

Thong Pak Leng

thong-pak-leng@ambankgroup.com

03-2036 2025

Rationale for report: Company update

Price	RM0.90
Fair Value	RM1.52
52-week High/Low	RM1.28/RM0.83

Key Changes

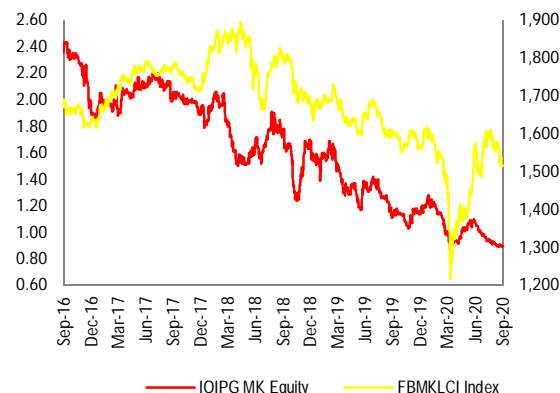
Fair value	↕
EPS	↕

YE to Jun (RM mil)	FY20F	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)	-	586.7	641.3	635.0
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)	4,955.5
Book Value (RM/share)	3.4
P/BV (x)	0.3
ROE (%)	2.41
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)	0.55

Price performance	3mth	6mth	12mth
Absolute	(16.7)	(10.9)	(17.5)
vs. KLCI	1.3	(14.5)	(15.0)



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 1). We make no changes to our FY21–23 net earnings forecasts.
- We recently spoke with IOIPG management who updated us on its latest development. Here are the key takeaways:
 - IOIPG launched its Xiamen 2 project worth about RMB800mil in GDV back in April 2020 which saw a take-up rate of over 80%. At present, construction progress has reached 80%, and we believe the company will see higher revenue recognition in 1HFY6/21. To recap, the Xiamen project has a total GDV of RMB5.1bil (remaining RMB3.3bil) and is scheduled for completion in CY21.
 - On the local front, the Alanis Block D (402 units) at Kota Warisan, which was launched in February 2020, has recorded a take-up rate of more than 50%. Meanwhile, the Alanis Block C which was launched in September 2019 is almost sold out. The Alanis project comprises four 32–35 storey towers (A, B, C & D) with a total 1,255 units. With built-ups ranging from 441sq ft to 926 sq ft, these are priced from RM227K (RM378 psf); with a total GDV of RM412mil.
 - IOIPG is still assessing the current market condition, especially in the local market; and has not revealed any plan for new launches in the next 6 months. Meanwhile, the key focus for IOIPG is clearing its completed inventories with aggressive sales and marketing strategies.
 - The property investment division, which was impacted by the movement control order (MCO) in 2HFY6/20, shall see improvement in 1HFY6/21 given the diminishing rate of Covid-19 infections in Malaysia.
 - Meanwhile, the hospitality and leisure division, which registered an operating loss of RM27.1mil in FY20, will see a longer recovery period given the cross-border travel restrictions at the moment.
- We retain our FY21–FY22 numbers at this juncture. We reckon that the long-term outlook for IOIPG remains stable, supported by improving market conditions in China.
- Our valuation is unchanged at RM1.52 per share based on SOP valuation (Exhibit 1); implying forward PERs of 15.0x, 14.3x and 15.3x for FY21, FY22 and 23 respectively. We view the recent sell-down on the stock as a buying opportunity with a potential upside of about 60%. Maintain BUY.

EXHIBIT 1: SOP VALUATIONSS

DEVELOPMENT PROPERTIES	Est. remaining GDV (mil)	NAV @ 12% (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 Utama, 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%
TOTAL NPV	57,490.0	2,459.1	
Other landbank		4,847.7	
Investment Properties		14,334.7	
Investments in an associate company/JV		4,585.9	
Net cash/(debt)		<u>(9,503.8)</u>	
NAV		<u>16,723.7</u>	
50% discount to NAV		8,361.8	
Total SOP		<u>8,361.8</u>	
FD no of shares		5,506.2	
SOP per share		1.52	

Source: AmInvestment Bank Bhd

EXHIBIT 2: FINANCIAL DATA

Income Statement (RMmil, YE 30 Jun)	FY19	FY20	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
Pretax profit	1,086.0	897.1	759.0	818.9	727.6
Taxation	(425.5)	(437.7)	(200.7)	(233.4)	(181.9)
Minority interests	0.9	(3.7)	0.0	0.0	0.0
Net profit	661.3	455.7	558.2	585.5	545.7
Core net profit	616.8	603.1	558.2	585.5	545.7
Balance Sheet (RMmil, YE 30 Jun)	FY19	FY20	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
Total non-current assets	24,892.4	25,353.9	26,170.5	26,542.6	27,200.9
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
Total current assets	7,826.8	7,545.9	7,698.1	7,618.0	7,725.7
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
Total current liabilities	2,701.0	2,834.8	2,898.7	3,023.5	3,164.4
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
Total long-term liabilities	11,024.6	10,913.0	11,535.1	11,392.0	11,746.8
Shareholders' funds	18,834.5	18,995.1	19,278.0	19,588.2	19,858.6
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	FY20	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)
Cash flow from operations	712.7	984.5	466.5	816.0	611.6
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)
Cash flow from investing	(240.5)	(77.7)	(816.6)	(372.1)	(658.3)
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
Cash flow from financing	(1,627.6)	(1,016.5)	321.9	(428.3)	60.2
Net cash flow	(1,155.3)	(109.7)	(28.2)	15.5	13.5
Adjustments	5.0	5.4	0.0	0.0	0.0
Net cash/(debt) b/f	2,683.3	1,576.9	1,472.0	1,443.8	1,459.3
Net cash/(debt) c/f	1,533.0	1,472.6	1,443.8	1,459.3	1,472.8
Key Ratios (YE 30 Jun)	FY19	FY20	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

DISCLOSURE AND DISCLAIMER

This report is prepared for information purposes only and it is issued by AmInvestment Bank Berhad ("AmInvestment") without regard to your individual financial circumstances and objectives. Nothing in this report shall constitute an offer to sell, warranty, representation, recommendation, legal, accounting or tax advice, solicitation or expression of views to influence any one to buy or sell any real estate, securities, stocks, foreign exchange, futures or investment products. AmInvestment recommends that you evaluate a particular investment or strategy based on your individual circumstances and objectives and/or seek financial, legal or other advice on the appropriateness of the particular investment or strategy.

The information in this report was obtained or derived from sources that AmInvestment believes are reliable and correct at the time of issue. While all reasonable care has been taken to ensure that the stated facts are accurate and views are fair and reasonable, AmInvestment has not independently verified the information and does not warrant or represent that they are accurate, adequate, complete or up-to-date and they should not be relied upon as such. All information included in this report constitute AmInvestment's views as of this date and are subject to change without notice. Notwithstanding that, AmInvestment has no obligation to update its opinion or information in this report. Facts and views presented in this report may not reflect the views of or information known to other business units of AmInvestment's affiliates and/or related corporations (collectively, "AmBank Group").

This report is prepared for the clients of AmBank Group and it cannot be altered, copied, reproduced, distributed or republished for any purpose without AmInvestment's prior written consent. AmInvestment, AmBank Group and its respective directors, officers, employees and agents ("Relevant Person") accept no liability whatsoever for any direct, indirect or consequential losses, loss of profits and/or damages arising from the use or reliance of this report and/or further communications given in relation to this report. Any such responsibility is hereby expressly disclaimed.

AmInvestment is not acting as your advisor and does not owe you any fiduciary duties in connection with this report. The Relevant Person may provide services to any company and affiliates of such companies in or related to the securities or products and/or may trade or otherwise effect transactions for their own account or the accounts of their customers which may give rise to real or potential conflicts of interest.

This report is not directed to or intended for distribution or publication outside Malaysia. If you are outside Malaysia, you should have regard to the laws of the jurisdiction in which you are located.

If any provision of this disclosure and disclaimer is held to be invalid in whole or in part, such provision will be deemed not to form part of this disclosure and disclaimer. The validity and enforceability of the remainder of this disclosure and disclaimer will not be affected.