

23 May 2018 | 1QFY18 Results Review

## UEM Sunrise Berhad

**Strong property sales in 1QFY18**

**Maintain BUY**

**Revised Target Price (TP): RM1.25  
(Previously RM1.36)**

### INVESTMENT HIGHLIGHTS

- **1QFY18 earnings below expectations**
- **Higher sequential earnings but lower yoy**
- **New sales at RM434.3m**
- **Earnings forecast reduced**
- **Maintain BUY with revised Target Price of RM1.25**

**1QFY18 earnings below expectations.** UEM Sunrise Berhad (UEMS) 1QFY18 core net income of RM27m came in below expectations, making up 11% of our and consensus full year estimates. The negative deviation could be attributed to lower-than-expected contribution from local projects and adoption of MFRS 15 (deferred revenue recognition of international projects following change in revenue recognition of international projects to upon settlement from progress completion).


**Higher sequential earnings but lower yoy.** UEMS 1QFY18 core net income was higher on sequential basis after registering core net income of RM27m in 1QFY18 as compared to net loss of RM49.6m in 4QFY17 as UEMS incurred higher marketing and promotional expenses in previous quarter. Note that UEMS restated its 4QFY17 earnings from RM37.7m net profit to net loss of RM49.6m due to adoption of MFRS 15 as earnings recognition from overseas projects were taken out while high marketing and promotional expenses further weighed on earnings. On yearly basis, 1QFY18 core net earnings is lower (-33.9%yoy) as earnings in 1QFY17 was boosted by completion of Teega, Arcoris and Residensi 22 while on-going projects namely Solaris Parq, Serimbun and Kiara Kasih are still at initial stage of development. Meanwhile, unbilled sales of RM4.8b in 1QFY18 provides 3.3 year of earnings visibility.

**New sales at RM434.3m.** UEMS recorded new property sales of RM434.3m in 1QFY18, higher than new sales of RM169.4m in 1QFY17. 39% of the new sales in 1QFY18 came from projects in Klang Valley, 37% contributed by overseas project while the remaining 24% contributed by project in Johor. New sales in 1QFY18 are slightly ahead of management sales target of RM1.2b as it makes up 36% of management sales target. Nevertheless, management remains prudent in its sales and maintains its sales target of RM1.2b. New sales in FY18 are expected to be driven by new planned launches with GDV of RM1b and sale of completed projects. Note that 73% of new planned launches in FY18 are in central region (Mont Kira and Bangi), in line with management's strategy of focusing on Klang Valley.

RETURN STATS	
Price (22 May 2018)	RM0.85
Target Price	RM1.25
Expected Share Price Return	47.1%
Expected Dividend Yield	1.6%
<b>Expected Total Return</b>	<b>48.7%</b>
STOCK INFO	
KLCI	1,845.03
Bursa / Bloomberg	5148 / UEMS MK
Board / Sector	Main / Properties
Syariah Compliant	Yes
Issued shares (mil)	4,537.44
Market cap. (RM'm)	3,856.82
Price over NA	0.55
52-wk price Range	RM0.81 - RM1.32
Beta (against KLCI)	1.34
3-mth Avg Daily Vol	2.41m
3-mth Avg Daily Value	RM2.33m
Major Shareholders (%)	
Khazanah Nasional Bhd	66.06
Lembaga Tabung Haji	7.75

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**Maintain BUY with revised Target Price of RM1.25.** We revise downwards our FY18/19 earnings forecast by 6.5%/4.2% to take into account of lower profit recognitions from local and international projects. Nonetheless, earnings contribution from Melbourne projects is expected to boost earnings in 3QFY18 and 4QFY18 upon these projects' completion. Meanwhile, we revise our TP for UEMS to RM1.25 from RM1.36 as we widen our RNAV discount to 45% from 40% due to marginally weaker earnings outlook in the near term. We maintain our BUY recommendation on UEM Sunrise as valuation of UEMS is attractive, trading at 39% discount to NTA. We also like strategy of UEMS of increasing presence in Central region of Malaysia. 

## INVESTMENT STATISTICS

FYE Dec	FY15A	FY16A	FY17A	FY18F	FY19F
Revenue	1750	1841	2155	2277	2359
Core EBIT	245	256	499	182	196
Core PBT	295	256	435	294	309
Net Income	257	147	280	223	235
Core Net Income	209	185	276	223	235
EPS (sen)	5.67	2.97	6.17	4.92	5.18
Core EPS (sen)	4.62	3.74	6.09	4.92	5.18
Net DPS (sen)	1.60	0.00	1.00	1.38	1.45
Net Dvd Yield	1.9%	0.0%	1.2%	1.6%	1.7%
Core PER	18.4	22.8	14.0	17.3	16.4
NTA/share (RM)	1.36	1.37	1.38	1.42	1.46
P/NTA	0.62	0.62	0.61	0.60	0.58
Core ROE	3.1%	2.7%	4.0%	3.2%	3.2%
Core ROA	1.8%	1.4%	1.9%	1.5%	1.6%

Source: Company, MIDF Research Estimate

## UEMS: 1QFY18 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	1QFY18	%YoY	%QoQ	FY18	%YoY
Revenue	287.7	-31.5%	-6.6%	287.7	-31.5%
Core EBIT	43.2	-44.8%	NA	43.2	-44.8%
Core PBT	31.2	-46.8%	NA	31.2	-46.8%
Net Income	25.3	8.5%	NA	25.3	8.5%
Core Net Income	27.0	-33.9%	NA	27.0	-33.9%
EPS (sen)	0.56	8.5%	NA	0.6	8.5%
Core EPS (sen)	0.59	-33.9%	NA	0.6	-33.9%
Net DPS (sen)	0.0	NA	NA	0.0	NA
NTA/share (RM)	1.38	0%	0%	1.38	0%
Net Gearing (x)	0.51	NA	NA	0.51	NA
Core EBIT Margin	15.0%	NA	NA	15.0%	NA
Core PBT Margin	10.8%	NA	NA	10.8%	NA

Source: Company

## UEMS RNAV

UEM Sunrise Fully Diluted RNAV					
	Location	Stake	Est remaining GDV (RM m)	WACC (%)	Value (RM m)
<b>Ongoing projects</b>					
East Ledang	Iskandar Puteri	100%	2309.4	10%	157.51
Nusa Idaman	Iskandar Puteri	100%	933.3	10%	69.50
Nusa Bayu	Iskandar Puteri	100%	415.4	10%	32.36
Almas, Puteri Harbour	Iskandar Puteri	100%	1380.2	10%	107.51
Estuari, Puteri Harbour	Iskandar Puteri	100%	5890.3	10%	309.17
Melia Gerbang Nusajaya	Iskandar Puteri	100%	304.4	10%	22.67
Mall of Medini	Iskandar Puteri	55%	2097	10%	78.67
Horizon Hills	Iskandar Puteri	50%	2728.7	10%	97.20
Emerald Bay	Iskandar Puteri	40%	3177	10%	86.68
Nusajaya Tech park	Iskandar Puteri	40%	3185	10%	85.07
Serene Heights	Selangor	100%	3118.1	10%	196.13
Radia Bukit Jelutong	Selangor	50%	1038.9	10%	38.68
Arcoris	KL	100%	439	10%	39.38
Solaris Parq Residences	KL	100%	2183.2	10%	187.06
Seremban Forest Heights	Negeri Sembilan	50%	1809.1	10%	59.11
Mayfair, Melbourne	Melbourne	100%	811.6	10%	66.48
<b>Pipeline projects</b>					
Gerbang Nusajaya	Iskandar Puteri	100%	25682.1	10%	962.15
Laman Nusantara	Iskandar Puteri	100%	485.2	10%	37.79
D'Santuary	Iskandar Puteri	100%	106.7	10%	8.31
Residential South	Iskandar Puteri	80%	2827.4	10%	122.40
CS 3 - Puteri Harbour	Iskandar Puteri	50%	1201	10%	38.89
Gerbang Nusajaya - Mulpha JV (UEMS land)	Iskandar Puteri	50%	2771	10%	98.70
Gerbang Nusajaya - Mulpha JV (Mulpha Land)	Iskandar Puteri	50%	2586.3	10%	88.20
Gerbang Nusajaya - KLK	Iskandar Puteri	40%	5000	10%	104.98
Gerbang Nusajaya - Motorsports City	Iskandar Puteri	30%	3700	10%	72.54
Fraser Metropolis	Johor	60%	15000	10%	354.39
Desaru	Johor	51%	10460	10%	245.22
Artisan Hills, Kajang	Selangor	100%	1485.9	10%	96.23
Angkasa Raya	KL	100%	1903.6	10%	128.86
MCOBA Land	KL	62%	843.4	10%	35.67
Seri Kembangan	Selangor	100%	700	10%	52.12
MK 31	KL	100%	1483.5	10%	101.18
MK27	KL	100%	249.9	10%	20.38
Kepong Land	Kepong	50%	15000	10%	357.35
Durban, South Africa	South Africa	100%	1631.9	10%	77.12

Unbilled sales (FY17)	100%	4766	10%	379.90
<b>Total</b>				5,015.54
Shareholder Funds				7,069.03
Total RNAV				12,084.6
<b>FD number of shares</b>				5,329.95
<b>FD RNAV per share</b>				2.27
<b>Discount</b>				45%
<b>Target Price (RM)</b>				1.25

Source: MIDF Estimate

## DAILY PRICE CHART



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#### STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

#### SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.