Corporate Update | Friday, 05 August 2022

UEM Sunrise Berhad

(5148 | UEMS MK) Property| Property

Land acquisition in Klang Valley

Maintain **NEUTRAL**

Unchanged **Target Price: RM0.34**

KEY INVESTMENT HIGHLIGHTS

- **Land acquisition in Klang Valley**
- **Rebalancing landbank portfolio**
- **Muted earnings impact**
- **Earnings estimates maintained**
- **Maintain NEUTRAL with an unchanged TP of RM0.34**

Land acquisition in Klang Valley. UEM Sunrise (UEMS) announced that its indirect wholly-owned subsidiary, Lucky Bright Start Snd Bhd has on 4th August entered into a Sale and Purchase Agreement (SPA) with Nipponkey Sdn Bhd (Nipponkey) for acquisition of a parcel of freehold land situated at Jalan Sultan Yahya Petra (formerly known as Jalan Semarak) KL for a total purchase consideration of RM384m. The land measures approximately 25,854 square metres or 6.39 acres. The land acquisition is expected to be completed in 2HCY23.

Rebalancing landbank portfolio. The total purchase consideration of RM384m will be satisfied in cash of RM235.8m and in-kind of RM148.2m. As part of the settlement of the purchase price via in-kind consideration, Nipponkey has entered into disposal and land transfer agreements with UEMS for land parcels totaling a net area of 107.82 acres located in Gerbang Nusajaya, Johor. We are neutral on the land acquisition and transfer of land as it is in line with UEMS strategy of rebalancing landbank portfolio. Meanwhile, the proposed development on the land at Jalan Sultan Yahya Petra is expected to have an estimated GDV of RM1.5b with development order (DO) obtained for development of shopping complex, hotel and serviced apartment. Land cost to GDV ratio of 25.6% deemed reasonable considering the prime location of the land in KL.

Muted earnings impact. The purchase consideration is expected to be funded via internal cash and bank borrowings. The land acquisition is expected to lift net gearing of UEMS marginally to 0.54x from 0.5x as of 1QFY22. Meanwhile, earnings impact from the land acquisition is muted as project on the land is expected to launch in 2024 with development period of 4 years. Hence, we make no changes to our earnings forecast for FY22/23.

Maintain NEUTRAL with an unchanged TP of RM0.34. We make no changes to our RNAV valuation, pending completion of the land acquisition. Our **TP** is unchanged at **RM0.34**, based on 84% discount to RNAV. We are maintaining our **NEUTRAL** call on UEM Sunrise as we see tepid new sales outlook and lack of catalyst for UEMS.

RETURN STATISTICS	
Price @ 4 Aug 2022 (RM)	0.31
Expected share price return (%)	9.7
Expected dividend yield (%)	0.0
Expected total return (%)	**9.7**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-1.6	-6.0
3 months	-1.6	-5.8
12 months	-15.3	-15.9

KEY STATISTICS	
FBM KLCI	1,507.71
Syariah compliant	Yes
F4BGM Index	Yes
ESG Grading Band (Star rating)	☆☆☆
Issue shares (m)	4,960.28
Estimated free float (%)	20.16
Market Capitalisation (RM'm)	1,542
52-wk price range (RM)	RM0.3 - RM0.42
Beta vs FBM KLCI (x)	1.16
Monthly velocity (%)	6.78
Monthly volatility (%)	20.63
3-mth average daily volume (m)	0.93
3-mth average daily value (RM'm)	0.29
Top Shareholders (%)	
Khazanah Nasional Bhd	69.56
Urusharta Jamaah Sdn Bhd	6.24

Analyst(s)
Jessica Low Jze Tieng
Jessica.low @midf.com.my
03-21738391

Figure 1: Location of land



Source: Company

INVESTMENT STATISTICS

FYE Dec	FY19A	FY20A	FY21A	FY22F	FY23F
Revenue	2909.5	1211.2	1211.2	715.0	915.0
Core EBIT	504.3	445.7	445.7	58.6	61.3
Core PBT	417.8	314.0	314.0	30.7	59.5
Net Income/(Net Loss)	223.8	(214.3)	(214.3)	23.4	45.2
Core Net Income/(Core Net Loss)	257.0	(115.5)	(115.5)	23.4	45.2
EPS (sen)	4.9	(4.2)	(4.72)	0.51	1.00
Core EPS (sen)	6.6	(0.0)	(1.0)	0.51	1.00
Net DPS (sen)	0.0	0.0	0.00	0.00	0.00
Net Dvd Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Core PER	4.7	(1,357.4)	(31.3)	60.2	31.1
NTA/share (RM)	1.47	1.20	1.17	1.17	1.18
P/NTA	0.21	0.26	0.27	0.27	0.26
Core ROE	3.5%	-1.7%	-1.7%	0.3%	0.7%
Core ROA	1.9%	-0.9%	-0.9%	0.2%	0.3%

Source: Company, MIDFR

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%	1467.5	10%	106.76
Nusa Idaman	Iskandar Puteri	100%	440.9	10%	70.98
Nusa Bayu	Iskandar Puteri	100%	440.9	10%	31.61
Almas, Puteri Harbour	Iskandar Puteri	100%	1776.9	10%	129.27
Estuari, Puteri Harbour	Iskandar Puteri	100%	3373.7	10%	224.81
Aspira LakeHomes, Gerbang Nusajaya	Iskandar Puteri	100%	256.1	10%	19.49
Aspira Square	Iskandar Puteri	100%	8.6	10%	0.69
Aspira Gardens (Cassia)	Iskandar Puteri	100%	73.9	10%	5.38
Senadi Hills	Iskandar Puteri	100%	294.7	10%	18.81
Mall of Medini	Iskandar Puteri	55%	2097.0	10%	73.64
Horizon Hills	Iskandar Puteri	50%	1685.3	10%	67.13
Emerald Bay	Iskandar Puteri	40%	3075.8	10%	89.50
Nusajaya Tech Park	Iskandar Puteri	40%	3158.0	10%	84.17
The Maris, Desaru	Johor	51%	2852.3	10%	9.11
Serene Heights	Selangor	100%	3067.0	10%	204.37
Solaris Parq	Kuala Lumpur	100%	1999.9	10%	139.19
Radia Bukit Jelutong	Selangor	50%	1013.9	10%	38.58
Kiara Bay, Kepong	Kuala Lumpur	50%	14348.2	10%	310.76
Seremban Forest Heights	Negeri Sembilan	50%	1547.2	10%	51.55
Pipeline projects					
Gerbang Nusajaya	Iskandar Puteri	100%	25902.6	10%	1205.74
Gerbang Nusantara	Iskandar Puteri	100%	485.2	10%	33.77
Residential South	Iskandar Puteri	80%	2827.4	10%	143.12
The Waves (CS3) - Puteri Harbour	Iskandar Puteri	50%	1201.0	10%	37.99
Gerbang Nusajaya - Mulpha JV (UEMS Land)	Iskandar Puteri	50%	2771.0	10%	83.93
Gerbang Nusajaya - Mulpha JV (Mulpha Land)	Iskandar Puteri	50%	2586.3	10%	71.21

Gerbang Nusajaya - KLK	Iskandar Puteri	40%	5000.0	10%	102.56
Gerbang Nusajaya - Fastrackcity	Iskandar Puteri	30%	3700.0	10%	56.16
Fraser Metropolis	Johor	60%	15000.0	10%	346.23
Equine Land, Sri Kembangan	Selangor	100%	722.3	10%	41.55
Angkasa Raya	Kuala Lumpur	100%	1903.6	10%	114.45
MK 31	Kuala Lumpur	100%	742.0	10%	44.95
Allevia	Kuala Lumpur	100%	541.8	10%	35.83
PJ Land	Kuala Lumpur	100%	1300.0	10%	65.08
Connought Land	Kuala Lumpur	100%	1000.0	10%	69.60
Unbilled Sales		100%	1700	10%	120.35
Total					4,248.32
Shareholder Funds					7,047.13
Total RNAV					11,295.4
FD number of shares					5,329.95
FD RNAV per share					2.12
Discount					84%
Target Price (RM)					0.34

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 *rise* 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 *fall* 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.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology