

24 August 2017 | 2QFY17 Results review

UEM Sunrise Berhad

1HFY17 earnings in line

INVESTMENT HIGHLIGHTS


- **1HFY17 earnings within expectation**
- **Sales of RM392m secured in 1HFY17**
- **Earnings estimate maintained**
- **Focus on affordable and mid-segment price range property**
- **Maintain NEUTRAL with TP of RM1.24**

1HFY17 earnings within expectation: UEM Sunrise Berhad (UEMS) 1HFY17 Core Net Income (CNI) of RM185.2m was within expectation. Although it made up 77%/81% of ours/consensus full year CNI forecast, we expect 2HFY17 earnings to moderate in the absence of significant land sale. Note that the 1HFY17 is exceptionally strong due to the RM115m of profit from the disposal of 4.9 acres of land in Canada for CAD113m (or RM371m). Our core net income excludes RM27m of provision for liquidated ascertained damages, RM7m of forex loss and other one off items.

Sales of RM392m secured in 1HFY17. Although this makes up only 33% of the RM1.2b target, we are maintaining our sales target. We gather that UEMS has lined up more property launch for 2HFY17. The biggest project by GDV is Mayfair, St Kilda Melbourne (GDV: RM1.1b). Unbilled sales of RM3.3b represents 1.8 years of earnings visibility.

Earnings estimate maintained. We maintain our FY17 Core Net Income of RM240m. FY18 Core Net Income of RM199m is also maintained.

Focus on affordable and mid-segment price range property. It was mentioned in UEMS' Bursa announcement that "The overall domestic property market is consolidating with products within the affordable and mid-segment price range expected to attain favourable demand especially in key selected locations".

Maintain NEUTRAL with Target Price of RM1.24. Our TP is based on 40% discount to RNAV. Despite the good earnings growth seen in 1H2017, we maintain our NEUTRAL call on the stock as we expect earnings growth to moderate in 2H2017. 

Maintain NEUTRAL

Unchanged Target Price (TP): RM1.24

RETURN STATS	
Price (23 Aug 2017)	RM1.19
Target Price	RM1.24
Expected Share Price Return	+4.2%
Expected Dividend Yield	+0.9%
Expected Total Return	+5.1%
STOCK INFO	
KLCI	1772.94
Bursa / Bloomberg	5148 / UEMS MK
Board / Sector	Main / Properties
Syariah Compliant	Yes
Issued shares (mil)	4537.44
Market cap. (RM'm)	5,399.55
Price over NA	0.77
52-wk price Range	RM0.99 - RM1.36
Beta (against KLCI)	0.96
3-mth Avg Daily Vol	3.43m
3-mth Avg Daily Value	RM4.16m
Major Shareholders (%)	
Khazanah Nasional Bhd	66.06
Lembaga Tabung Haji	6.82

INVESTMENT STATISTICS

FYE Dec	FY14A	FY15A	FY16A	FY17F	FY18F
Revenue	2662	1750	1841	2388	2385
Core EBIT	532	245	256	233	191
Core PBT	613	295	256	294	262
Net Income	480	257	147	240	199
Core Net Income	484	209	185	240	199
EPS (sen)	10.58	5.67	2.97	5.30	4.39
Core EPS (sen)	10.67	4.62	3.74	5.30	4.39
Net DPS (sen)	3.00	1.60	0.00	1.04	1.23
Net Dvd Yield	2.5%	1.3%	0.0%	0.9%	1.0%
Core PER	11.3	21.0	40.1	22.5	27.1
NTA/share (RM)	1.27	1.36	1.37	1.41	1.44
P/NTA	0.94	0.87	0.87	0.85	0.83
Core ROE	7.6%	3.1%	2.7%	3.4%	2.8%
Core ROA	4.4%	1.8%	1.4%	1.8%	1.4%

Source: Company, MIDF Research Estimate

UEMS: 2QFY17 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	2QFY17	%YoY	%QoQ	6MFY17	%YoY	
Revenue	897.8	67%	66%	1,439.6	81%	Revenue increased 81%yoy due to higher contribution from property development segment. Biggest revenue contributor is the Central region (28%) followed by Southern region (19%) and Melbourne (20%). The Group also completed sales of land amounting to RM418m.
Core EBIT	161.9	118%	52%	248.3	169%	
Core PBT	143.6	95%	51%	258.4	226%	
Net Income	94.6	73%	54%	155.8	170%	Earnings increased in line with higher recognition from property development.
Core Net Income	98.8	80%	48%	185.2	224%	Our core net income excludes RM27m of provision for liquidated ascertained damages, RM7m of forex loss and other one off items.
EPS (sen)	2.08	73%	54%	3.43	170%	
Core EPS (sen)	2.18	80%	48%	4.08	223%	
Net DPS (sen)	0.0	NA	NA	0.0	NA	
NTA/share (RM)	1.40	4%	1%	1.40	4%	
Net Gearing (x)	0.47	NA	NA	0.47	NA	
Core EBIT Margin	18.0%	NA	NA	17.2%	NA	
Core PBT Margin	16.0%	NA	NA	18.0%	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
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
Serene Heights	Bangi, Selangor	449	19,541,016	20	100%	390.8
Floresta - Solaris 3	Mont Kiara, KL	19	814,572	144	62%	72.7
Desaru	Nusajaya, Johor	679	29,564,172	31	51%	471

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						12313.8
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)						10422.2
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)						2.07
Discount						40%
Target Price (RM)						1.24

Source: MIDF Estimate

DAILY PRICE CHART



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Source: Bloomberg

MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected to be <-15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% 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.