

UEM Sunrise Berhad

(5148 | UEMS MK) Property | Property

Ended FY19 on a positive note

KEY INVESTMENT HIGHLIGHTS

- **FY19 earnings above expectations**
- **Earnings ballooned by projects in Australia**
- **FY19 new property sales at RM1.13b**
- **Earnings estimate maintained**
- **Revert to Buy from Trading Buy with an unchanged TP of RM0.91**

FY19 earnings above expectations. UEM Sunrise (UEMS) FY19 core net income of RM257m came in above expectations, making up 139% and 106% of our and consensus full year estimates respectively. Note that we have excluded mainly impairment loss on a joint venture, land sales gain forex loss and restructuring cost in our core net income calculations.

Earnings ballooned by projects in Australia. On sequential basis, UEMS recorded strong earnings of RM162.2m (+524%qoq) in 4QFY19, as earnings were boosted by earnings recognition from projects in Australia. That brought cumulative earnings in FY19 to RM247m (+106%yoy). The higher earnings in FY19 were contributed by both increased earnings contribution from international projects (being Aurora Melbourne Central and Conservatory) and higher progress billing of domestic projects. Meanwhile, unbilled sales eased to RM1.8b in 4QFY19 from RM2.4b in 3QFY19.

FY19 new property sales at RM1.13b. UEM Sunrise reported new property sales of RM410m in 4QFY19, bringing total new sales to RM1.13b in FY19. The new sales in FY19 were in line with management sales target of RM1.2b for FY19. Looking ahead, management set a higher new sales target of RM2b for FY20 as they are targeting to launch project with total GDV of RM2b in FY20 which will be focusing on mid-market landed residences.

Revert to Buy from Trading Buy with an unchanged TP of RM0.91. We maintain our earnings forecast for FY20 and introduce earnings forecast for FY21. We also maintain our target price for UEMS at RM0.91, based on 58% discount to RNAV. Valuation of UEMS is attractive, trading at 58% discount to its latest NTA of RM1.47 per share. Hence, we recommend BUY on UEMS.

Revert to BUY

Previously Trading Buy

Unchanged Target Price: RM0.91

RETURN STATISTICS

Price @ 24 February 2020 (RM)	0.615
Expected share price return (%)	47.9
Expected dividend yield (%)	1.7
Expected total return (%)	49.6

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-4.4	-1.2
3 months	-8.5	-12.0
12 months	-25.9	-16.4

KEY STATISTICS

FBM KLCI	1,584.63
Syariah compliant	Yes
Issue shares (m)	4317.76
Estimated free float (%)	20.05
Market Capitalisation (RM'm)	2,791
52-wk price range (RM)	RM0.58 - RM1.02
Beta vs FBM KLCI (x)	1.57
Monthly velocity (%)	11.02
Monthly volatility (%)	26.35
3-mth average daily volume (m)	1.77
3-mth average daily value (RM'm)	1.25
Top Shareholders (%)	
Khazanah Nasional Bhd	66.06
URUSHARTA JAMAAH SDN BHD	7.69
Employees Provident Fund Board	5.13

Analyst(s)

Jessica Low Jze Tieng
 Jessica.low @midf.com.my
 03-21738391

INVESTMENT STATISTICS

FYE Dec	FY17A	FY18A	FY19A	FY20F	FY21F
Revenue	2155	2044	2909	1824	1765
Core EBIT	499	320.3	504	151	155
Core PBT	435	260.7	418	228	215
Net Income	280	280.3	224	173	164
Core Net Income	276	124.6	257	173	164
EPS (sen)	6.17	6.2	4.9	3.82	3.61
Core EPS (sen)	6.09	2.7	6.6	3.82	3.61
Net DPS (sen)	1.00	0.0	0.0	1.07	1.01
Net Dvd Yield	1.6%	0.0%	0.0%	1.7%	1.6%
Core PER	10.1	22.4	9.3	16.1	17.1
NTA/share (RM)	1.38	1.43	1.47	1.50	1.52
P/NTA	0.44	0.43	0.42	0.41	0.40
Core ROE	4.0%	1.8%	3.5%	2.3%	2.2%
Core ROA	1.9%	0.9%	1.9%	1.3%	1.2%

Source: Company, MIDFR

UEMS: 4QFY19 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	4QFY19	%YoY	%QoQ	FY19	%YoY
Revenue	1162.0	54.4%	254.7%	2,909.5	42.3%
Core EBIT	243.1	98.7%	237.2%	504.3	57.4%
Core PBT	245.0	106.4%	401.8%	417.8	60.3%
Net Income	126.2	528.7%	365.9%	223.8	-20.2%
Core Net Income	165.2	141.0%	524.2%	257.0	106.2%
EPS (sen)	2.78	528.7%	365.9%	4.9	-20.2%
Core EPS (sen)	3.64	141.0%	524.2%	6.6	140.0%
Net DPS (sen)	0.0	NA	NA	0.0	NA
NTA/share (RM)	1.47	3%	2%	1.5	3%
Net Gearing (x)	0.32	NA	NA	0.3	NA
Core EBIT Margin	20.9%	NA	NA	17.3%	NA
Core PBT Margin	21.1%	NA	NA	14.4%	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 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
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	58%
Target Price (RM)	0.91

Source: MIDFR

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad 197501002077 (23878-X).
 (Bank Pelaburan)
 (A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (23878-X). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This document may not be reproduced, distributed or published in any form or for any purpose.

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.