

SECTOR UPDATE

Property – Malaysia

2Q24 Results Round-up: Results Mixed; Record Property Loan Approvals For Jul

In 2Q24, earnings results of the companies we cover were mixed (50% in line, 37.5% fell short, and 12.5% beat expectations). We expect a stronger 2H performance, backed by higher sales from more launches. Notably, BNM data for Jul 24 recorded a monthly high in both residential and non-residential property loans approved. Maintain OVERWEIGHT. Top picks: Lagenda, IOIPG and Mah Sing.

WHAT'S NEW

- 2Q24 results round-up: Results mixed.** Four companies reported in-line results, while three fell short, and one exceeded projections. SP Setia's results shortfall was due to a significant impairment on its Battersea projects. UEM Sunrise's (UEMS) weak results were due to lower-than-expected progressive billings, caused by construction and raw material deliveries delays. IOI Properties Group (IOIPG) also reported weaker-than-expected earnings on lower-than-expected China contribution. Meanwhile, Sunway exceeded expectations, driven by higher progressive billings (from both property and construction). Despite several companies' performances falling short of expectations, the companies under our coverage recorded a 2Q24 net profit growth of 26% qoq and 60% yoy ( -8% qoq and 18% yoy if excluding land sales). Outside our coverage, we gather both Sime Darby Property (SDPR) and Eastern & Oriental (E&O) have exceeded consensus estimates on strong progressive billings.
- Sales and launches highlight.** Developers are on track to achieve their 2024 sales targets, having reached ~50% of their target so far. Lagenda and SDPR led the way with double-digit sales growth for the quarter. Lagenda's 2Q24 sales surged 19% yoy to RM300m, marking the highest quarterly sales in the company's history. SDPR also saw impressive sales growth, with 2Q24 sales increasing by 45% yoy, prompting management to revise its full-year sales target upward to RM3.5b from RM3b. Conversely, UEMS reported a significant decline in 2Q24 sales, down 80% yoy to RM269.8m (excluding the impact of its Australia project, Collingwood, the decline was 40%). In terms of launches, IOIPG led the quarter with RM1.7b worth of new launches, bringing its FY24 (year-end June) total launches to RM4.5b (+2.05x yoy). SDPR followed closely with RM1.5b in new launches (+ 50% yoy).

ACTION

- Maintain OVERWEIGHT.** We believe a long-term uptrend has emerged in the sector, fuelled by record-high total investments in Malaysia over the past 2-3 years. Property transactions are reaching all-time highs, overhang is decreasing, and investment in the real estate sector is on the rise. This growth is supported by several key factors: a) the expansion of industrial developments, which provides developers with new growth opportunities and reduces reliance on residential projects; and b) increasing land values driven by the establishment of special economic/financial zones, rising demand for data centres, and new infrastructure projects. We acknowledge that the sector is currently trading at 0.8x FY24F P/B, which is +0.7SD above its 10-year mean of 0.7x (previous highs trading close to +3SD in 2014). Given this, we recommend that investors remain selective and adopt a trading strategy of buying on weakness and selling on strength.
- Our current top picks** include laggards such as **IOIPG** (for the recent increase in its launches, which will drive near-term earnings further, as well as its huge Johor landbank) and **Lagenda** (high net margin and ROE of >16%), as well as companies with strong operational efficiency and thematic appeal, like **Mah Sing** (which stands out for its swift strategy to capitalise on the vibrant industrial segment, especially on the data centre front).

PEER COMPARISON

Company	Tickers	Rec	Price 3-Sep-24 (RM)	Target Price (RM)	Market Cap (RMm)	RNAV (RM)	Discount to RNAV	P/B FY24F	P/B FY25F	PE FY24F	PE FY25F	Div Yield FY24F (%)	ROE FY24F (%)	Revenue FY24F (RMm)	Net Profit FY24F (RMm)	Net Profit growth FY24F	Net Profit Margin FY24F
*EcoWorld	ECW MK	BUY	1.58	2.05	4,659	3.42	-54%	1.0	0.9	15.8	14.4	4.0	6.0	2,393	294	7	12
Mah Sing	MSGB MK	BUY	1.67	2.29	4,275	3.73	-55%	1.1	1.0	17.0	15.3	2.7	6.2	2,850	239	10	8
*Matrix Concepts	MCH MK	HOLD	1.91	1.92	2,378	2.96	-35%	1.1	1.1	9.6	9.4	4.9	11.1	1,410	248	6	18
SP Setia	SPSB MK	HOLD	1.16	1.64	5,636	3.29	-65%	0.3	0.3	10.7	21.1	1.3	4.3	6,407	647	93	10
Sunway	SWB MK	HOLD	4.17	4.06	23,779	4.20	-1%	1.7	1.7	29.3	28.8	1.5	5.9	6,375	844	21	13
UEMS	UEMS MK	SELL	0.92	0.86	4,629	2.16	-58%	0.9	0.8	55.7	50.3	0.8	1.2	1,516	83	13	5
*IOIPG	IOIPG MK	BUY	2.09	3.00	11,453	5.43	-62%	0.5	0.5	15.8	11.9	2.4	2.6	3,641	726	14	20
Lagenda	LAGENDA MK	BUY	1.25	2.32	1,047	3.31	-62%	0.8	0.7	5.1	4.2	5.6	16.3	1,015	204	33	20

Source: Respective companies, Bloomberg, UOB Kay Hian; \* Different FYE

OVERWEIGHT

(Maintained)

2Q24 RESULTS SUMMARY

	2024 (RMm)	qoq % chg	yoy % chg	Results
*Eco World	72	1.2	14.5	In Line
Mah Sing Group	59	6.0	25.7	In Line
*Matrix Concepts	61	17.1	-6.1	In Line
SP Setia	296	307.1	391.9	Below
Sunway	201	17.8	26.7	Above
UEMS	17	108.7	38.9	Below
*IOIPG	121	-45.5	12.3	Below
Lagenda	48	12.9	46.5	In Line
<b>Sector</b>	<b>875</b>	<b>26</b>	<b>60</b>	
<b>Sector (ex land sales)</b>	<b>562</b>	<b>-8</b>	<b>18</b>	

\*Different FYE, Source: Respective companies, UOB Kay Hian

1H24 SALES SUMMARY

	1H24 (RMb)	FY24 Target	% of Target
*Eco World	1.9	3.5	55.3
Mah Sing Group	1.2	2.5	49.8
*Matrix Concepts	0.3	1.3	24.7
SP Setia	2.3	4.4	52.3
Sunway	1.3	2.6	50.0
UEM Sunrise	0.5	1.0	50.2
*IOIPG	2.1	2.0	105.0
Lagenda	0.5	1.2	43.3

\*Different FYE, Source: Respective companies, UOB Kay Hian

KEY ASSUMPTIONS

(%)	2022	2023	2024F	2025F
Revenue Growth	23.2	6.3	10.1	10.9
EBIT Margin	18.8	21.4	20.9	21.2
Net Profit Growth	23.1	11.0	13.0	19.9
Net Margin	12.2	12.7	12.8	13.0

Source: Respective companies, UOB Kay Hian

10-YEAR SECTOR P/B



Source: Respective companies, UOB Kay Hian

ANALYST(S)

**Nazira Abdullah**  
+603 2147 1934  
nurulnazira@uobkayhian.com

ESSENTIALS

• **For 2H24, we expect stronger earnings from almost all companies under our coverage with the exception of SP Setia and IOIPG.** SP Setia's land sales quantum is much lower in 2H. Meanwhile, IOIPG's first few quarters results (for FY25) may be weak as we will see a jump in interest cost from its IOI Central Boulevard (as it become fully operational in Oct 24). Nonetheless, we believe IOIPG has the potential to surprise on the upside due to the higher-than-expected launches recently as well as possibility of better-than-expected sales of Marina View. Excluding land sales gain, sector net profit for 2024 and 2025 are expected to grow by 13% and 20%, respectively, driven by higher progressive billings on higher property sales and launches. Note that this is after we cut 2024 sector earning by 3% due to disappointing results from SP Setia, UEMS and IOIPG, while we increase 2025 sector earnings by 2% to reflect Sunway's stronger earnings from its construction side.

• **Jul 24 saw a monthly high in both residential and non-residential property loans approved.** Residential property loan applications in Jul 24 grew by 18.3% mom and 15.8% yoy, reaching RM45.2b, its third highest month on record. Meanwhile, residential property loans approved in Jul 24 increased by 16.1% mom and 21.4% yoy to RM19.9b, setting a new record for the highest month ever. Cumulatively, 7M24 residential property loan applications grew by 3.7% to RM270.6b, while residential property loans approved over the same period rose by 5% to RM114.1b.

The non-residential property segment (such as commercial and industrial properties) showed even stronger performance. Non-residential property loan applications in Jul 24 grew by 20.5% mom and 37.7% yoy, reaching RM17.6b, its second highest month on record. Meanwhile, non-residential property loans approved in Jul 24 surged by 57% mom and 49% yoy to RM9.7b, marking the highest month ever. Cumulatively, 7M24 non-residential property loan applications grew by 13% to RM99.5b, while non-residential property loans approved over the same period grew by 15% to RM49.8b.

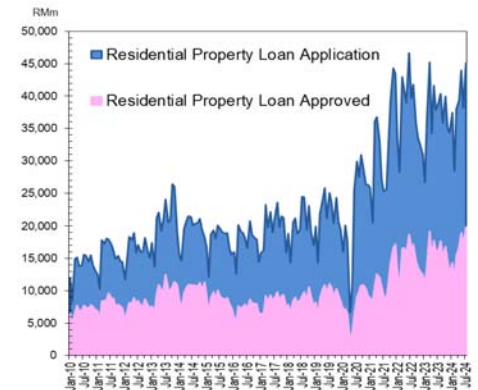
• **August share price hit by negative sentiment.** One of the key issues was the emergence of sinkholes in Kuala Lumpur, leading the Federal Territory Minister to confirm that new construction approvals in KL have been suspended. The directive now requires planning permission applications for buildings in KL to include a geotechnical study by certified engineers. We gather that these geotechnical study rules have been in place since 2022, and are not new regulations.

Developers in KL such as Mah Sing also reiterated that they have been following all the guidelines and are in compliance with all the requirements, including the necessary geotechnical studies, hence, they do not anticipate issues with ongoing projects or future launches. Additionally, SP Setia's recent negative newsflow, including an unexpected impairment on its Battersea project and lawsuits against former management, contributed to a selloff that impacted the broader property sector. Nonetheless, we note that the sector has rebounded in early days of Sep 24 with SP Setia leading the rebound.

• **Developers' Budget 2025 wish list.** Based on our channel checks, these include: a) request to extend Home Ownership Campaign (HOC), which previously offered full stamp duty exemption on homes valued up to RM1m (currently, first-time homebuyers enjoy full stamp duty exemption on homes valued at RM500,000 and below until the end-25); b) Madani Deposit scheme, offering up to RM30,000 in deposit assistance for first-time buyers in the B40 and M40 groups; and c) an initiative similar to the Developer Interest Bearing Scheme but with stricter criteria, allowing first-time homebuyers to save more by having developers cover interest costs during construction. These measures, if they materialise, could stimulate the property market again and improve trading interest in the sector.

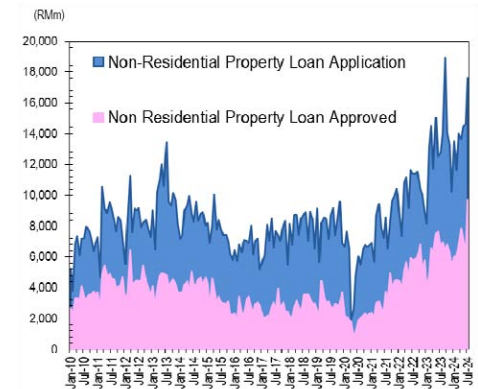
• **The delay in JS-SEZ details (likely to be announced in Dec 24 during the 11th Singapore-Malaysia Leaders' Retreat from the initially expected Sep 24) has started to raise concerns among investors.** We noted that Johor-related stocks have shown little movement recently, reflecting growing scepticism about the initiative's execution. In the near term, we believe trading interest in Johor stocks might remain muted until there is greater clarity on the progress of the initiatives. We gather that wishlist items for the JS-SEZ include tax incentives, improved connectivity, manpower solutions (a talent task force has been set up to attract talent), enhanced infrastructure, and financial perks to attract investment and support seamless operations. These measures aim to drive sustainable growth and improve the region's economic prospects.

RESIDENTIAL PROPERTY LOAN



Source: BNM, CEIC

NON-RESIDENTIAL PROPERTY LOAN



Source: BNM, CEIC

SELECTED PROPERTY STOCKS PERFORMANCE

Stocks	Performance (%)		
	Sep-to-date	Aug	Ytd
Sime Darby Prop	-1.4	-11.4	124.4
Crescendo	9.3	-12.3	112.5
Mah Sing	3.1	-13.3	109.2
Sunway	2.0	-4.4	105.3
KSL	2.8	-11.9	64.0
Eco World Dev	1.9	-12.4	55.4
NCT	2.0	0.0	53.0
E&O	0.0	-7.9	53.0
SP Setia	4.5	-31.3	45.2
OSK	-1.3	-0.6	28.5
Radium	1.0	-1.0	26.9
Paramount	1.8	0.0	24.7
IOIPG	1.0	-2.8	19.4
Tambun Indah	-1.0	-7.9	19.0
Matrix	1.1	-0.5	19.0
LBS Bina	2.4	-11.4	14.8
UEMS	4.0	-22.1	13.1
UOA Dev	-0.5	-3.2	10.0
Sunsuria	2.3	-8.3	2.7
Legenda	-1.6	-6.0	2.4
Sky World	2.0	-18.4	-1.7
IWC	5.8	-27.3	-24.7
KLPRP Index	1.3	-9.1	21.1

Source: Bloomberg, UOB Kay Hian

## Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

**This report is prepared for general circulation.** It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

**IMPORTANT DISCLOSURES FOR U.S. PERSONS**

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

**Analyst Certification/Regulation AC**

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Reports are distributed in the respective countries or jurisdictions by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia ("OJK"). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2024, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W