<b>0.7</b>	<b>5.5%</b>		<b>4.2%</b>		

Source: Kenanga Research

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**Stock ESG Ratings:**

	Criterion	Rating				
<b>GENERAL</b>	Earnings Sustainability & Quality	★	★	★		
	Community Investment	★	★	★		
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	☆		
	Anti-Corruption Policy	★	★	☆		
	Emissions Management	★	★	☆		
<b>SPECIFIC</b>	Product Quality & Safety	★	★	★		
	Effluent/Water Management	★	★	★		
	Waste Management	★	★	★		
	Biodiversity & Conservation	★	★	★		
	Green Building	★	★	★		
	Supply Chain Management	★	★	★		
<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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**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](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)

