

**Thong Pak Leng**

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**Rationale for report: Company results/update**

|                  |               |
|------------------|---------------|
| Price            | <b>RM0.91</b> |
| Fair Value       | <b>RM1.52</b> |
| 52-week High/Low | RM1.28/RM0.83 |

**Key Changes**

|            |   |
|------------|---|
| Fair value | ↔ |
| EPS        | ↔ |

| YE to Jun (RM mil)            | FY20    | FY21F   | FY22F   | FY23F   |
|-------------------------------|---------|---------|---------|---------|
| Revenue (RM mil)              | 2,116.3 | 2,441.8 | 2,571.7 | 2,824.9 |
| Core net profit (RM mil)      | 603.1   | 558.2   | 585.5   | 545.7   |
| FD Core EPS (sen)             | 11.0    | 10.1    | 10.6    | 9.9     |
| FD Core EPS growth (%)        | (2.2)   | (7.4)   | 4.9     | (6.8)   |
| Consensus Net Profit (RM mil) | -       | 595.2   | 641.0   | -       |
| DPS (sen)                     | 5.0     | 5.0     | 5.0     | 5.0     |
| PE (x)                        | 10.9    | 8.9     | 8.5     | 9.1     |
| EV/EBITDA (x)                 | 15.1    | 21.9    | 20.1    | 23.9    |
| Div yield (%)                 | 5.6     | 5.6     | 5.6     | 5.6     |
| ROE (%)                       | 3.2     | 2.9     | 3.0     | 2.8     |
| Net Gearing (%)               | 51.8%   | 50.0%   | 52.1%   | 50.4%   |

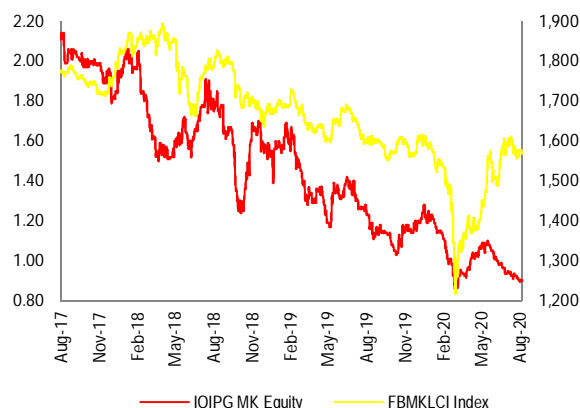
**Stock and Financial Data**

|                              |          |
|------------------------------|----------|
| Shares Outstanding (million) | 5,506.15 |
| Market Cap (RM mil)          | 5,010.6  |
| Book Value (RM/share)        | 3.4      |
| P/BV (x)                     | 0.3      |
| ROE (%)                      | 2.92     |
| Net Gearing (%)              | 51.8%    |

|                    |                        |       |
|--------------------|------------------------|-------|
| Major Shareholders | Vertical Capacity SB   | 63.6% |
|                    | EPF                    | 8.6%  |
|                    | Amanah Saham Bumiputra | 4.5%  |

|                          |       |
|--------------------------|-------|
| Free Float               | 23.3% |
| Avg Daily Value (RM mil) | 0.53  |

| Price performance | 3mth   | 6mth   | 12mth  |
|-------------------|--------|--------|--------|
| Absolute          | (17.4) | (15.9) | (24.9) |
| vs. KLCI          | (3.0)  | (24.4) | (24.9) |



**Investment Highlights**

- We maintain our BUY recommendation on IOI Properties Group (IOIPG) with an unchanged fair value of RM1.52 based on SOP valuation (Exhibit 2). We make no changes to our FY21–22 net earnings forecasts while introducing FY23 net profit forecast at RM545.7mil.
- IOIPG registered an FY20 net profit of RM455.7mil. Stripping off the exceptional items – impairment loss on investment properties (RM50.4mil); property development costs written down (RM24.7mil); fair value loss on investment properties (RM54.4mil); and others adjustments (RM17.9mil) – FY20 core net profit of RM603.1mil (-2.2%) came in above our and consensus expectations. Revenue and core net profit fell by 3.7% and 2.2% YoY as some of IOIPG’s business segments were hugely impacted by the impact of the movement control order (MCO) amidst the Covid-19 pandemic.
- The property development segment recorded an FY20 EBIT of RM813.5mil (+22.2% YoY) mainly due the operating profit contribution from its China operation arising from the sale of the recently launched high-rise condominium in IOI Palm City, Xiamen. The project has registered a total take-up rate of 70%, equivalent to a sales value of RMB438.6mil. All in all, the property development division chalked up new sales of RM1,839mil while its unbilled sales stand at RM607mil.
- The property investment segment’s FY20 revenue and EBIT slid by 12.3% and 75.8% to RM175.8mil mainly due to lower rental income derived from the retail segment as a result of closures of non-essential businesses and services during the MCO.
- The hospitality and leisure division’s revenue and EBIT declined by 24.3% YoY to RM150.2mil while suffering an operating loss of RM27.1mil as compared to a profit of RM11.6mil YoY due to the abovementioned reason.
- We make no changes to our FY21–FY22 numbers at this juncture while introducing FY23 net profit forecast at RM545.7mil.
- We reckon that the long-term outlook for IOIPG remains stable, supported by improving market conditions in China and stable local property sales. We view the recent sell-down on the stock as a buying opportunity with a potential upside of about 60%. Hence we are maintaining our BUY recommendation.

## EXHIBIT 1: EARNINGS SUMMARY

| YE to Jun (RM mil)          | 4QFY19       | 1QFY20       | 2QFY20       | 3QFY20       | 4QFY20       | QoQ %         | YoY %         | FY19           | FY20           | YTD %         |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|----------------|----------------|---------------|
| <b>Revenue</b>              | <b>497.8</b> | <b>540.3</b> | <b>564.1</b> | <b>401.4</b> | <b>610.5</b> | <b>52.1%</b>  | <b>22.6%</b>  | <b>2,197.5</b> | <b>2,116.3</b> | <b>-3.7%</b>  |
| Operating costs             | (220.9)      | (286.6)      | (335.0)      | (288.4)      | (251.5)      | -12.8%        | 13.9%         | (1,213.3)      | (1,161.5)      | -4.3%         |
| <b>EBIT</b>                 | <b>266.7</b> | <b>243.7</b> | <b>219.0</b> | <b>102.2</b> | <b>347.1</b> | <b>239.6%</b> | <b>30.2%</b>  | <b>943.7</b>   | <b>912.0</b>   | <b>-3.4%</b>  |
| Net interest                | (17.5)       | 15.8         | 11.8         | 12.4         | 9.9          | -19.9%        | -157.0%       | 37.1           | 50.0           | 34.8%         |
| Associates/JV contribution  | (21.3)       | 48.8         | 29.7         | 17.0         | 17.3         | 1.8%          | -181.3%       | 105.2          | 112.8          | 7.3%          |
| <b>PBT</b>                  | <b>227.9</b> | <b>255.6</b> | <b>286.3</b> | <b>139.3</b> | <b>215.9</b> | <b>55.0%</b>  | <b>-5.3%</b>  | <b>1,086.0</b> | <b>897.1</b>   | <b>-17.4%</b> |
| Tax                         | (88.4)       | (119.1)      | (85.4)       | (66.8)       | (166.3)      | 149.0%        | 88.2%         | (425.5)        | (437.7)        | 2.9%          |
| MI                          | 0.3          | 0.1          | (1.1)        | (1.1)        | (1.6)        | 41.4%         | -738.4%       | 0.9            | (3.7)          | -532.9%       |
| Net Profit                  | 139.8        | 136.6        | 199.7        | 71.4         | 47.9         | -32.8%        | -65.7%        | 661.3          | 455.7          | -31.1%        |
| Adjustments for exceptional | (67.1)       | 52.8         | (25.9)       | (7.7)        | 128.2        | -             | -291.1%       | (44.5)         | 147.4          | -431.6%       |
| <b>Core Net Profit</b>      | <b>72.7</b>  | <b>189.4</b> | <b>173.9</b> | <b>63.7</b>  | <b>176.1</b> | <b>176.6%</b> | <b>142.2%</b> | <b>616.8</b>   | <b>603.1</b>   | <b>-2.2%</b>  |
| EPS (sen)                   | 1.3          | 3.4          | 3.2          | 1.2          | 3.2          | 176.6%        | 142.2%        | 11.2           | 11.0           | -2.2%         |
| EBIT Margin (%)             | 53.6%        | 45.1%        | 38.8%        | 25.5%        | 56.9%        |               |               | 42.9%          | 43.1%          |               |
| Effective tax rate (%)      | 38.8%        | 46.6%        | 29.8%        | 48.0%        | 77.0%        |               |               | 39.2%          | 48.8%          |               |

Source: Company/ AmInvestment Bank Bhd

## EXHIBIT 2: SOP VALUATIONS

| DEVELOPMENT PROPERTIES                        | Est. remaining<br>GDV (mil) | NAV @ 12%<br>(RMmil) |        |
|---|-----------------------------|----------------------|--------|
| Bandar Puchong Jaya, Selangor                 | 600.0                       | 27.3                 | 100.0% |
| IOI Resort City, Putrajaya                    | 15,700.0                    | 713.8                | 100.0% |
| Bandar Putra Kulai, Johor                     | 5,400.0                     | 245.5                | 100.0% |
| Bandar Putra Segamat, Johor                   | 300.0                       | 13.6                 | 100.0% |
| Bandar Puteri Puchong, Selangor               | 10,900.0                    | 495.6                | 100.0% |
| Taman Lagenda Putra, Kulai, Johor             | 200.0                       | 9.1                  | 100.0% |
| Taman Kempas Ulama, Johor Bahru, Johor        | 900.0                       | 40.9                 | 100.0% |
| 16 Sierra, Puchong South, Selangor            | 3,800.0                     | 172.8                | 100.0% |
| The Platino, Tebrau                           | 100.0                       | 4.5                  | 100.0% |
| Desaria, Sungai Ara, Penang                   | 200.0                       | 9.1                  | 100.0% |
| IOI Palm City, Xiamen, PRC                    | 2,013.0                     | 91.5                 | 100.0% |
| Bandar IOI, Bahau, Negeri Sembilan            | 400.0                       | 18.2                 | 100.0% |
| Bandar Puteri Bangi, Selangor                 | 3,500.0                     | 159.1                | 100.0% |
| Warisan Puteri Sepang                         | 1,900.0                     | 86.4                 | 100.0% |
| i-Synergy, Senai, Kulai, Johor                | 1,800.0                     | 81.8                 | 100.0% |
| Xiang An, Xiamen, PRC                         | 1,769.0                     | 80.4                 | 100.0% |
| Seascape @ Sentosa Cove, Singapore            | 1,540.0                     | 35.0                 | 50.0%  |
| Cape Royale @ Sentosa Cove, Singapore         | 4,004.0                     | 118.3                | 65.0%  |
| South Beach, Beach Road, Singapore            | 2,464.0                     | 56.0                 | 50.0%  |
| <b>TOTAL NPV</b>                              | <b>57,490.0</b>             | <b>2,459.1</b>       |        |
| Other landbank                                |                             | 4,847.7              |        |
| Investment Properties                         |                             | 14,334.7             |        |
| Investments in an associate company/JV        |                             | 4,585.9              |        |
| Net cash/(debt)                               |                             | (9,503.8)            |        |
| <b>NAV</b>                                    |                             | <b>16,723.7</b>      |        |
| <b>50% discount to NAV</b>                    |                             | 8,361.8              |        |
| Hospitality & Leisure (FY21F target PE of 5x) |                             | 10.7                 |        |
| <b>Total SOP</b>                              |                             | <b>8,372.5</b>       |        |
| FD no of shares                               |                             | 5,506.2              |        |
| <b>SOP per share</b>                          |                             | <b>1.52</b>          |        |

Source: AmInvestment Bank Bhd

## EXHIBIT 3: FINANCIAL DATA

| Income Statement (RMmil, YE 30 Jun)    | FY19             | FY20F            | FY21F           | FY22F           | FY23F           |
|--|------------------|------------------|-----------------|-----------------|-----------------|
| Revenue                                | 2,197.5          | 2,116.3          | 2,441.8         | 2,571.7         | 2,824.9         |
| EBITDA                                 | 984.2            | 954.8            | 685.0           | 738.7           | 635.4           |
| Depreciation/Amortisation              | (41.1)           | (43.5)           | (43.6)          | (43.7)          | (43.8)          |
| Operating income (EBIT)                | 943.7            | 912.0            | 641.4           | 695.1           | 591.6           |
| Other income & associates              | 105.2            | 112.8            | 59.9            | 63.1            | 69.3            |
| Net interest                           | 37.1             | 50.0             | 57.7            | 60.8            | 66.7            |
| Exceptional items                      | 0.0              | (147.4)          | 0.0             | 0.0             | 0.0             |
| <b>Pretax profit</b>                   | <b>1,086.0</b>   | <b>897.1</b>     | <b>759.0</b>    | <b>818.9</b>    | <b>727.6</b>    |
| Taxation                               | (425.5)          | (437.7)          | (200.7)         | (233.4)         | (181.9)         |
| Minority interests                     | 0.9              | (3.7)            | 0.0             | 0.0             | 0.0             |
| <b>Net profit</b>                      | <b>661.3</b>     | <b>455.7</b>     | <b>558.2</b>    | <b>585.5</b>    | <b>545.7</b>    |
| Core net profit                        | 616.8            | 603.1            | 558.2           | 585.5           | 545.7           |
| Balance Sheet (RMmil, YE 30 Jun)       | FY19             | FY20F            | FY21F           | FY22F           | FY23F           |
| PPE                                    | 1,265.5          | 1,422.0          | 1,493.1         | 1,567.7         | 1,646.1         |
| Intangible assets                      | 11.5             | 11.5             | 11.5            | 11.5            | 11.5            |
| Other long-term assets                 | 23,615.4         | 23,920.4         | 24,665.9        | 24,963.4        | 25,543.3        |
| <b>Total non-current assets</b>        | <b>24,892.4</b>  | <b>25,353.9</b>  | <b>26,170.5</b> | <b>26,542.6</b> | <b>27,200.9</b> |
| Cash & equivalent                      | 1,576.8          | 1,391.4          | 1,443.8         | 1,459.3         | 1,472.8         |
| Inventories                            | 2,048.0          | 2,244.4          | 2,396.7         | 2,114.2         | 1,844.3         |
| Trade receivables                      | 357.9            | 392.5            | 501.7           | 528.4           | 580.5           |
| Other current assets                   | 3,844.0          | 3,517.6          | 3,355.9         | 3,516.0         | 3,828.2         |
| <b>Total current assets</b>            | <b>7,826.8</b>   | <b>7,545.9</b>   | <b>7,698.1</b>  | <b>7,618.0</b>  | <b>7,725.7</b>  |
| Trade payables                         | 1,025.1          | 1,076.1          | 1,118.8         | 1,235.3         | 1,359.7         |
| Short-term borrowings                  | 1,176.3          | 1,181.4          | 1,181.4         | 1,181.4         | 1,181.4         |
| Other current liabilities              | 499.7            | 577.3            | 598.4           | 606.8           | 623.3           |
| <b>Total current liabilities</b>       | <b>2,701.0</b>   | <b>2,834.8</b>   | <b>2,898.7</b>  | <b>3,023.5</b>  | <b>3,164.4</b>  |
| Long-term borrowings                   | 10,150.2         | 9,713.8          | 10,311.0        | 10,158.0        | 10,493.4        |
| Other long-term liabilities            | 874.4            | 1,199.3          | 1,224.1         | 1,234.0         | 1,253.3         |
| <b>Total long-term liabilities</b>     | <b>11,024.6</b>  | <b>10,913.0</b>  | <b>11,535.1</b> | <b>11,392.0</b> | <b>11,746.8</b> |
| <b>Shareholders' funds</b>             | <b>18,834.5</b>  | <b>18,995.1</b>  | <b>19,278.0</b> | <b>19,588.2</b> | <b>19,858.6</b> |
| Minority interests & perpetual bond    | 159.1            | 156.9            | 156.9           | 156.9           | 156.9           |
| BV/share (RM)                          | 3.42             | 3.45             | 3.50            | 3.56            | 3.61            |
| Cash Flow (RMmil, YE 30 Jun)           | FY19             | FY20F            | FY21F           | FY22F           | FY23F           |
| Pretax profit                          | 1,086.0          | 897.1            | 759.0           | 818.9           | 727.6           |
| Depreciation/Amortisation              | 41.1             | 43.5             | 43.6            | 43.7            | 43.8            |
| Net change in working capital          | (71.9)           | 270.4            | (35.9)          | 220.5           | 46.6            |
| Others                                 | (342.4)          | (226.5)          | (300.1)         | (267.2)         | (206.4)         |
| <b>Cash flow from operations</b>       | <b>712.7</b>     | <b>984.5</b>     | <b>466.5</b>    | <b>816.0</b>    | <b>611.6</b>    |
| Capital expenditure                    | (125.9)          | (160.1)          | (71.1)          | (74.7)          | (78.4)          |
| Net investments & sale of fixed assets | (71.2)           | (117.7)          | 0.0             | 0.0             | 0.0             |
| Others                                 | (43.4)           | 200.1            | (745.5)         | (297.5)         | (579.9)         |
| <b>Cash flow from investing</b>        | <b>(240.5)</b>   | <b>(77.7)</b>    | <b>(816.6)</b>  | <b>(372.1)</b>  | <b>(658.3)</b>  |
| Debt raised/(repaid)                   | (934.5)          | (447.5)          | 597.2           | (153.0)         | 335.5           |
| Equity raised/(repaid)                 | 0.0              | 0.0              | 0.0             | 0.0             | 0.0             |
| Dividends paid                         | (275.3)          | (165.2)          | (275.3)         | (275.3)         | (275.3)         |
| Others                                 | (417.8)          | (403.9)          | 0.0             | 0.0             | 0.0             |
| <b>Cash flow from financing</b>        | <b>(1,627.6)</b> | <b>(1,016.5)</b> | <b>321.9</b>    | <b>(428.3)</b>  | <b>60.2</b>     |
| <b>Net cash flow</b>                   | <b>(1,155.3)</b> | <b>(109.7)</b>   | <b>(28.2)</b>   | <b>15.5</b>     | <b>13.5</b>     |
| Adjustments                            | 5.0              | 5.4              | 0.0             | 0.0             | 0.0             |
| <b>Net cash/(debt) b/f</b>             | <b>2,683.3</b>   | <b>1,576.9</b>   | <b>1,472.0</b>  | <b>1,443.8</b>  | <b>1,459.3</b>  |
| <b>Net cash/(debt) c/f</b>             | <b>1,533.0</b>   | <b>1,472.6</b>   | <b>1,443.8</b>  | <b>1,459.3</b>  | <b>1,472.8</b>  |
| Key Ratios (YE 30 Jun)                 | FY19             | FY20F            | FY21F           | FY22F           | FY23F           |
| Revenue growth (%)                     | (17.7)           | (3.7)            | 15.4            | 5.3             | 9.8             |
| EBITDA growth (%)                      | (1.9)            | (3.0)            | (28.3)          | 7.8             | (14.0)          |
| Pretax margin (%)                      | 49.4             | 42.4             | 31.1            | 31.8            | 25.8            |
| Net profit margin (%)                  | 30.1             | 21.5             | 22.9            | 22.8            | 19.3            |
| Interest cover (x)                     | nm               | nm               | nm              | nm              | nm              |
| Effective tax rate (%)                 | 39.2             | 48.8             | 26.5            | 28.5            | 25.0            |
| Dividend payout (%)                    | 41.6             | 60.4             | 49.3            | 47.0            | 50.4            |
| Receivable turnover (days)             | 59.4             | 67.7             | 75.0            | 75.0            | 75.0            |
| Inventory turnover (days)              | 345.1            | 370.2            | 346.9           | 320.1           | 255.7           |
| Payable turnover (days)                | 185.6            | 181.2            | 164.0           | 167.1           | 167.6           |

Source: AmlInvestment Bank Bhd estimates

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