



AmInvestment Bank

Company report

IOI PROPERTIES GROUP

23 Feb 2021

(IOIPG MK EQUITY, IOIP.KL)

1HFY21 property sales up 5% YoY

BUY

(Upgraded)

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Rationale for report: Company results/update

Price RM1.38
Fair Value RM1.83
52-week High/Low RM1.77/RM0.83

Key Changes

Fair value ⇄
EPS ⇄

YE to Jun (RM mil)	FY20	FY21F	FY22F	FY23F
Revenue (RM mil)	2,116.3	2,214.5	2,324.6	2,565.4
Core net profit (RM mil)	603.1	558.3	585.4	545.5
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)	-	601.7	622.5	627.8
DPS (sen)	5.0	5.0	5.0	5.0
PE (x)	16.7	13.6	13.0	13.9
EV/EBITDA (x)	17.9	26.4	24.2	29.3
Div yield (%)	3.6	3.6	3.6	3.6
ROE (%)	3.2	2.9	3.0	2.8
Net Gearing (%)	51.8%	50.0%	47.3%	45.5%

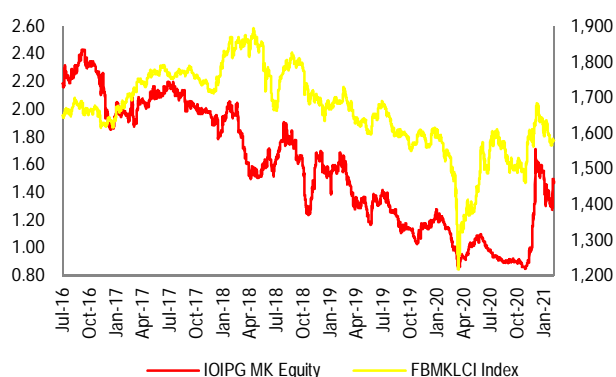
Stock and Financial Data

Shares Outstanding (million)	5,506.15
Market Cap (RM mil)	7,598.5
Book Value (RM/share)	3.4
P/BV (x)	0.4
ROE (%)	2.72
Net Gearing (%)	51.8%

Major Shareholders	Vertical Capacity SB	65.7%
	EPF	8.3%
	Amanah Saham Bumiputra	4.5%

Free Float	21.6%
Avg Daily Value (RM mil)	6.87

Price performance	3mth	6mth	12mth
Absolute	68.0	61.5	29.9
vs. KLCI	9.3	61.5	25.7



Investment Highlights

- We upgrade IOI Properties Group (IOIPG) to BUY from HOLD on with an unchanged fair value of RM1.83 based on SOP valuation (Exhibit 3). We make no changes to our FY21–23 net earnings forecasts. The recent selldown on the stock provides potential upside of more than 30%. Our BUY recommendation is premised on improving market conditions in China while the availability of Covid-19 vaccines in Malaysia will improve the company's recovery prospects in all its business segments.
- IOIPG's 1HFY21 core net profit of RM322.6mil came in within expectations despite making up 57% and 54% of ours and consensus full-year estimates, as we expect income from the hospitality and leisure segment to be lower in 3QFY21 due to the impact of the movement control order (MCO) 2.0.
- 1HFY21 revenue grew by 13.3% while core net profit was 11.2% lower. The stronger revenue was due to higher contribution from its property development division but core earnings were dragged by operating loss in the hospitality and leisure segment.
- The property development segment recorded a 1HFY21 EBIT of RM478mil (+9.5% YoY) mainly on stronger contribution from projects in Malaysia and China. All in all, the property development division chalked up new sales of RM916mil vs. YoY's RM875mil whereby 52% was derived from Malaysia, 46% from China and Singapore 2%. IOIPG's unbilled sales stands at RM477mil as compared to QoQ's RM696.8mil.
- The property investment segment's 1HFY21 revenue and EBIT fell by 15.5% and 20.1% to RM156.8mil and RM101mil respectively mainly due to rental relief assistance extended to tenants due to the Covid-19 pandemic. The construction progress of IOI Palm City Mall remains on schedule and business is expected to commence by 3QCY2021.
- The hospitality and leisure division's 1HFY21 revenue dived by 56.5% to RM45.5mil and suffered a loss before tax of RM25.9mil as compared to a profit of RM18.5mil YoY due to the Covid-19 pandemic.
- We make no changes to our FY21–FY23 numbers at this juncture. We reckon that the long-term outlook for IOIPG remains stable, supported by improving market conditions in China while the availability of Covid-19 vaccines in Malaysia will improve the recovery prospects of all IOIPG's business segments. We view the recent selldown on the stock as a buying opportunity with a potential upside of more than 30%. Upgrade to BUY.

EXHIBIT 1: EARNINGS SUMMARY

YE to Jun (RM mil)	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	QoQ %	YoY %	1HFY20	1HFY21	YTD %
Revenue	564.1	401.4	610.5	659.7	591.3	-10.4%	4.8%	1,104.4	1,251.0	13.3%
Operating costs	(335.0)	(288.4)	(251.5)	(355.4)	(363.6)	2.3%	8.5%	(621.6)	(719.0)	15.7%
EBIT	219.0	102.2	347.1	293.9	217.3	-26.1%	-0.8%	462.7	511.3	10.5%
Net interest	11.8	12.4	9.9	8.3	8.2	-1.1%	-30.5%	27.6	16.5	-40.3%
Associates/JV contribution	29.7	17.0	17.3	20.4	23.7	16.4%	-20.0%	78.5	44.1	-43.9%
PBT	286.3	139.3	215.9	339.5	272.8	-19.6%	-4.7%	542.0	612.3	13.0%
Tax	(85.4)	(66.8)	(166.3)	(146.9)	(100.4)	-31.6%	17.6%	(204.6)	(247.3)	20.9%
MI	(1.1)	(1.1)	(1.6)	(0.5)	(1.4)	171.8%	21.2%	(1.0)	(1.9)	87.8%
Net Profit	199.7	71.4	47.9	192.1	171.0	-11.0%	-14.4%	336.4	363.1	7.9%
Adjustments for exceptional	(25.9)	(7.7)	128.2	(16.9)	(23.5)	39.4%	-9.0%	26.9	(40.4)	-250.3%
Core Net Profit	173.9	63.7	176.1	175.2	147.4	-15.9%	-15.2%	363.3	322.6	-11.2%
EPS (sen)	3.2	1.2	3.2	3.2	2.7	-15.9%	-15.2%	6.6	5.9	-11.2%
EBIT Margin (%)	38.8%	25.5%	56.9%	44.6%	36.8%			41.9%	40.9%	
Effective tax rate (%)	29.8%	48.0%	77.0%	43.3%	36.8%			37.7%	40.4%	

Source: Company/ AmInvestment Bank Bhd

EXHIBIT 2: SOP VALUATIONS

DEVELOPMENT PROPERTIES	Est. remaining GDV (mil)	NAV @ 12% (RMmil)	
Bandar Puchong Jaya, Selangor	600.0	28.4	100.0%
IOI Resort City, Putrajaya	15,700.0	742.0	100.0%
Bandar Putra Kulai, Johor	5,400.0	255.2	100.0%
Bandar Putra Segamat, Johor	300.0	14.2	100.0%
Bandar Puteri Puchong, Selangor	10,900.0	515.1	100.0%
Taman Lagenda Putra, Kulai, Johor	200.0	9.5	100.0%
Taman Kempas Utama, Johor Bahru, Johor	900.0	42.5	100.0%
16 Sierra, Puchong South, Selangor	3,800.0	179.6	100.0%
The Platino, Tebrau	100.0	4.7	100.0%
Desaria, Sungai Ara, Penang	200.0	9.5	100.0%
IOI Palm City, Xiamen, PRC	2,013.0	95.1	100.0%
Bandar IOI, Bahau, Negeri Sembilan	400.0	18.9	100.0%
Bandar Puteri Bangi, Selangor	3,500.0	165.4	100.0%
Warisan Puteri Sepang	1,900.0	89.8	100.0%
i-Synergy, Senai, Kulai, Johor	1,800.0	85.1	100.0%
Xiang An, Xiamen, PRC	1,769.0	83.6	100.0%
Seascape @ Sentosa Cove, Singapore	1,540.0	36.4	50.0%
Cape Royale @ Sentosa Cove, Singapore	4,004.0	123.0	65.0%
South Beach, Beach Road, Singapore	2,464.0	58.2	50.0%
TOTAL NPV	57,490.0	2,556.1	
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)	
NAV		16,820.6	
40% discount to NAV		10,092.3	
Total SOP		10,092.3	
FD no of shares		5,506.2	
SOP per share		1.83	

Source: AmInvestment Bank Bhd

EXHIBIT 3: FINANCIAL DATA

Income Statement (RMmil, YE 30 Jun)	FY19	FY20	FY21F	FY22F	FY23F
Revenue	2,197.5	2,116.3	2,214.5	2,324.6	2,565.4
EBITDA	984.2	954.8	632.2	683.5	573.6
Depreciation/Amortisation	(41.1)	(43.5)	(43.5)	(43.6)	(43.7)
Operating income (EBIT)	943.7	912.0	588.7	639.9	529.9
Other income & associates	105.2	112.8	118.1	123.9	136.8
Net interest	37.1	50.0	52.3	54.9	60.6
Exceptional items	0.0	(147.4)	0.0	0.0	0.0
Pretax profit	1,086.0	897.1	759.1	818.8	727.3
Taxation	(425.5)	(437.7)	(200.8)	(233.4)	(181.8)
Minority interests	0.9	(3.7)	0.0	0.0	0.0
Net profit	661.3	455.7	558.3	585.4	545.5
Core net profit	616.8	603.1	558.3	585.4	545.5
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	24,145.1	24,397.5	24,949.1
Total non-current assets	24,892.4	25,353.9	25,649.7	25,976.7	26,606.6
Cash & equivalent	1,576.8	1,391.4	1,443.8	1,459.3	1,472.8
Inventories	2,048.0	2,244.4	2,173.5	1,911.1	1,674.9
Trade receivables	357.9	392.5	455.0	477.7	527.1
Other current assets	3,844.0	3,517.6	3,075.6	3,211.4	3,508.3
Total current assets	7,826.8	7,545.9	7,147.9	7,059.4	7,183.2
Trade payables	1,025.1	1,076.1	1,014.6	1,116.6	1,234.8
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	583.7	590.8	606.4
Total current liabilities	2,701.0	2,834.8	2,779.7	2,888.8	3,022.7
Long-term borrowings	10,150.2	9,713.8	9,376.1	9,187.0	9,518.3
Other long-term liabilities	874.4	1,199.3	1,206.8	1,215.2	1,233.5
Total long-term liabilities	11,024.6	10,913.0	10,582.9	10,402.2	10,751.9
Shareholders' funds	18,834.5	18,995.1	19,278.1	19,588.2	19,858.4
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	759.1	818.8	727.3
Depreciation/Amortisation	41.1	43.5	43.5	43.6	43.7
Net change in working capital	(71.9)	270.4	395.3	213.1	23.6
Others	(342.4)	(226.5)	(317.4)	(268.5)	(207.1)
Cash flow from operations	712.7	984.5	880.6	806.9	587.5
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	(224.7)	(252.3)	(551.6)
Cash flow from investing	(240.5)	(77.7)	(295.8)	(327.0)	(630.0)
Debt raised/(repaid)	(934.5)	(447.5)	(337.6)	(189.1)	331.3
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)	(612.9)	(464.4)	56.0
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)	4.6	5.0	10.4
EBITDA growth (%)	(1.9)	(3.0)	(33.8)	8.1	(16.1)
Pretax margin (%)	49.4	42.4	34.3	35.2	28.4
Net profit margin (%)	30.1	21.5	25.2	25.2	21.3
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	50.5
Receivable turnover (days)	59.4	67.7	75.0	75.0	75.0
Inventory turnover (days)	345.1	370.2	364.1	320.7	255.1
Payable turnover (days)	185.6	181.2	172.3	167.3	167.3

Source: AmInvestment Bank Bhd estimates

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