

16 April 2018 | Corporate Update

UEM Sunrise Berhad

Strengthening presence in Klang Valley

Maintain BUY

Revised Target Price (TP): RM1.36
(Previously RM1.26)

INVESTMENT HIGHLIGHTS

- **Acquiring land in Kepong**
- **Strengthening presence in Klang Valley**
- **Project GDV at RM15b**
- **Minimal impact on balance sheet**
- **Project expected to launch in FY19**
- **Maintain BUY with revised Target Price of RM1.36**


Acquiring land in Kepong. UEM Sunrise Berhad (UEMS) announced that its wholly-owned subsidiary, Sunrise Berhad has entered into a shareholders' subscription agreement with Mega Legacy (M) Sdn Bhd (MLM) to subscribe for 500,001 shares (50%+1 share) in MLM for a total subscription price of RM279.3m. Simultaneously, MLM has entered into a sale and purchase agreement for the acquisition of 72.73 acres of land in Kepong from Datuk Bandar Kuala Lumpur for a purchase consideration of RM416.4m.

Strengthening presence in Klang Valley. We are positive on the acquisition as it will strengthen UEMS's presence in Klang Valley. The acquisition is in line with UEMS' strategy of diversifying its presence from Southern Malaysia to Central region of Malaysia. The said parcels in Kepong are adjacent to the Kepong Metropolitan Park, located approximately 13km north west of KL city centre. UEM Sunrise intends to replicate the success of Solaris Dutamas and Mont' Kiara by undertaking a mixed development with an estimated GDV of RM15b with development period of 15 years on the said parcels. Meanwhile, connectivity of the said parcels will also be improved as two interchanges will be constructed connecting the said parcels to MRR II.

Minimal impact on balance sheet. The share subscription will be funded via internal generated funds. We estimate net gearing of UEM Sunrise to increase to 0.5x from 0.46x as of end FY17. Meanwhile, we gather that UEMS is looking to continue improve its cash flow via asset monetisation and inventory monetisation. UEM Sunrise recorded land sales of RM542m in FY17 while UEMS will continue its asset monetisation exercise in FY18 to unlock value of its landbank. Meanwhile, UEMS is focusing on clearing inventories and roll out new projects prudently to avoid build-up of inventories and improve its cash flow. Note that inventories of UEM Sunrise increased marginally to RM610m as at FY17 from RM585m as at FY16.

RETURN STATS	
Price (13 April 2018)	RM0.935
Target Price	RM1.36
Expected Share Price Return	45.5%
Expected Dividend Yield	1.6%
Expected Total Return	47.1%
STOCK INFO	
KLCI	1,868.47
Bursa / Bloomberg	5148 / UEMS MK
Board / Sector	Main / Properties
Syariah Compliant	Yes
Issued shares (mil)	4,537.44
Market cap. (RM'm)	4,537
Price over NA	0.60
52-wk price Range	RM0.91 - RM1.36
Beta (against KLCI)	1.32
3-mth Avg Daily Vol	2.87m
3-mth Avg Daily Value	RM.3.08m
Major Shareholders (%)	
Khazanah Nasional Bhd	66.06
Lembaga Tabung Haji	7.59

Project expected to launch in FY19. Launches of property projects on the said parcels are expected to take place in FY19, hence we are maintaining our earnings forecast for FY18. Management is maintaining its new sales target of RM1.2b for FY18. New sales in FY18 are expected to be driven by new planned launches with GDV of RM1b, Solaris Parq (GDV: M760m) in Dutamas and Mayfair (GDV: RM1.1b) in Melbourne 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.

Maintain BUY with revised Target Price of RM1.36. Our TP for UEMS is revised from RM1.26 to RM1.36 as we include the land acquisition in our RNAV valuation and update the RNAV figures. Our TP is based on unchanged 40% discount to RNAV. Valuation of UEMS is attractive, trading at 40% discount to NTA. We also like the increasing presence of UEMS in Central region of Malaysia. 

INVESTMENT STATISTICS

FYE Dec	FY15A	FY16A	FY17F	FY18F	FY19F
Revenue	1750	1841	2155	2435	2463
Core EBIT	245	256	499	195	204
Core PBT	295	256	435	314	323
Net Income	257	147	280	239	245
Core Net Income	209	185	276	239	245
EPS (sen)	5.67	2.97	6.17	5.26	5.40
Core EPS (sen)	4.62	3.74	6.09	5.26	5.40
Net DPS (sen)	1.60	0.00	1.00	1.47	1.51
Net Dvd Yield	1.7%	0.0%	1.1%	1.6%	1.6%
Core PER	20.3	25.0	15.4	17.8	17.3
NTA/share (RM)	1.36	1.37	1.42	1.46	1.50
P/NTA	0.69	0.68	0.66	0.64	0.62
Core ROE	3.1%	2.7%	3.9%	3.3%	3.3%
Core ROA	1.8%	1.4%	1.9%	1.6%	1.7%

Source: Company, MIDF Research Estimate

Figure 1: Drone Image of the site



Source: Company

UEMS RNAV

UEM Sunrise Fully Diluted RNAV					
	Location	Stake	Est remaining GDV (RM m)	WACC (%)	Value (RM m)
Ongoing projects					
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
Pipeline projects					
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

Total	5,015.54
Shareholder Funds	7,069.03
Total RNAV	12,084.6
FD number of shares	5,329.95
FD RNAV per share	2.27
Discount	40%
Target Price (RM)	1.36

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.