

28 February 2018 | 4QFY17 Results Review

UEM Sunrise Berhad

New sales exceeded target in FY17


INVESTMENT HIGHLIGHTS

- **FY17 earnings below expectation**
- **Higher earnings in FY17**
- **New sales exceeded target in FY17**
- **Maintain BUY with unchanged Target Price of RM1.26**

FY17 earnings below expectation. UEM Sunrise Berhad (UEMS) registered core net income of RM4.7m, bringing cumulative earnings in FY17 to RM276.2m (+49%yoy). FY17 earnings came in below our expectation at 85% of our full year estimates due to the higher-than-expected marketing and promotional expenses in 4QFY17. Dividend of 1.0 sen was announced.

Higher earnings in FY17. Earnings grew 49%yoy in FY17 due to land sales and higher earnings recognition from projects in central region and southern region. Besides, contribution from overseas projects namely Conservatory and Aurora Merlbourne Central and Quintet also contributed to the higher earnings. Meanwhile, unbilled sales increased to RM4.8b in 4QFY17 from RM2.9b in 3QFY17, providing 3.3 year of earnings visibility.

New sales exceeded target in FY17. UEMS recorded new property sales of RM829m in 4QFY17, higher than new sales of RM279m in 3QFY17. New property sales in 4QFY17 were mainly underpinned by sales from Solaris Parq in Dutamas and Mayfair in Melbourne. That lifts total new sales in FY17 to RM1.5b, exceeding management sales target of RM1.2b. UEMS launched projects with GDV of RM2b in FY17. Looking ahead, management is targeting to chalk up new sales of RM1.2b in FY18 on the back of planned launches with GDV of RM1b.

Maintain BUY with unchanged Target Price of RM1.24. We increased our FY18 earnings forecast by 2.2% to factor in the higher-than-expected sales in FY17. We expect the high marketing and promotional expenses to normalize in FY18. Our TP is based on unchanged 40% discount to RNAV. We are maintaining our BUY call on UEMS as its property sales outlook is expected to be supported by its local and oversea projects. Besides, we also like its increasing presence in central region of Malaysia. 

Maintain BUY

Unchanged Target Price (TP): RM1.26

| RETURN STATS | |
|------------------------------|-------------------|
| Price (27 Feb 2018) | RM1.13 |
| Target Price | RM1.26 |
| Expected Share Price Return | 11.5% |
| Expected Dividend Yield | 1.3% |
| Expected Total Return | 12.8% |
| STOCK INFO | |
| KLCI | 1,871.46 |
| Bursa / Bloomberg | 5148 / UEMS MK |
| Board / Sector | Main / Properties |
| Syariah Compliant | Yes |
| Issued shares (mil) | 4,537.44 |
| Market cap. (RM'm) | 5,127.30 |
| Price over NA | 0.73 |
| 52-wk price Range | RM1.01 - RM1.36 |
| Beta (against KLCI) | 1.28 |
| 3-mth Avg Daily Vol | 3.28m |
| 3-mth Avg Daily Value | RM3.68m |
| Major Shareholders (%) | |
| Khazanah Nasional Bhd | 66.06 |
| Lembaga Tabung Haji | 7.32 |

INVESTMENT STATISTICS

| FYE Dec | FY14A | FY15A | FY16A | FY17A | FY18F |
|-----------------|-------|-------|-------|-------|-------|
| Revenue | 2662 | 1750 | 1841 | 2155 | 2437 |
| Core EBIT | 532 | 245 | 256 | 499 | 195 |
| Core PBT | 613 | 295 | 256 | 435 | 314 |
| Net Income | 480 | 257 | 147 | 280 | 239 |
| Core Net Income | 484 | 209 | 185 | 276 | 239 |
| EPS (sen) | 10.58 | 5.67 | 2.97 | 6.17 | 5.27 |
| Core EPS (sen) | 10.67 | 4.62 | 3.74 | 6.09 | 5.27 |
| Net DPS (sen) | 3.00 | 1.60 | 0.00 | 1.00 | 1.47 |
| Net Dvd Yield | 2.7% | 1.4% | 0.0% | 0.9% | 1.3% |
| Core PER | 10.6 | 24.5 | 30.2 | 18.6 | 21.5 |
| NTA/share (RM) | 1.27 | 1.36 | 1.37 | 1.42 | 1.46 |
| P/NTA | 0.89 | 0.83 | 0.83 | 0.80 | 0.77 |
| Core ROE | 7.6% | 3.1% | 2.7% | 3.9% | 3.3% |
| Core ROA | 4.4% | 1.8% | 1.4% | 1.9% | 1.6% |

Source: Company, MIDF Research Estimate

UEMS: 4QFY17 RESULTS SUMMARY

| FYE Dec (RM'm, unless otherwise stated) | Quarterly Results | | | Cumulative | |
|---|-------------------|------|------|------------|------|
| | 4QFY17 | %YoY | %QoQ | FY17 | %YoY |
| Revenue | 748.1 | 20% | 5% | 2,155.3 | 17% |
| Core EBIT | 67.0 | 1% | -54% | 498.9 | 95% |
| Core PBT | 49.6 | -46% | -62% | 434.8 | 70% |
| Net Income | 37.7 | -29% | -57% | 280.1 | 90% |
| Core Net Income | 4.7 | -92% | -95% | 276.2 | 49% |
| EPS (sen) | 0.83 | -29% | -57% | 6.17 | 108% |
| Core EPS (sen) | 0.10 | -92% | -95% | 6.09 | 63% |
| Net DPS (sen) | 1.0 | NA | NA | 1.0 | NA |
| NTA/share (RM) | 1.42 | 4% | -1% | 1.42 | 4% |
| Net Gearing (x) | 0.46 | NA | NA | 0.46 | NA |
| Core EBIT Margin | 9.0% | NA | NA | 23.1% | NA |
| Core PBT Margin | 6.6% | NA | NA | 20.2% | NA |

Source: Company

UEMS RNAV

| Landbank/Buildings | Location | Remaining GDV (RM m) | Methodology | Stake | Value (RM m) |
|-------------------------|-----------------|----------------------|----------------|-------|--------------|
| Ongoing Projects | | | | | |
| East Ledang | Nusajaya, Johor | 1672 | DCF @ WACC 10% | 100% | 125.1 |
| Nusa Idaman | Nusajaya, Johor | 942 | DCF @ WACC 10% | 100% | 70.5 |
| Nusa Bayu | Nusajaya, Johor | 574 | DCF @ WACC 10% | 100% | 42.9 |
| Imperia | Nusajaya, Johor | 338 | DCF @ WACC 10% | 100% | 25.3 |
| Teega | Nusajaya, Johor | 1152 | DCF @ WACC 10% | 100% | 86.2 |
| Almas | Non-Nusajaya | 258 | DCF @ WACC 10% | 100% | 19.3 |
| Symphony Hills | Non-Nusajaya | 1098 | DCF @ WACC 10% | 100% | 82.2 |

| | | | | | | |
|---|-------------------|------------------|---------------------|------------------------|--------------|---------------------|
| Summer Suites & VOS | Non-Nusajaya | 427 | DCF @ WACC 10% | 100% | 31.9 | |
| Arcoris (Phase 1-3) | Non-Nusajaya | 727 | DCF @ WACC 10% | 100% | 54.4 | |
| Residensi 22 | Non-Nusajaya | 843 | DCF @ WACC 10% | 100% | 63.1 | |
| Others - MK10, MK28, MK11 Ledang Heights, NIP (Ph 2) | Non-Nusajaya | 3698 | DCF @ WACC 10% | 100% | 276.7 | |
| Melbourne, Australia | Non-Nusajaya | 1658 | DCF @ WACC 10% | 100% | 124.1 | |
| Aurora Serviced Apartments | Non-Nusajaya | 371 | DCF @ WACC 10% | 100% | 56.4 | |
| Serene Heights | Bangi, Selangor | 3400 | DCF @ WACC 10% | 100% | 390.8 | |
| Pipeline Projects | | Size (ac) | Size (Sq ft) | Price (RM/sqft) | Stake | Value (RM m) |
| Gerbang Nusajaya | Nusajaya, Johor | 3232 | 140,785,920 | 29 | 100% | 4054.6 |
| D'Estuary | Nusajaya, Johor | 394 | 17,162,640 | 44 | 100% | 755.2 |
| R10/R11 (affordable segment) | Nusajaya, Johor | 137 | 5,959,008 | 12 | 100% | 71.5 |
| Almas @ Puteri Harbour | Nusajaya, Johor | 12 | 531,432 | 334 | 100% | 177.5 |
| Residential South | Nusajaya, Johor | 208 | 9,047,412 | 36 | 80% | 260.6 |
| CS3 - Puteri Harbour | Nusajaya, Johor | 7 | 291,852 | 334 | 50% | 48.7 |
| Emerald Bay | Nusajaya, Johor | 111 | 4,835,160 | 234 | 40% | 452.2 |
| Eco Industrial Park | Nusajaya, Johor | 519 | 22,607,640 | 36 | 40% | 325.6 |
| Motorsports City | Nusajaya, Johor | 300 | 13,068,000 | 36 | 30% | 141.1 |
| Sinaran Hills | Kajang, Selangor | 65 | 2,831,400 | 45 | 100% | 127.4 |
| Angkasa Raya | Kuala Lumpur | 2 | 69,696 | 2,502 | 100% | 174.4 |
| Floresta - Solaris 3 | Mont Kiara, KL | 19 | 814,572 | 144 | 62% | 72.7 |
| Desaru | Nusajaya, Johor | 679 | 29,564,172 | 31 | 51% | 471 |
| Equine Park | Seri Kembangan | 19 | 838,094 | 131 | 100% | 110 |
| Catalyst Development | | | | | | |
| Puteri Harbour | Nusajaya, Johor | 68 | 2,979,504 | 334 | 100% | 995 |
| SiLC | Nusajaya, Johor | 207 | 9,008,208 | 35 | 100% | 315 |
| Afiat Healthpark (Hospital) | Nusajaya, Johor | 43 | 1,886,148 | 35 | 100% | 66 |
| JV with KLK | | | | | | |
| Gerbang Nusajaya | Nusajaya, Johor | 500 | 21,780,000 | 40 | 40% | 348 |
| Kulai | Johor | 2500 | 108,900,000 | 8 | 60% | 523 |
| Solaris Dutamas Building (Retail + Carparks) | Jalan Dutamas, KL | 37 | 1,612,543 | 700 | 100% | 1129 |
| Mont Kiara (Carparks) | Mont Kiara, KL | 5800 units | | 20,000 | 100% | 116 |
| Batang Padang (Agriculture land) | Perak | 2398 | 104,469,210 | 2.3 | 100% | 240 |
| Total Landbank Value | | | | | | 12423.5 |
| Investment Properties | | | | | | 641.0 |
| Fixed Assets | | | | | | 234.1 |
| Cash | | | | | | 1077.6 |

| | |
|--|----------------|
| Total Liabilities (excl. deferred tax liabilities & construction related payables) | -3844.2 |
| Total RNAV (RM m) | 10532.0 |
| No of shares (m) | 4537.4 |
| Maximum conversion from RCPS into UEMS shares | 495.6 |
| Total No of shares including RCPS maximum conversion | 5033.0 |
| FD RNAV per share (RM) | 2.09 |
| Discount | 40% |
| Target Price (RM) | 1.26 |

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. |