

30 August 2019

IOI Properties Group Bhd

Within Our, Below Consensus

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FY19 CNP of RM659.6m is within our, but below consensus, estimate, while sales of RM1.93b is close to our FY19 target. The 3.0 sen dividend is lower compared to our expectation of 5.0 sen. Introduced FY21E CNP of RM693m. Reiterate OP with an unchanged TP of RM1.65.

Within our, but below consensus, estimate. FY19 CNP* of RM659.6m came in-line with our expectation (98%), but below consensus (91%), full-year estimate. We believe that consensus could be slightly optimistic with their sales assumptions of South Beach project. FY19 sales of RM1.93b (Malaysia: 58%, China: 39%, Singapore: 3%***) is close to our FY19E target of RM2.05b. The 3.0 sen dividend declared was lower compared to our full-year expectation of 5.0 sen.

Results' highlights. QoQ, 4Q19 revenue registered marginal growth of 2%, but CNP fell by 31%. This is mainly due to: (i) lower net interest income (-27%), and (ii) lower sales contribution from its jointly controlled entity project, i.e. South Beach, which recorded better sales in 3Q19. YoY, FY19 CNP was flattish amid 21% decline in revenue. This is mainly attributable to the improved group EBIT margin of 38.9% (+7.2ppt) thanks to richer margins from its China projects and JCE/associate contributions recovering sharply to RM105m (FY18: -RM31m) due to sale of units at South Beach and PJ Midtown projects. Net gearing remained stable at 0.52x (2Q19: 0.52x).

Overseas projects still a key driver. Going forward, the group is looking to launch RM1.7b/RMB2.9b worth of projects in Xiamen but turning cautious due to the on-going trade war. As for local projects, the group remains cautiously optimistic and is focused on inventory clearing. Positively, its inventories came off from RM2.17b (at cost) to RM2.05b thanks to various campaigns like House Ownership Campaign.

Earnings unchanged. Post results, there are no changes to FY20E earnings, and we introduce our FY21E earnings of RM693m. Unbilled sales of RM610m remain low with less than 1-year visibility.

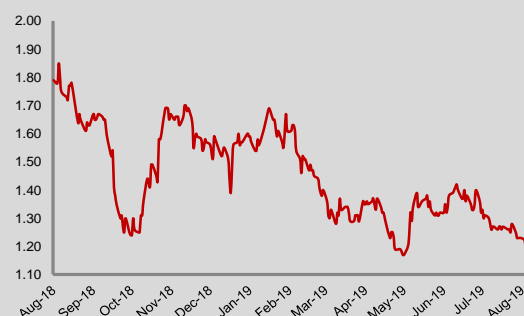
Reiterate OUTPERFORM with an unchanged TP of RM1.65 based on 69% discount to its FD RNAV of RM5.31. The applied discount is at -1.5SD or the lower-end of our universe's valuations range (-1.0SD to trough levels). At current price, the stock is trading at a low of 10.0x Fwd. PER and 0.34x Fwd. PBV; the cheapest among the big players in our universe.

Risks include: (i) weaker-than-expected property sales, (ii) margin compressions, (iii) changes in real estate policies/lending environments, and (vi) M&A/privatisation/cash-calls.

OUTPERFORM ↔

Price : **RM1.16**
Target Price : **RM1.65** ↔

Share Price Performance



KLCI	1,595.18
YTD KLCI chg	-5.6%
YTD stock price chg	-24.7%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	IOIPG MK EQUITY
Market Cap (RM m)	6,387.1
Shares Outstanding	5,506.1
52-week range (H)	1.84
52-week range (L)	1.16
3-mth avg daily vol:	6,246,069
Free Float	27%
Beta	1.3

Major Shareholders

Vertical Capacity Sdn Bhd	61.8%
Employee Provident Fund Board	7.1%
Amanah Saham Bumiputera	3.8%

Summary Earnings Table

FYE Jun (RM m)	2019A	2020E	2021E
Turnover	2,198	2,228	2,286
EBIT	944	811	894
PBT	1,086	963	1,004
Net Profit (NP)	661	640	693
Core NP	660	640	693
Consensus (CNP)	N.A.	725.6	761.0
Earnings Revision	N.A.	0%	0%
Core EPS (sen)	12.0	11.6	12.6
Core EPS growth (%)	(0.2)	(3.0)	8.2
NDPS (sen)	3.0	5.0	5.0
BV/Share (RM)	3.33	3.41	3.48
Core PER (x)	9.7	10.0	9.2
Price/BV (x)	0.35	0.34	0.33
Net Gearing (x)	0.51	0.56	0.58
Dividend Yield (%)	2.6	4.3	4.3

*CNP excludes Fair Value/Revaluation (FV) adjustments, one-off PPE write-off from property investment, unrealized FOREX gains/losses, share of impairment loss,

** Note that subsidiary sales figure does not include JCE project sales (e.g. South Beach, Sentosa Cove, PJ Midtown)

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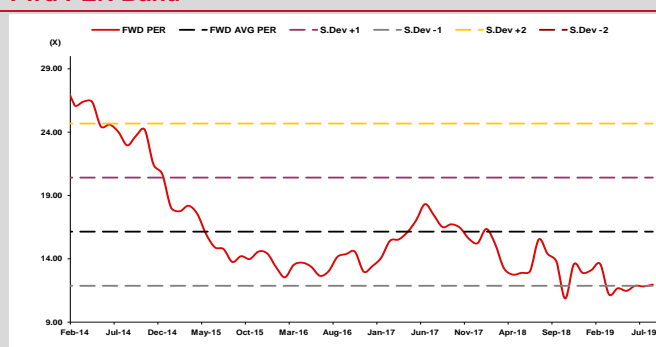
OTHER POINTS

Result Highlights

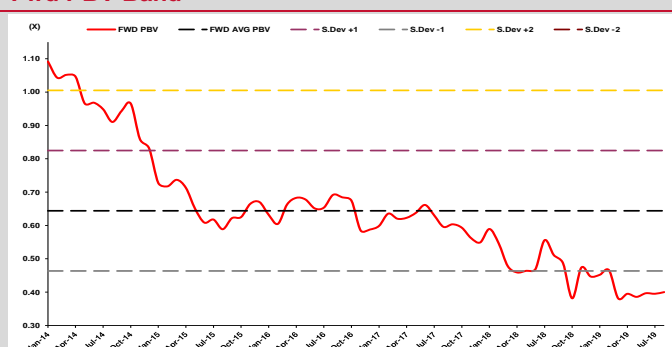
FYE: 31st June (RMm)	4Q19	3Q19	QoQ	4Q18	YoY	FY19	FY18	YoY
Revenue	497.8	487.7	2%	674.0	-26%	2,211.7	2,792.6	-21%
Op costs	(347.6)	(299.2)	16%	(487.2)	-29%	(1,424.2)	(1,963.1)	-27%
Other Op Income (w/ FOREX)	44.6	21.7	105%	(62.8)	-171%	114.6	94.8	21%
EBIT	184.2	200.2	-8%	113.3	63%	861.2	885.3	-3%
Net interest (exp)/inc	14.4	19.7	-27%	15.6	-8%	68.9	52.4	31%
Associate + JCE	(21.3)	80.9	n.m.	12.6	n.m.	105.2	(31.0)	n.m.
Pretax profit	177.3	300.9	-41%	141.5	25%	1,035.4	906.7	14%
Taxation	(88.4)	(107.6)	-18%	(33.7)	162%	(425.5)	(263.4)	62%
Minority Interests	0.3	1.4	-82%	(7.5)	-103%	0.9	(24.5)	-96%
Net profit	139.8	194.7	-28%	100.2	39%	661.3	618.8	7%
Core net profit	115.5	167.5	-31%	193.9	-40%	659.6	660.9	0%
EPS (sen)	2.5	3.5		4.8		12.0	14.2	
Diluted EPS (sen)	2.5	3.5		4.8		12.0	14.2	
DPS (sen)	3.0	0.0		5.0		3.0	5.0	
NTA/share (RM)	3.42	3.38		3.32		3.42	3.32	
Net gearing/(cash) (x)	0.52	0.52		0.51		0.52	0.51	
EBIT margin	37.0%	41.1%		16.8%		38.9%	31.7%	
Pretax margin (ex FV/one-offs)	35.6%	61.7%		21.0%		46.8%	32.5%	
Effective tax rate	38.8%	35.8%		11.0%		41.1%	29.0%	

Source: Company, Kenanga Research

Fwd PER Band



Fwd PBV Band



Source: Bloomberg, Kenanga Research

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	Stake	Start	Years to Completion	Est. GDV Balance (RM'm)	Remaining Net Profit *** (RM'm)	WACC	DCF Value (RM m)***
Unbilled Sales				1,000	317	11%	276
<u>Klang Valley projects:</u>							
16 Sierra, South Puchong	99.8%	2011	6	2,088	660	11%	472
Bandar Puchong Jaya, Puchong	99.8%	2012	4	957	302	11%	237
Bandar Puteri, Puchong	99.8%	2013	5	2,163	677	11%	507
The Hammock, Ampang	99.8%	2014	5	437	137	11%	102
IOI City Resort	100.0%	2018	5	20,000	5,072	11%	2,547
Bangi, Selangor	100.0%	2013	6	1,172	289	11%	207
Dengkil, Selangor	100.0%	2013	6	1,175	290	11%	207
<u>Johor Projects:</u>							
Taman KempasUtama, JB	89.8%	2010	5	1,986	560	11%	419
Bandar Putra Segamat	99.9%	2011	4	65	20	11%	16
Bandar Putra Kulai, Kulaijaya	87.7%	2011	5	946	262	11%	196
Taman Lagenda Putra, Kulaijaya	69.8%	2011	7	159	35	11%	24
Plentong Land	89.8%	2013	5	530	149	11%	112
KempasBaru	89.8%	2014	6	177	50	11%	31
The Platino	89.8%	2013	5	402	113	11%	85
Medini, Johor	100.0%	2015	3	1,500	471	11%	350
<u>Other states projects:</u>							
Desaria, Sungai Ara, Penang	100.0%	2012	6	153	48	11%	34
Barat Daya, Penang	100.0%	2012	2	26	8	11%	7
Rompin, Jempol, Negeri Sembilan	100.0%	2013	5	667	208	11%	156
<u>Singapore projects:</u>							
Seascape @ Sentosa Cove	50.0%	2010	1	2,681	330	11%	247
Cape Royale @ Sentosa Cove	65.0%	2010	1	5,000	887	11%	830
South Beach @ Beach Road	49.9%	2011	2	2,369	323	11%	242
Cityscape @ Farrer Park	60.0%	2011	2	1,012	166	11%	136
Triling @ JalanLempeng	88.0%	2012	5	2,470	536	11%	401
Central Boulevard	100.0%	2019	5	15,500	3,021	11%	1,373
<u>China Projects</u>							
IOI PARK BO BAY	99.8%	2013	3	900	253	11%	208
IOI PALM CITY	99.8%	2013	6	2,450	689	11%	493
New Xiamen Land	99.8%	2019	5	7,000	1,476	11%	671
Future land to be develop							
Klang Valley (bulk in Puchong&Sepang)	99.8%	2021	8	9,242	1,494	11%	643
Johor (bulk in Senai-Kulai&Segamat)	88.9%	2021	20	46,570	6,705	11%	1,372
Melaka	99.8%	2021	10	2,677	433	11%	129
Negeri Sembilan	100.0%	2021	10	4,044	655	11%	196
Plantation land (Melaka)	51.0%	2021	20	4,077	337	11%	69
*** After Stake							
				Book Value (RM'm)	Market Value (RM'm)	Surplus / Deficit (RM'm)	
				4,734	4,734	0	
Investment Properties							
IOIPROP Shareholders Funds @ Jun 2016							
Rights issuance FY17							
Dilution Effects from ESOS							
RNAV							
Enlarged Share Base ('m)							
RNAV per share (RM)							
Discount							
TP (RM)							
15,885							
1,522							
844							
31,245							
5,889							
MYR 5.31							
-69%							
MYR 1.65							

Source: Kenanga Research

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Peer Comparison

Name	Last Price	Market Cap (RM'm)	Shariah Compliant	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)		Net Div.Yld. (%)	Target Price (RM)	Rating
	(RM)				1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.				
PROPERTY DEVELOPERS UNDER COVERAGE																		
AMVERTON BHD	1.10	401.6	Y	12/2019	-22.4%	-3.1%	-75.5%	-3.8%	16.8	68.4	71.1	0.6	0.6	0.8%	0.0%	1.00	UP	
ECO WORLD DEVELOPMENT GROUP	0.680	2,002.2	Y	10/2019	-4.4%	-18.3%	9.5%	18.8%	12.1	11.0	9.3	0.5	0.4	4.8%	1.4%	1.15	OP	
HUA YANG BHD	0.340	119.7	Y	03/2020	-11.0%	-1.2%	153.2%	-11.8%	N.A.	14.6	16.5	0.2	0.2	1.4%	0.0%	0.335	UP	
IOI PROPERTIES GROUP BHD	1.16	6,387.1	Y	06/2020	-15.0%	-6.0%	2.2%	-5.3%	9.7	10.0	9.2	0.3	0.3	3.6%	4.3%	1.65	OP	
LBS BINA GROUP BHD	0.530	825.9	Y	12/2019	31.3%	0.9%	7.9%	-7.2%	9.7	9.0	9.7	0.6	0.5	6.6%	3.3%	0.495	MP	
MAGNA PRIMA BHD	1.15	382.5	Y	12/2019	-5.6%	28.8%	-572.6%	-139.5%	N.A.	N.A.	N.A.	0.7	0.7	-2.0%	0.0%	0.710	UP	
MAH SING GROUP BHD	0.865	2,099.9	Y	12/2019	4.5%	7.0%	-4.3%	-0.3%	12.8	13.4	13.4	0.6	0.6	5.2%	4.6%	1.05	OP	
MALAYSIAN RESOURCES CORP BHD	0.720	3,176.7	Y	12/2019	-41.9%	70.5%	-95.3%	2791.2%	41.9	894.7	30.9	0.7	0.6	1.2%	0.0%	0.700	UP	
SIME DARBY PROPERTY BHD	0.850	5,780.7	Y	12/2019	127.9%	3.9%	7861.6%	-2.3%	827.0	10.4	10.6	0.6	0.6	5.9%	3.9%	1.10	OP	
SP SETIA BHD	1.47	5,942.4	Y	12/2019	5.5%	24.3%	27.2%	46.0%	27.0	21.3	14.6	0.4	0.4	1.9%	4.8%	1.85	MP	
SUNSURIA BHD	0.730	654.0	Y	09/2019	-2.7%	7.3%	-4.0%	4.8%	4.9	5.1	4.9	0.7	0.7	14.5%	0.0%	0.760	MP	
SUNWAY BHD	1.62	7,898.0	Y	12/2019	-2.7%	12.5%	-8.5%	10.6%	13.5	14.8	13.4	0.9	0.9	6.3%	3.6%	1.60	MP	
UEM SUNRISE BHD	0.670	3,040.1	Y	12/2019	37.0%	-14.3%	5.9%	-18.1%	9.3	8.8	10.7	0.5	0.4	4.8%	2.3%	0.835	OP	
UOA DEVELOPMENT BHD	2.01	3,951.7	Y	12/2019	0.6%	-0.4%	4.4%	0.8%	11.1	10.7	10.6	0.8	0.8	7.4%	7.0%	2.15	MP	
Simple Average					7.2%	8.0%	522.3%	191.7%	83.0	84.0	17.4	0.6	0.6	4.5%	2.5%			
*SIMEPROP change of FY-end from 30-Jun to 31-Dec. Out historical numbers are based on FY18A while 1-Yr and 2-Yr Fwd are based on FY19E and FY20E figures																		
CONSENSUS NUMBERS																		
GLOMAC BHD	0.370	288.1	Y	04/2020	12.9%	38.7%	25.7%	90.1%	21.2	16.8	8.9	0.3	N.A.	1.6%	2.4%	0.405	N.A	
MATRIX CONCEPTS HOLDINGS BHD	1.89	1,487.1	Y	03/2020	3.0%	9.6%	3.8%	9.3%	6.8	6.6	6.0	1.1	1.1	16.3%	6.9%	2.36	BUY	
PARAMOUNT CORP BHD	1.31	794.8	Y	12/2019	-1.4%	8.4%	2.4%	5.3%	8.7	8.5	8.0	0.7	N.A.	7.2%	4.9%	1.83	BUY	
TAMBUN INDAH LAND BHD	0.755	327.3	Y	12/2019	-11.1%	1.5%	-21.2%	1.9%	5.9	7.5	7.4	0.5	0.5	6.7%	6.0%	0.863	BUY	
TITIJAYA LAND BHD	0.295	373.9	Y	06/2019	-14.3%	13.9%	-36.3%	19.5%	5.2	8.1	6.8	0.3	0.3	3.5%	43.4%	0.310	BUY	
YONG TAI BHD	0.190	103.1	Y	06/2020	132.7%	8.3%	-3768.9%	-134.2%	N.A.	N.A.	N.A.	0.3	0.3	-1.9%	0.0%	0.230	N.A	

Source: Kenanga Research

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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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