Sime Darby Property

More Launches to Come

OUTPERFORM ↔

Price : RM1.43

Target Price : RM2.00 ↑

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SIMEPROP's 1QFY26 sales of RM919m is on track with its FY26 sales target of RM4b and core net profit broadly meeting expectations at 15% and 14% of our and consensus full-year forecasts, respectively. We look forward to higher upcoming launches and higher anticipated progress billings in the year ahead supported by higher unbilled sales at RM4.1b. Meanwhile, SIMEPROP has completed its first built-to-lease hyperscale data centre (49 acres) in Elmina Business Park with investment grade asset yield that will contribute additional recurring rental income to the group starting Apr 2026. On that note, we raise our earnings forecast for FY26-27 by 3% each. We also tune up our TP from RM1.97 to RM2.00 post-model updates and maintain an OUTPEFORM call.

Broadly within expectations. SIMEPROP's 1QFY26 core net earnings of RM81.3m (after excluding a fair value gain and a disposal gain of RM77.5m) made up 15% of our full-year forecast and 14% of consensus full-year estimate. We deem it broadly within expectations, anticipating backloaded launches and higher progress billings in the year ahead, supported by higher unbilled sales at RM4.1b.

YoY, 1QFY26 revenue fell by 8% from softer property development revenues (-11%) due to softer GDV launches of RM563.4m and slightly slower construction progress in the quarter. Its net profit decreased sharper by 31%, burdened by higher taxation charges. Its sales mix from industrial property made up 53% of total sales achieved largely contributed by a 92% mix of industrial products from its total GDV launches in 1QFY26.

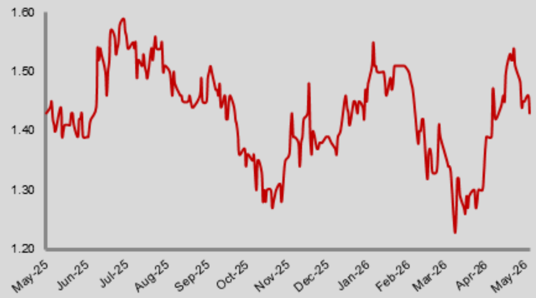
QoQ, its turnover was 23% lower mainly due to the abovementioned reasons. Its net profit fell by a milder 7% on better margins attributable to higher industrial product mix.

Outlook. SIMEPROP's 1QFY26 sales of RM919m is on track with its RM4b sales for FY26, underpinned by planned launches of RM4.7b in GDV.

While further project details (e.g., GDV, timeline) have yet to be disclosed relating to the group's 50:50 JV with SDG to develop 3,000 acres in Kuala Selangor into an industrial and logistics hub, we estimate that the initial 1,000-acre phase could deliver a GDV of c.RM8.7b, supporting a 7-10 years development runway. This marks the group's second venture with SDG, following their earlier 2,000-acre Carey Island collaboration, which we estimate to carry a GDV potential of RM20b-RM30b over 20-30 years.

Unbilled sales stood at RM4.1b as at Mar 2026. Meanwhile, SIMEPROP has completed its first built-to-lease hyperscale data centre (49 acres) in Elmina Business Park with an estimated RM2b in lease value. This will contribute additional recurring rental income to the group at our estimated RM21m in net profit starting from Apr 2026. The next data centre under construction is slated for completion by FY27 (77-acre site). SIMEPROP also reported positive momentum across its key projects, including the imminent commencement of Battersea Phase 3C, as well as its new venture in Melbourne, capitalising on the city's tight residential supply and growing demand for Purpose-Built Student Accommodation. On a separate note, during its latest investor briefing, the group did caution on the risk from elevated diesel and construction costs arising from the geopolitical tensions that may hurt its operating margins from 2QFY26 onwards.

Share Price Performance



KLCI	1,699.02
YTD KLCI chg	1.1%
YTD stock price chg	2.9%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SDPR MK Equity
Market Cap (RM m)	9,725.2
Shares Outstanding	6,800.8
52-week range (H)	1.59
52-week range (L)	1.23
3-mth avg. daily vol.	10,678,440
Free Float	49%
Beta	1.49

Major Shareholders

Amanah Saham Nasional	39.8%
Employees Provident Fund	17.8%
Kumpulan Wang Persaraan	8.0%

Summary Earnings Table

FY Dec (RM m)	2025A	2026F	2027F
Turnover	4,184.2	4,592.2	5,036.5
Operating Profit	895.3	975.4	1,047.6
Profit Before Tax	803.4	890.0	994.7
Net Profit	**517.7**	**575.6**	**643.4**
Core Net Profit	**517.7**	**575.6**	**643.4**
Consensus (NP)	574.2	586.9	648.3
Earnings Revision	-	+3%	+3%
Core EPS (sen)	7.6	8.5	9.5
Core EPS Growth (%)	3.1	11.2	11.8
NDPS (sen)	3.2	3.3	3.3
BVPS (RM)	1.55	1.59	1.65
PER (x)	19.3	17.4	15.5
PBV (x)	0.95	0.92	0.89
Net Gearing (x)	0.39	0.36	0.31
Net Div. Yield (%)	2.2	2.2	2.2

Forecast. Following the completion of the abovementioned Data Centre in Elmina Business Park, we are incorporating the new rental income from the asset at an estimated RM21m per year starting from Apr 2026 which leads us to raise our FY26-27 earnings forecast by 3%, respectively.

Valuation. Post-model updates, **we tune up our TP from RM1.97 to RM2.00 and maintain our OUTPERFORM rating.** Our TP is based on an unchanged 45% discount to RNAV (better than our industry applied average of 50%). 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 one of our Top Pick for the sector.**

Risks to our call include: (i) weak demand in the property sector, (ii) changes in mortgage rates boosting affordability, (iii) construction cost increases, and (iv) risks associated with overseas operations.

Results Highlight

FYE Dec (RM m)	1Q FY26	4Q FY25	QoQ Chg	1Q FY25	YoY Chg	3M FY26	3M FY25	YoY Chg
Revenue	**799.2**	**1,037.9**	**-23.0%**	**871.6**	**-8.3%**	**799.2**	**871.6**	**-8.3%**
Cost of Sales	-535.1	-705.9	-24.2%	-588.3	-9.0%	-535.1	-588.3	-9.0%
Gross Profit	**264.1**	**332.0**	**-20.4%**	**283.3**	**-6.8%**	**264.1**	**283.3**	**-6.8%**
Selling and marketing expenses	-32.6	-54.0	-39.7%	-27.7	17.7%	-32.6	-27.7	17.7%
Administrative Expenses	-69.3	-126.1	-45.0%	-73.1	-5.2%	-69.3	-73.1	-5.2%
Other income/(expenses)	72.0	21.0	243.1%	6.6	994.1%	72.0	6.6	994.1%
Operating Profit	**234.3**	**172.8**	**35.6%**	**189.1**	**23.9%**	**234.3**	**189.1**	**23.9%**
JV Contributions	-20.0	-37.5	-46.7%	-21.6	-7.2%	-20.0	-21.6	-7.2%
Associate Contributions	-0.4	-2.9	-87.9%	0.1	-760.4%	-0.4	0.1	-760.4%
Other Gains	11.7	8.0	47.4%	0.2	7009.7%	11.7	0.2	7009.7%
Net Interest Income/(Expense)	10.6	4.0	169.0%	11.8	-10.3%	10.6	11.8	-10.3%
Extraordinary items	0.0	0.0	N.M	0.0	N.M.	0.0	0.0	N.M
Profit Before Tax	**236.3**	**144.3**	**63.7%**	**179.6**	**31.6%**	**236.3**	**179.6**	**31.6%**
Taxation	-73.2	-51.3	42.9%	-57.4	27.5%	-73.2	-57.4	27.5%
Minority Interest	-4.2	-5.5	-22.7%	-3.7	13.1%	-4.2	-3.7	13.1%
Net Profit	**158.8**	**87.6**	**81.3%**	**118.4**	**34.1%**	**158.8**	**118.4**	**34.1%**
Adjustments	-77.5	0.0	N.M	0.0	N.M.	-77.5	0.0	N.M
Core Net Profit	**81.3**	**87.6**	**-7.2%**	**118.4**	**-31.4%**	**81.3**	**118.4**	**-31.4%**
Gross Profit Margin	33.0%	32.0%		32.5%		33.0%	32.5%	
Operating Margin	29.3%	16.7%		21.7%		29.3%	21.7%	
Pretax Margin	29.6%	13.9%		20.6%		29.6%	20.6%	
Net Margin	10.2%	8.4%		13.6%		10.2%	13.6%	
Effective Tax Rate	-31.0%	-35.5%		-32.0%		-31.0%	-32.0%	
Net Gearing (x)	0.37	0.35		0.28		0.37	0.28	

Source: Company, Kenanga Research

Results Highlight

FYE Dec (RM m)	1Q FY26	4Q FY25	QoQ Chg	1Q FY25	YoY Chg	3M FY26	3M FY25	YoY Chg
Revenue								
Property Development	722.5	950.4	-24.0%	808.3	-10.6%	722.5	808.3	-10.6%
Investment and Asset Management	53.9	60.9	-11.4%	38.7	39.2%	53.9	38.7	39.2%
Leisure	22.8	26.6	-14.4%	24.5	-7.2%	22.8	24.5	-7.2%
Total Revenue	**799.2**	**1,037.9**	**-23.0%**	**871.6**	**-8.3%**	**799.2**	**871.6**	**-8.3%**
Operating Profit								
Property Development	215.6	268.1	-19.6%	231.8	-7.0%	215.6	231.8	-7.0%
Investment and Asset Management	10.3	23.1	-55.4%	11.6	-10.7%	10.3	11.6	-10.7%
Leisure	-2.4	-3.2	-26.9%	-3.1	-23.3%	-2.4	-3.1	-23.3%
Eliminations	10.7	-115.2	-109.3%	-51.2	-120.9%	10.7	-51.2	-120.9%
Total Operating Profit	**234.3**	**172.8**	**35.6%**	**189.1**	**23.9%**	**234.3**	**189.1**	**23.9%**
Operating Margin								
Property Development	29.8%	28.2%		28.7%		29.8%	28.7%	
Investment and Asset Management	19.2%	38.0%		29.9%		19.2%	29.9%	
Leisure	-10.3%	-12.1%		-12.5%		-10.3%	-12.5%	
Total Operating Margin	**29.3%**	**16.7%**		**21.7%**		**29.3%**	**21.7%**	

Source: Company, Kenanga Research

SIMEPROP's RNAV

Project	Remaining Landbank (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 1QFY26)		**4,100.0**	**224.4**
Shareholders Fund (1QFY26)			**10,789.4**
Total RNAV (RM m)			**22,244.8**
Discount to RNAV			45%
Discounted RNAV			**12,234.7**
Data Centre DCF valuation			1,347.1
Total SoP value			**13,581.7**
Number of shares (m)			6,800.8
SoP-TP (RM)			**2.00**

Source: Company, 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)		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	OP	2.05	2.35	14.6%	6,606.0	Y	10/2026	17.9	18.1	28.9%	1.4%	11.5	11.3	1.0	8.6%	8.0	3.9%
IOI PROPERTIES GROUP BHD	MP	4.24	3.70	-12.7%	23,346.1	Y	06/2026	13.5	14.3	154.5%	5.9%	31.5	29.8	0.9	5.0%	6.0	1.4%
LBS BINA BHD	OP	0.450	0.640	42.2%	693.7	Y	12/2026	8.1	8.8	15.1%	8.3%	5.5	5.1	0.3	6.9%	3.3	7.3%
MAH SING GROUP BHD	OP	0.975	1.78	82.6%	2,496.1	Y	12/2026	10.9	11.7	7.0%	7.3%	9.0	8.4	0.6	6.7%	5.5	5.6%
MALAYSIAN RESOURCES CORP BHD	MP	0.320	0.560	75.0%	1,429.6	Y	12/2026	1.8	1.4	19.2%	-18.9%	45.1	24.2	0.3	1.7%	1.0	3.1%
PARAMOUNT CORPORATION BHD	OP	1.02	1.47	44.1%	635.2	Y	12/2026	19.1	21.8	66.6%	14.2%	5.3	4.7	0.4	7.8%	7.5	7.4%
S P SETIA BHD	OP	0.985	1.43	45.2%	4,928.4	Y	12/2026	6.6	9.7	-47.5%	46.3%	14.9	10.2	0.3	2.4%	2.5	2.5%
SIME DARBY PROPERTY BHD	OP	1.43	2.00	39.9%	9,725.2	Y	12/2026	8.5	9.5	11.2%	11.8%	16.9	15.1	0.9	5.3%	3.3	2.3%
SUNWAY BHD	UP	5.24	5.32	1.5%	35,424.6	Y	12/2026	20.5	19.4	7.8%	-5.4%	25.5	27.0	1.9	7.8%	6.5	1.2%
UOA DEVELOPMENT BHD	OP	1.80	1.91	6.1%	4,779.0	Y	12/2026	13.7	14.5	18.1%	6.0%	13.1	12.4	0.8	5.8%	12.0	6.7%
SECTOR AGGREGATE					**90,063.9**					**18.7%**	**5.5%**	**19.9**	**18.8**	**0.7**	**5.8%**		**4.2%**

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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