UEM Sunrise

(5148 | UEMS MK) Main | Property

Maintain **NEUTRAL**

Received a lawsuit from Nipponkey Sdn Bhd

Unchanged **Target Price: RM0.25**

DEVELOPMENT

- UEM Sunrise announced that three subsidiaries of UEM Sunrise, namely Lucky Bright Star Sdn Bhd, Nusajaya Rise Sdn Bhd and Symphony Hills Sdn Bhd had on 8 March 2023 received a Writ of Summons together with a Statement of Claim dated 2 March 2023 filed by Nipponkey Sdn Bhd ("Plaintiff"). The Writ of Summons was due to an alleged breach of land deal, which has been terminated on 7 February 2023 due to non-fulfilment of conditions precedent by the expiry of the respective conditional periods.

OUR VIEW

- **Background of the land deal.** Recall that on 4th August 2022, UEM Sunrise 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 is measuring approximately 25,854 square metres or 6.39 acres. 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.
- **Land deal was called off in February 2023.** Subsequently, UEM Sunrise on 7th February 2023 announced that the land deal is called off due to conditions precedent under the agreement were not completed within the conditional time.
- **We are neutral** on the latest development pending outcome of the court case. UEM Sunrise is seeking legal advice from its solicitors and will take the necessary steps to defend the action. Earnings impact will be depending on the outcome of the court case and limited to the amount awarded by the court. However, any financial losses from the court case will be excluded in our core net income forecast.
- **We maintain TP for UEM Sunrise at RM0.25,** based on 88% discount to RNAV. We remain Neutral on UEM Sunrise due to limited catalyst in the near-term.

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INVESTMENT STATISTICS

FYE Dec	FY20A	FY21A	FY22A	FY23F	FY24F
Revenue	1136.9	1211.2	1473.4	1337.0	1425.0
Core EBIT	(29.8)	445.7	245.1	89.6	1520.5
Core PBT	(103.6)	314.0	126.8	78.9	88.4
Net Income/(Net Loss)	(276.7)	(214.3)	80.5	60.0	67.1
Core Net Income/(Core Net Loss)	(183.5)	(115.5)	74.6	60.0	67.1
EPS (sen)	(4.5)	(4.72)	1.6	1.32	1.48
Core EPS (sen)	(2.4)	(1.0)	1.4	1.32	1.48
Net DPS (sen)	0.0	0.00	0.50	0.50	0.50
Net Dvd Yield	0.0%	0.0%	1.9%	1.9%	1.9%
Core PER	(10.9)	(26.8)	18.3	20.1	17.9
NTA/share (RM)	1.20	1.17	1.22	1.22	1.24
P/NTA	0.22	0.23	0.22	0.22	0.21
Core ROE	-2.7%	-1.7%	1.1%	0.9%	1.0%
Core ROA	-1.4%	-0.9%	0.6%	0.5%	0.5%

Source: Company, MIDFR

SHARE 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 *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