



IOI Properties Group Bhd

Sales Boost by Overseas Projects

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Review

- Excluding revaluation gain of RM316.6mn, IOIPG's FY15 normalised net profit of RM574.1mn beat our expectations. The outperformance was largely due to higher-than-expected revenue across all the business divisions. The board declares an interim single tier dividend of 6.0sen/share for FY15 (FY14: 8sen/share).
- FY15 normalised net profit grew 49% YoY to RM574.1mn, on the back of 31% growth in revenue. Property development division's FY15 revenue and operating profit grew 26% and 13% YoY to RM1.6bn and RM559.4mn respectively, driven by higher progress work and sales from the Group's ongoing and completed projects. Also, higher sales were seen in the recent launch of new township at Bandar Puteri Bangi, which has received overwhelming response. Besides that, both property investment and hospitality division saw significant improvement in FY15, with revenue and operating profit collectively grew 86% and 52% YoY to RM89.0mn and RM31.2mn respectively. The better performance was largely due to new assets such as IOI City Mall in Putrajaya and Fourpoint Sheraton Hotel & PFCC office tower 4 and 5 in Puchong, which have commenced business during the period under review.
- IOIPG recorded new property sales of RM780mn in 4QFY15, bring the YTD FY15 sales to RM1.8bn. This has exceeded our sales forecast of RM1.5bn. Of the RM1.8bn new sales, 67% were derived from Malaysia, 20% from China and 13% from Singapore. Property sales has picked strongly in 4QFY15, owing to strong sales in its maiden phase of Xiamen Palm City (220 apartment units, GDV: RMB500mn, take up rate: 80%) as well as recovery in sales of Trillingq project in Singapore. Unbilled sales as at June-15 increased slightly to RM1.6bn from RM1.5bn a quarter ago, providing the group with about one-year earnings visibility.

Impact

- No change to our FY16 &17 sales forecasts of RM1.9bn & RM2.4bn respectively. However, we fine-tune our progress billings assumptions to factor in the actual FY15 results. For the property investment and leisure division, we input higher occupancy rates assumptions for new/upcoming assets such as PFCC office tower 4 and 5, IOI City Mall and IOI City Office Towers. All in our FY16 - 17 earnings are revised upwards by 4 - 8%.

Outlook

- The group plans to roll out RM2.2bn worth of launches in FY16. It expects property sales to be mainly derived from bread and butter townships in the Klang Valley and Johor. In addition, the maiden launch of Bandar Puteri Warisan @ Sepang as well as new phases in Xiamen Palm City will also contribute to FY16 sales. In view of generally weak market sentiment, management expect the FY16 sales to come in the range of RM1.7bn - RM2.0bn.

TP: RM2.20 (+14.0%)

Last Traded: RM1.93

Buy

Share Information

Bloomberg Code	IOIPG MK
Stock Code	5249
Listing	Main Market
Share Cap (mn)	3776.5
Market Cap (RMmn)	7269.4
Par Value	1.00
52-wk Hi/Lo (RM)	2.71/1.79
12-mth Avg Daily Vol ('000 shrs)	2,728.8
Estimated Free Float (%)	31.6
Beta	N.A.

Major Shareholders (%)

Vertical Capacity Sdn Bhd	- 49.9%
Employees Provident Fund	- 8.8%

Forecast Revision

	FY16	FY17
Forecast Revision (%)	8.3	3.6
Net profit (RMmn)	607.1	779.4
Consensus	643.1	756.4
TA's / Consensus (%)	94.4	103.0
Previous Rating	Buy (Maintained)	

Financial Indicators

	FY16	FY17
Net Debt/Equity (%)	(2.1)	1.3
CFPS (sen)	38.4	(3.9)
Price/CFPS (x)	0.1	(0.5)
ROE (%)	5.7	6.5
NTA/Share (RM)	3.7	3.8
Price/NTA (x)	0.5	0.5

Scorecard

	% of FY	
vs TA	130	Above
vs Consensus	120	Above

Share Performance (%)

Price Change	IOIPG	FBM KLCI
1 mth	2.1	(5.8)
3 mth	(2.0)	(8.8)
6 mth	(9.4)	(12.1)
12 mth	(20.6)	(14.6)

(12-Mth) Share Price relative to the FBM KLCI



- Near-term earnings visibility is expected to be underpinned by: 1) unbilled sales of RM1.6bn, 2) maiden revenue contribution from Bandar Puteri Bangi and Bandar Puteri Warisan, and 3) additional recurring income from newly completed/upcoming investment properties such as PFCC office tower 4 and 5 in Bandar Puteri Puchong, and IOI City Mall & IOI City Office Towers in Putrajaya.

Valuation

- We are migrating our valuation methodology to P/E from RNAV previously as we believe RNAV estimates are less meaningful during the sector down cycle given the uncertainties in project launches. Instead, investors would likely focus on developer's near-term earnings visibility. We now value IOIPG with a target P/E of 12x and arrive at a new target price of RM2.20. Our target P/E is at 1.5x discount to the group's historical average P/E of 13.5x. With a potential return of 17%, we maintain our **Buy** recommendation on the stock.

Earnings Summary (RM mn)

YE June		FY13#	FY14	FY15	FY16F	FY17F
Revenue		1323.3	1454.4	1906.5	2268.0	2956.2
EBITDA		759.5	663.9	807.4	1015.8	1230.4
EBITDA margin	(%)	57.4	45.6	42.4	44.8	41.6
Normalised Pretax profit *		740.6	617.1	813.7	892.8	1146.2
Reported Net Profit		693.6	889.9	890.7	607.1	779.4
Normalised Net Profit *		529.5	386.6	574.1	607.1	779.4
EPS *	(sen)	16.3	11.9	15.2	16.1	20.6
EPS Growth *	(%)	25.5	(27.0)	27.3	5.7	28.4
PER	(x)	11.8	16.2	12.7	12.0	9.4
GDPS	(sen)	0.0	8.0	6.0	7.0	9.0
Div Yield	(%)	0.0	4.1	3.1	3.6	4.7
EV/EBITDA	(x)	8.3	11.6	10.1	6.9	6.1
ROE	(%)	3.7	5.3	4.9	5.7	6.5

* excludes fair value gains and disposal gains

pro-forma figures

4QFY15 Results Analysis (RM mn)

	4Q14	3Q15	4Q15	QoQ (%)	YoY (%)	FY14	FY15	YoY (%)	
Revenue	417.2	468.4	614.3	31.2	47.3	1451.9	1906.5	31.3	
Property Development	348.3	370.2	508.6	37.4	46.0	1243.5	1562.3	25.6	
Property Investment	28.0	57.3	64.9	13.3	131.4	104.9	192.6	83.6	
Leisure & Hospitality	23.3	31.8	29.9	(5.9)	28.5	58.3	110.8	90.0	
Other operations	17.5	9.2	10.9	18.6	(37.8)	47.8	40.8	(14.5)	
Operating Profit	461.7	146.9	359.0	144.4	(22.2)	1068.8	1005.8	(5.9)	
Operating Profit Ex Fair Value Gain	156.4	146.9	220.8	50.3	41.1	565.5	689.3	21.9	
Property Development	156.5	106.7	187.9	76.0	20.0	494.0	559.4	13.2	
Property Investment	16.9	20.9	35.8	71.8	112.1	66.6	97.5	46.5	
Leisure & Hospitality	0.9	10.3	(4.2)	>100	>100	4.4	10.1	131.7	
Other operations	13.5	9.0	1.3	(86.1)	(90.7)	31.9	22.2	(30.3)	
Share of results of associates & JVs	9.9	(8.0)	79.5	>100	704.1	64.1	73.8	15.0	
EBIT	471.6	139.0	438.5	>100	(7.0)	1132.9	1079.6	(4.7)	
EBIT Ex Fair Value Gain	166.3	139.0	300.3	>100	80.5	629.6	763.0	21.2	
Fair Value Gain	305.3	0.0	138.2	nm	(54.7)	503.3	316.6	(37.1)	
Interest Income	9.6	15.2	16.2	6.8	69.0	36.2	50.7	40.1	
Finance Cost	(15.7)	8.9	31.5	>100	>100	(48.7)	0.0	nm	
PBT	465.5	163.0	486.3	>100	4.5	1120.4	1130.3	0.9	
PBT Ex Fair Value Gain	160.2	163.0	348.0	>100	>100	617.1	813.7	31.9	
Tax	(72.0)	(51.5)	(82.2)	59.6	14.2	(216.7)	(229.7)	6.0	
Minority Interests	(3.9)	(3.8)	(2.5)	(33.5)	(36.8)	(13.8)	(9.9)	(28.4)	
Reported Net profit	389.6	107.8	401.6	>100	3.1	889.9	890.7	0.1	
Normalised Net Profit	84.3	107.8	263.4	>100	>100	386.7	574.1	48.5	
EPS	(sen)	12.0	3.0	10.6	250.0	(11.5)	27.5	25.5	(7.4)
Core EPS	(sen)	2.6	3.0	8.1	167.5	212.5	11.9	15.2	27.3
DPS	(sen)	8.0	0.0	6.0	nm	(25.0)	8.0	6.0	(25.0)
				ppt	ppt			ppt	
Operating profit margin*	(%)	37.5	31.4	35.9	4.6	(1.6)	38.9	36.2	(2.8)
Property Development OP Margin	(%)	44.9	28.8	36.9	8.1	(8.0)	39.7	35.8	(3.9)
Property Investment OP Margin	(%)	60.3	36.4	55.2	18.8	(5.0)	63.5	50.6	(12.8)
Leisure & Hospitality OP Margin	(%)	3.7	32.4	-14.0	(46.4)	(17.7)	7.5	9.2	1.7
Other operations OP Margin	(%)	77.1	97.8	11.5	(86.3)	(65.6)	66.8	54.5	(12.3)
Profit before tax margin*	(%)	38.4	34.8	56.7	21.9	18.3	42.5	42.7	0.2
Net profit margin*	(%)	20.2	23.0	42.9	19.9	22.7	26.6	30.1	3.5
Effective tax rate *	(%)	(49.4)	(34.7)	(26.0)	8.8	23.4	(38.6)	(31.1)	7.6

* Excludes Fair Value Gains

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