

29 November 2018 | 3QFY18 Results Review

## UEM Sunrise Berhad

*Expect stronger 4Q*

**Maintain BUY**

**Revised Target Price (TP): RM0.86**  
(Previously RM1.18)


### INVESTMENT HIGHLIGHTS

- **9MFY18 earnings below expectations**
- **Expect stronger 4Q**
- **9MFY18 new sales at RM900.5m**
- **Earnings forecast reduced**
- **Maintain BUY with a revised Target Price of RM0.86**

**9MFY18 earnings below expectations.** UEM Sunrise Berhad (UEMS) 9MFY18 core net income of RM56.1m came in below expectations, meeting only 28% and 21% of our and consensus full year estimates respectively. The negative deviation could be attributed to the slower-than-expected earnings recognition from local and Melbourne projects.

**Expect stronger 4Q.** UEMS recorded core net income of RM16.4m in 3QFY18, declining by 88.7%yoy. That brought cumulative 9MFY18 core net income to RM56.1m (-25.2%yoy). Note that we have excluded gain from land sales in our core net income calculations. Earnings in 9MFY18 were lower as development cycles of local projects (Solaris Parq, Serimbun and Kiara Kasih) are still at the early stages. Meanwhile, unbilled sales stood at RM4.7b in 3QFY18 whereby 74% of the unbilled sales were contributed by project in Australia. We expect 4QFY18 earnings to be stronger as income is expected to be boosted by from Melbourne projects in 4QFY18 upon completion of the projects.

**9MFY18 new sales at RM900.5m.** UEMS registered new property sales of RM236.7m in 3QFY18, flattish against new property sales of RM229.5m in 2QFY18. That brought total new sales to RM900.5m in 9MFY18, higher than new sales of RM671.1m in 9MFY17. New sales in 9MFY18 are within expectations, making up 75% of management sales target of RM1.2b. Meanwhile, UEMS launched Residensi Astrea (GDV: RM326.7m) on 17<sup>th</sup> October 2018 while booking rate for the project is encouraging at 51%. Looking ahead, UEMS plans to launch project with total GDV of RM172m towards end of FY18.

**Maintain BUY with a revised Target Price of RM0.86.** We cut our earnings forecast for FY18/19 by 48.7%/14% to account for the lower-than-expected earnings recognition from local and Melbourne projects. Our TP is revised to RM0.86 from RM1.18 as we widened RNAV discount to 60% from 48% in view of the weak earnings visibility in near term. Nevertheless, we are maintaining our BUY call on UEMS due to its attractive valuation of trading at 48% discount to latest NTA per share of RM1.42. We also like the company's strategy of offering products in mid-market segments in Central region of Malaysia in addition to its premium products in Mont' Kiara. 

RETURN STATS	
Price (28 Nov 2018)	RM0.74
Target Price	RM0.86
Expected Share Price Return	16.2%
Expected Dividend Yield	0.9%
<b>Expected Total Return</b>	<b>17.1%</b>
STOCK INFO	
KLCI	1,686.55
Bursa / Bloomberg	5148 / UEMS MK
Board / Sector	Main / Properties
Syariah Compliant	Yes
Issued shares (mil)	4,537.44
Market cap. (RM'm)	3,358
Price over NA	0.47
52-wk price Range	RM0.63 - RM1.26
Beta (against KLCI)	1.57
3-mth Avg Daily Vol	1.12m
3-mth Avg Daily Value	RM0.88m
Major Shareholders (%)	
Khazanah Nasional Bhd	66.06
Lembaga Tabung Haji	7.76

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## INVESTMENT STATISTICS

FYE Dec	FY15A	FY16A	FY17A	FY18F	FY19F
Revenue	1750	1841	2155	1137	1916
Core EBIT	245	256	499	91	159
Core PBT	295	256	435	138	236
Net Income	257	147	280	105	179
Core Net Income	209	185	276	105	179
EPS (sen)	5.67	2.97	6.17	2.30	3.95
Core EPS (sen)	4.62	3.74	6.09	2.30	3.95
Net DPS (sen)	1.60	0.00	1.00	0.64	1.11
Net Dvd Yield	2.2%	0.0%	1.4%	0.9%	1.5%
Core PER	16.0	19.8	12.2	32.1	18.7
NTA/share (RM)	1.36	1.37	1.38	1.40	1.43
P/NTA	0.54	0.54	0.53	0.53	0.52
Core ROE	3.1%	2.7%	4.0%	1.5%	2.5%
Core ROA	1.8%	1.4%	1.9%	0.7%	1.2%

Source: Company, MIDF Research Estimate

## UEMS: 3QFY18 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	3QFY18	%YoY	%QoQ	FY18	%YoY
Revenue	430.1	-49.2%	-25.0%	1,291.2	-17.1%
Core EBIT	39.3	-82.0%	-128.8%	197.9	-1.1%
Core PBT	22.3	-89.5%	-113.9%	142.0	-8.9%
Net Income	21.2	-85.2%	-90.1%	260.3	66.5%
Core Net Income	16.4	-88.7%	-32.5%	56.1	-25.2%
EPS (sen)	0.47	-85.2%	-90.1%	5.7	66.5%
Core EPS (sen)	0.36	-88.7%	-32.5%	1.24	-25.2%
Net DPS (sen)	0.0	NA	NA	0.0	NA
NTA/share (RM)	1.42	3%	1%	1.42	3%
Net Gearing (x)	0.58	NA	NA	0.58	NA
Core EBIT Margin	9.1%	NA	NA	15.3%	NA
Core PBT Margin	5.2%	NA	NA	11.0%	NA

Source: Company

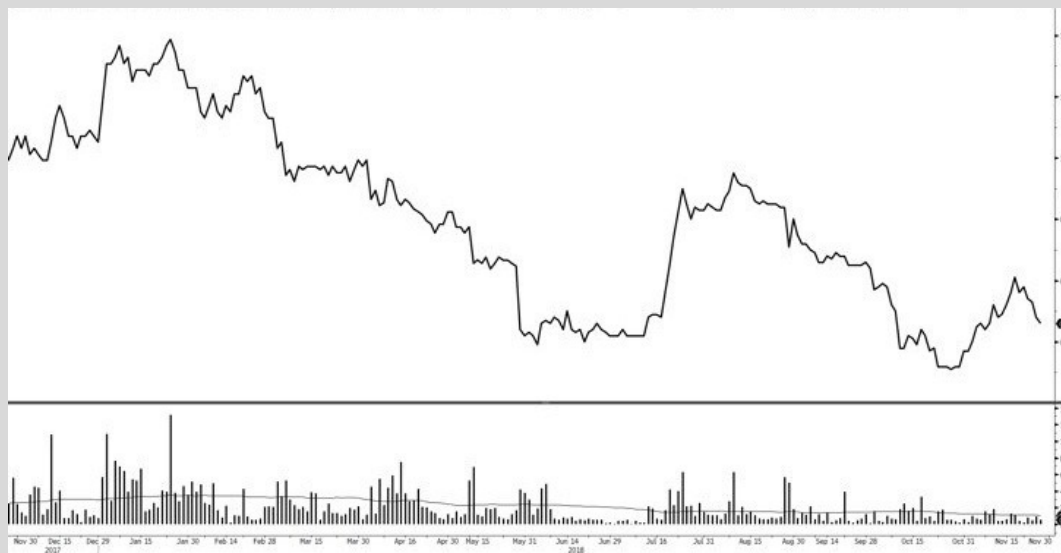
## UEMS RNAV

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%	139.90
Nusa Idaman	Iskandar Puteri	100%	933.3	10%	61.72
Nusa Bayu	Iskandar Puteri	100%	415.4	10%	28.74
Almas, Puteri Harbour	Iskandar Puteri	100%	1380.2	10%	95.48
Estuari, Puteri Harbour	Iskandar Puteri	100%	5890.3	10%	274.59
Melia Gerbang Nusajaya	Iskandar Puteri	100%	304.4	10%	20.13
Mall of Medini	Iskandar Puteri	55%	2097	10%	69.87
Horizon Hills	Iskandar Puteri	50%	2728.7	10%	86.32
Emerald Bay	Iskandar Puteri	40%	3177	10%	76.98
Nusajaya Tech park	Iskandar Puteri	40%	3185	10%	75.55
Serene Heights	Selangor	100%	3118.1	10%	174.19
Radia Bukit Jelutong	Selangor	50%	1038.9	10%	34.35
Arcoris	KL	100%	439	10%	34.97
Solaris Parq Residences	KL	100%	2183.2	10%	166.14
Seremban Forest Heights	Negeri Sembilan	50%	1809.1	10%	52.50
Mayfair, Melbourne	Melbourne	100%	811.6	10%	59.04
<b>Pipeline projects</b>					
Gerbang Nusajaya	Iskandar Puteri	100%	25682.1	10%	854.54
Laman Nusantara	Iskandar Puteri	100%	485.2	10%	33.57
D'Santuary	Iskandar Puteri	100%	106.7	10%	7.38
Residential South	Iskandar Puteri	80%	2827.4	10%	108.71
CS 3 - Puteri Harbour	Iskandar Puteri	50%	1201	10%	34.54
Gerbang Nusajaya - Mulpha JV (UEMS land)	Iskandar Puteri	50%	2771	10%	87.66
Gerbang Nusajaya - Mulpha JV (Mulpha Land)	Iskandar Puteri	50%	2586.3	10%	78.34
Gerbang Nusajaya - KLK	Iskandar Puteri	40%	5000	10%	93.23
Gerbang Nusajaya - Motorsports City	Iskandar Puteri	30%	3700	10%	64.43
Fraser Metropolis	Johor	60%	15000	10%	314.76
Desaru	Johor	51%	10460	10%	217.80
Artisan Hills, Kajang	Selangor	100%	1485.9	10%	85.47
Angkasa Raya	KL	100%	1903.6	10%	114.45
MCOBA Land	KL	62%	843.4	10%	31.68
Seri Kembangan	Selangor	100%	700	10%	46.29
MK 31	KL	100%	1483.5	10%	89.87
MK27	KL	100%	249.9	10%	18.10
Kepong Land	Kepong	50%	15000	10%	317.38
Durban, South Africa	South Africa	100%	1631.9	10%	68.49
Unbilled sales (FY17)		100%	4766	10%	337.41

<b>Total</b>	4,454.59
Shareholder Funds	7,069.03
Total RNAV	11,523.6
<b>FD number of shares</b>	5,329.95
<b>FD RNAV per share</b>	2.16
<b>Discount</b>	60%
<b>Target Price (RM)</b>	0.86

Source: MIDF Estimate

## DAILY PRICE CHART



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### MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

#### 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.