

UEM Sunrise Berhad

(5148 | UEMS MK) Property | Property

Attractive valuation

KEY INVESTMENT HIGHLIGHTS

- **1QFY20 earnings missed expectations**
- **Slipped into the red**
- **1QFY20 new property sales at RM97.4m**
- **Expanding landbank in Australia**
- **Earnings estimates revised downwards**
- **Maintain BUY with a revised TP of RM0.54**

1QFY20 earnings missed expectations. UEM Sunrise 1QFY20 earnings missed expectations as it recorded core net loss of RM3.5m. The negative deviation could be attributed to the weaker than expected progress billing in 1QFY20 as a result of Movement Control Order (MCO). Note that we have excluded forex loss of RM18.4m in our core net income calculations.

Slipped into the red. UEM Sunrise slipped into the red in 1QFY20 after recording core net loss of RM3.5m against net profit of RM31.5m in 1QFY19 as earnings were dragged by MCO which was enforced since 18th March 2020. The enforcement of MCO has resulted in lower progress billing in March. Besides, the lower earnings were also due to lower contribution from overseas projects and lower earnings recognition from ongoing projects as the projects are at the early stages of construction progress. Meanwhile, unbilled sales were unchanged at RM1.8b in 1QFY20.

1QFY20 new property sales at RM97.4m. UEM Sunrise recorded property sales of RM97.4m in 1QFY20, sharply lower than new sales of RM410m in 4QFY19 due to absence of new project launches and enforcement of MCO which has led to closure of its sales gallery. New sales achieved in 1QFY20 were below management expectations, making up only 5% of management sales target of RM2b. Meanwhile, management is in the midst of reviewing their sales target. Nevertheless, we forecast UEM Sunrise to register new sales of around RM1b in FY20. New sales in 2HFY20 are expected to be supported by reintroduction of House Ownership Campaign (HOC).

Expanding landbank in Australia. On a separate note, UEM Sunrise announced that it has signed a contract with Jowett Properties Pty Ltd to acquire 1.33 acres of freehold land located at 21-53 Hoddle Street, Collingwood in Melbourne for AUD43m. The land is planned for a mixed development with an estimated GDV of AUD250m. The deal is expected to complete in 1Q2021 while project launches are expected to be in 2022.

Maintain BUY

Revised Target Price: RM0.54

(Previously RM0.91)

RETURN STATISTICS

Price @ 19 June 2020 (RM)	0.45
Expected share price return (%)	20.0
Expected dividend yield (%)	0.0
Expected total return (%)	20.0

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	3.4	-1.4
3 months	13.9	29.7
12 months	-46.7	-40.6

KEY STATISTICS

FBM KLCI	1,507.26
Syariah compliant	Yes
Issue shares (m)	4317.76
Estimated free float (%)	21.45
Market Capitalisation (RM'm)	2041.85
52-wk price range (RM)	RM0.27 - RM0.86
Beta vs FBM KLCI (x)	1.83
Monthly velocity (%)	0.00
Monthly volatility (%)	26.35
3-mth average daily volume (m)	9.79
3-mth average daily value (RM'm)	4.44
Top Shareholders (%)	
Khazanah Nasional Bhd	66.06
URUSHARTA JAMAAH SDN BHD	7.04
Employees Provident Fund Board	4.63

Analyst(s)

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Maintain BUY with a revised TP of RM0.54. We revise our FY20/21F earnings forecasts by -51.6%/-37.2% as we assume lower new sales target for FY20 and lower progress billing. Correspondingly, our TP for UEM Sunrise is revised downward to RM0.54 from RM0.91 as we widen our RNAV discount to 75% from 58%. Despite the earnings disappointment and weaker new sales outlook, we see that valuation of UEM Sunrise is extremely attractive as it is trading at 69% discount to its latest NTA of RM1.45 per share. We think the attractive valuation presents opportunity for investors to accumulate UEM Sunrise and ride on earnings recovery in FY21. Hence, we maintain our BUY call on UEM Sunrise.

INVESTMENT STATISTICS

FYE Dec	FY17A	FY18A	FY19A	FY20F	FY21F
Revenue	2155	2044	2909	1050	1240
Core EBIT	499	320.3	504	68	97
Core PBT	435	260.7	418	110	135
Net Income	280	280.3	224	84	103
Core Net Income	276	124.6	257	84	103
EPS (sen)	6.17	6.2	4.9	1.85	2.26
Core EPS (sen)	6.09	2.7	6.6	1.85	2.26
Net DPS (sen)	1.00	0.0	0.0	0.00	0.00
Net Dvd Yield	2.2%	0.0%	0.0%	0.0%	0.0%
Core PER	7.4	16.4	6.8	24.4	19.9
NTA/share (RM)	1.38	1.43	1.47	1.48	1.50
P/NTA	0.33	0.32	0.31	0.30	0.30
Core ROE	4.0%	1.8%	3.5%	1.1%	1.4%
Core ROA	1.9%	0.9%	1.9%	0.6%	0.8%

Source: Company, MIDFR

UEMS: 1QFY20 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	1QFY20	%YoY	%QoQ	FY20	%YoY
Revenue	195.9	-53.3%	-83.1%	195.9	-53.3%
Core EBIT	21.6	-12.6%	-91.1%	21.6	-12.6%
Core PBT/(LBT)	-8.7	NA	NA	-8.7	NA
Net Income/(Loss)	-21.9	NA	NA	-21.9	NA
Core Net Income/(Loss)	-3.5	NA	NA	-3.5	NA
EPS (sen)	-0.48	NA	NA	-0.48	NA
Core EPS (sen)	-0.08	NA	NA	-0.08	NA
Net DPS (sen)	0.0	NA	NA	0.0	NA
NTA/share (RM)	1.45	1%	-1%	1.4	1%
Net Gearing (x)	0.35	NA	NA	0.3	NA
Core EBIT Margin	11.0%	NA	NA	11.0%	NA
Core PBT Margin	-4.4%	NA	NA	-4.4%	NA

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%	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	50%	2728.7	10%	86.32

	Puteri				
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
Pipeline projects					
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
Total					4,454.59
Shareholder Funds					7,069.03
Total RNAV					11,523.6
FD number of shares					5,329.95
FD RNAV per share					2.16
Discount					75%
Target Price (RM)					0.54

Source: MIDFR

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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.