



Company report

UEM SUNRISE

(UEMS MK EQUITY, ULHB.KL)

8 June 2021

Acquires Taman Connaught land for RM197mil

HOLD

(Maintained)

Lee Ching Poh

ching-poh.lee@ambankgroup.com

03-20362300

Rationale for report: Company update

Price RM0.42
Fair Value RM0.43
 52-week High/Low RM0.58/RM0.36

Key Changes

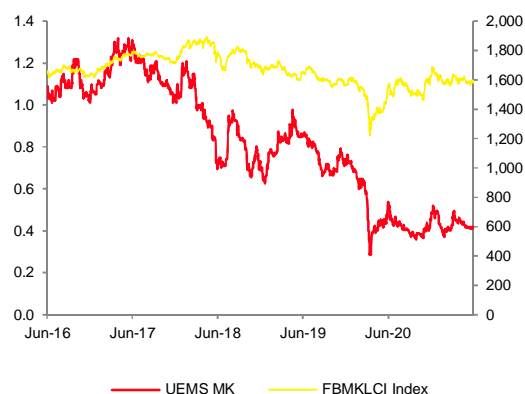
Fair value ⇄
 EPS ↓

YE to Dec	FY20	FY21F	FY22F	FY23F
Revenue (RM mil)	1,136.9	1,494.7	2,028.8	2,088.6
Core net profit (RM mil)	(239.0)	64.2	89.1	110.2
FD Core EPS (sen)	(3.6)	1.3	1.8	2.2
FD Core EPS growth (%)	(165.4)	(135.3)	38.8	23.7
Consensus Net Profit (RM mil)	-	61.1	89.6	114.8
DPS (sen)	-	-	-	-
PE (x)	nm	32.3	23.3	19.1
EV/EBITDA (x)	2,390.2	22.6	17.0	15.6
Div yield (%)	-	-	-	-
ROE (%)	(4.7)	0.9	1.3	1.5
Net Gearing (%)	43.6	43.3	44.4	43.3

Stock and Financial Data

Shares Outstanding (million)	5,058.5
Market Cap (RM mil)	2,124.6
Book Value (RM/share)	1.36
P/BV (x)	0.3
ROE (%)	(4.7)
Net Gearing (%)	43.6
Major Shareholders	Khazanah Nasional (69.6%) Urusharta Jamaah Sdn Bhd (6.3%) EPF (4.2%)
Free Float	24.1
Avg Daily Value (RM mil)	2.0

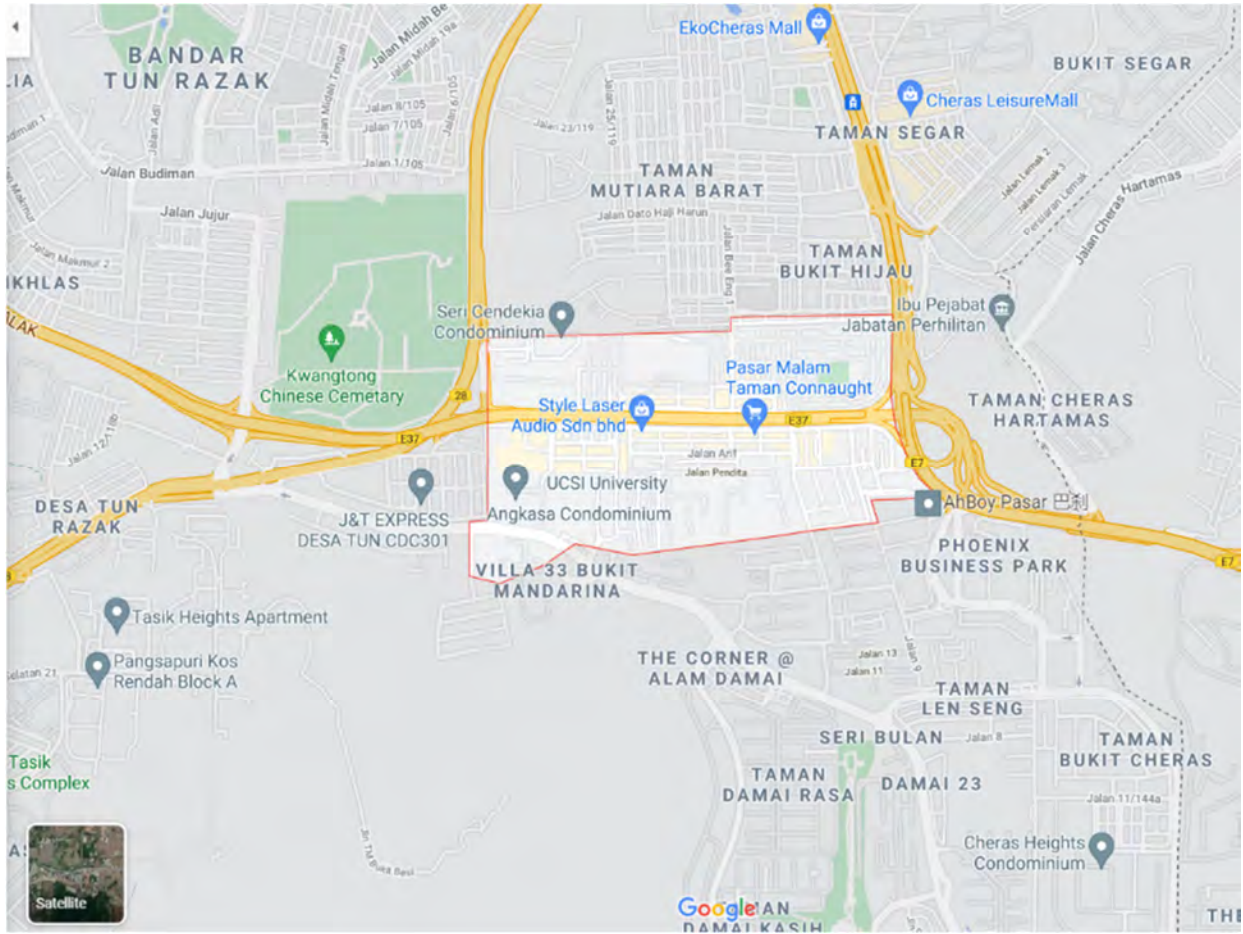
Price performance	3mth	6mth	12mth
Absolute (%)	(2.3)	(6.7)	(18.4)
Relative (%)	(1.0)	(4.0)	(19.6)



Investment Highlights

- We maintain our HOLD call on UEM Sunrise (UEMS) with an unchanged fair value of RM0.43/share based on a 60% discount to its RNAV and a neutral ESG rating of 3 stars (Exhibits 2 & 3).
- Notwithstanding the latest land addition which will add RM17mil to our RNAV, we cut our FY21–FY23F earnings forecast by 16%, 7% and 6% respectively to reflect slower progress billing and construction progress as full MCO restrictions currently could dampen 2H sales as well as slower recovery in its property investment and hotel operation.
- In its second land deal of the year after the acquisition of the Dutch Lady land in PJ in March, UEMS acquired a 6.9-acre parcel of freehold land in Taman Connaught, Cheras from Accolade Land Sdn Bhd for RM197mil cash. The land is directly connected to the Cheras-Kajang Highway, Jalan Cheras and a short drive to the Middle Ring Road 2 (MRR2).
- The acquisition price translates to RM659 psf and implies a cost-to-gross development value (GDV) ratio of 20%, which is at the high end of the 10%–20% range for mixed development in Klang Valley. Based on our channel checks, the asking price within Cheras for leasehold commercial land larger than 4 acres has a wide range of RM378 psf to RM885 psf.
- UEMS plans to develop 1.8mil sq ft of various types of products with an indicative GDV of RM1bil, aimed at young homeowners looking for residences with immediate accessibility into the city centre. The project, slated for a two-phase launch, is scheduled to launch its first phase in 2H2022.
- We are positive on the development given its strategic location with readily available public transportation infrastructure via the Taman Connaught MRT station. It is also a 15-minute drive to KLCC. With amenities nearby including Pantai Hospital Cheras and UCSI University (Exhibit 1), we believe this project will garner strong residential and retail interest from the convergence of convenience and accessibility.
- Nevertheless, the company's short-term outlook remains uncertain as potentially longer lockdowns amid local Covid-19 development could lead to a slow earnings recovery from 1QFY21 loss of RM4mil.
- Currently, UEMS' valuation is excessive at FY22F PE of 23x vs. an average FY22F PE of 12x for property stocks under our coverage.

EXHIBIT 1: LOCATION MAP OF TAMAN CONNAUGHT



Source: AmInvestment Bank Bhd, Google Map

EXHIBIT 2: RNAV CALCULATIONS

DEVELOPMENT PROPERTIES	Outstanding GDV (RMmil)	NPV @12% (RMmil)	Stake	JV PROJECTS - ON-GOING	Outstanding GDV (RMmil)	NPV @12% (RMmil)	Stake				
Southern Region				Southern Region				SUMMARY	NAV (RM mil)		
East Ledang	1,684.2	35.5	100%	Mall of Medini	2,097.0	10.5	55%			Development Projects	1,237.6
Nusa Idaman	932.8	19.7	100%	Horizon Hills	1,685.3	7.0	50%			JV Projects	235.7
Nusa Bayu	447.4	9.4	100%	Emerald Bay	3,075.8	8.1	40%			NTA	6,901.6
Teega	37.4	0.7	100%	Nusajaya Tech Park	3,158.0	8.4	40%			Net cash / (debt)	(3,007.1)
Almas, Puteri Harbour	1,385.5	29.2	100%	The Maris, Desaru	2,852.3	12.3	51%			Total RNAV	5,367.8
Estuari, Puteri Harbour	3,850.6	73.7	100%	Central Region						Less 60% discount	(3,193.8)
Aspira LakeHomes, Gerbang Nusajaya	223.3	4.7	100%	Southern						Fair value	2,174.0
68 Avenue	13.5	0.3	100%	Seremban Forest Heights	1,547.2	6.4	50%			FD no of shares (mil)	5,058.5
Aspira Square	8.5	0.2	100%	Radia Bukit Jelutong	1,013.4	4.2	50%			Fair value/share (RM)	0.43
Aspira Gardens (Cassia)	73.3	1.5	100%	JV PROJECTS - PIPELINE						(+) no adjustment for 3-star ESG rating	0.00
Senadi Hills	205.7	3.9	100%	Southern						Fair value/share (RM)+ ESG Neutral	0.43
Central Region				Southern							
Serene Heights Bangi	3,010.7	63.5	100%	Residential South	2,827.4	33.3	80%				
KAIA Heights	483.9	9.3	100%	The Waves (CS3) - Puteri Harbour	1,201.0	5.5	50%				
Solaris Parq, Dutamas	1,656.2	34.9	100%	Gerbang Nusajaya - Mulpha JV (UEMS Land)	2,771.0	12.7	50%				
Kiara Bay, Kepong @50%	16,705.2	320.3	100%	Gerbang Nusajaya - Mulpha JV (Mulpha Land)	2,586.3	11.9	50%				
Taman Connaught	1,000.0	17.3	100%	Gerbang Nusajaya - KLK	5,000.0	14.7	40%				
PIPELINE PROJECTS				Central Region							
Southern Region				Southern							
Gerbang Nusajaya	25,898.1	495.5	100%	Gerbang Nusajaya - Fastrackcity	3,700.0	6.1	30%				
Gerbang Nusantara	485.2	10.2	100%	Fraser Metropolis	15,000.0	94.6	60%				
Central Region				Total							
Equine Land, Sri Kembangan	722.3	15.2	100%	Outstanding GDV (RMmil)	48,514.7	235.7					
Angkasa Raya	1,903.6	40.1	100%								
MK 31	742.0	15.6	100%								
Allevia	541.8	11.4	100%								
Dutch Lady, PJ	1,300.0	25.2	100%								
Total	63,311.3	1,237.6									

Source: AmlInvestment Bank Bhd

EXHIBIT 3: ESG RATING

Overall	★	★	★	★	★
Eco-landscaping	★	★	★	★	
Progress of digitalization	★	★	★		
Employee welfare	★	★	★		
Corporate social responsibility	★	★	★	★	
Strategic direction	★	★	★		
Gender diversity	★	★	★	★	
Earnings sustainability	★	★	★		
Accessibility & transparency	★	★	★	★	

We accord a discount/premium of -6%, -3%, 0%, +3% and +6% on fundamental fair value based on the overall ESG rating as appraised by us, from 1-star to 5-star

Source: AmlInvestment Bank Bhd

EXHIBIT 4: PB BAND CHART



EXHIBIT 5: PE BAND CHART

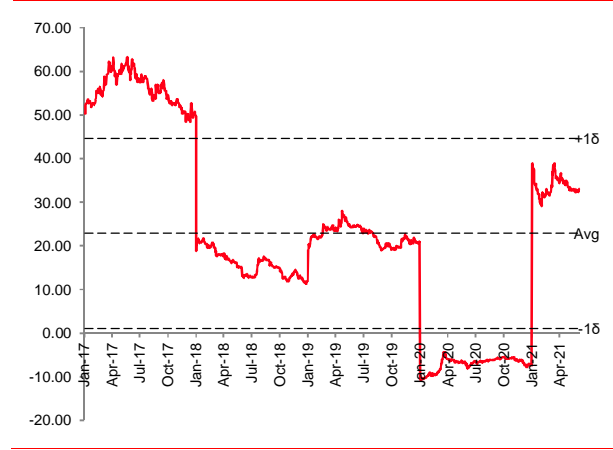


EXHIBIT 6: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY19	FY20	FY21F	FY22F	FY23F
Revenue	2,909.5	1,136.9	1,494.7	2,028.8	2,088.6
EBITDA	471.0	2.1	227.2	308.4	334.2
Depreciation/Amortisation	(47.1)	(57.0)	(59.9)	(81.3)	(83.7)
Operating income (EBIT)	423.9	(54.8)	167.3	227.1	250.5
Other income & associates	20.3	(64.7)	8.2	14.4	26.8
Net interest	(106.8)	(132.9)	(87.3)	(118.5)	(122.0)
Exceptional items	(54.6)	(95.3)	-	-	-
Pretax profit	337.4	(252.3)	88.2	122.9	155.3
Taxation	(161.9)	(81.4)	(22.9)	(30.7)	(37.3)
Minorities/pref dividends	1.1	(0.6)	(1.0)	(3.1)	(7.8)
Net profit	176.7	(334.3)	64.2	89.1	110.2
Core net profit	231.2	(239.0)	64.2	89.1	110.2
Balance Sheet (RMmil, YE 31 Dec)	FY19	FY20	FY21F	FY22F	FY23F
Fixed assets	456.1	478.6	502.5	527.7	554.1
Intangible assets	621.4	621.4	621.4	621.4	621.4
Other long-term assets	8,632.5	8,738.8	8,532.8	8,320.6	8,320.6
Total non-current assets	9,710.0	9,838.8	9,656.8	9,469.7	9,496.1
Cash & equivalent	1,057.5	1,086.3	835.9	846.6	859.8
Stock	954.8	580.5	536.9	657.0	735.0
Trade debtors	641.7	494.3	489.8	773.4	740.3
Other current assets	1,106.9	1,480.0	1,750.3	2,189.2	2,238.4
Total current assets	3,760.9	3,641.1	3,612.8	4,466.3	4,573.5
Trade creditors	1,069.2	1,007.0	538.1	730.4	751.9
Short-term borrowings	1,049.0	1,493.1	1,044.9	1,058.2	1,074.8
Other current liabilities	340.8	234.8	240.8	249.7	250.7
Total current liabilities	2,458.9	2,734.9	1,823.7	2,038.3	2,077.4
Long-term borrowings	2,337.9	2,600.3	2,810.5	2,920.1	2,889.2
Other long-term liabilities	919.6	774.1	1,053.0	1,085.8	1,076.5
Total long-term liabilities	3,257.5	3,374.4	3,863.5	4,005.9	3,965.7
Shareholders' funds	7,286.2	6,901.6	6,965.8	7,054.9	7,165.0
Minority interests	468.3	469.0	616.6	836.9	861.6
BV/share (RM)	1.44	1.36	1.38	1.39	1.42
Cash Flow (RMmil, YE 31 Dec)	FY19	FY20	FY21F	FY22F	FY23F
Pretax profit	337.4	(252.3)	88.2	122.9	155.3
Depreciation/Amortisation	47.1	57.0	59.9	81.3	83.7
Net change in working capital	1,855.7	(19.5)	(685.1)	(641.5)	(71.5)
Others	(580.0)	125.1	348.2	137.9	(113.4)
Cash flow from operations	1,660.2	(89.8)	(188.9)	(299.4)	54.1
Capital expenditure	(35.9)	(16.8)	(23.9)	(25.1)	(26.4)
Net investments & sale of fixed assets	-	(28.3)	-	-	-
Others	(183.8)	(251.9)	206.0	212.2	-
Cash flow from investing	(219.7)	(297.0)	182.1	187.1	(26.4)
Debt raised/(repaid)	(1,266.1)	697.7	(238.1)	123.0	(14.4)
Equity raised/(repaid)	-	(148.0)	-	-	-
Dividends paid	-	-	-	-	-
Others	(195.2)	(172.9)	-	-	-
Cash flow from financing	(1,461.3)	376.9	(238.1)	123.0	(14.4)
Net cash flow	(20.8)	(9.9)	(244.8)	10.7	13.2
Net cash/(debt) b/f	1,076.9	1,056.7	1,080.7	835.9	846.6
Net cash/(debt) c/f	1,056.7	1,080.7	835.9	846.6	859.8
Key Ratios (YE 31 Dec)	FY19	FY20	FY21F	FY22F	FY23F
Revenue growth (%)	42.3	(60.9)	31.5	35.7	2.9
EBITDA growth (%)	(13.9)	(99.5)	10,482.0	35.7	8.4
Pretax margin (%)	11.6	(22.2)	5.9	6.1	7.4
Net profit margin (%)	6.1	(29.4)	4.3	4.4	5.3
Interest cover (x)	4.0	(41.3%)	1.9	1.9	2.1
Effective tax rate (%)	48.0	32.3	26.0	25.0	24.0
Dividend payout (%)	-	nm	-	-	-
Debtors turnover (days)	81	159	120	139	129
Stock turnover (days)	142	246	136	107	122
Creditors turnover (days)	120	333	189	114	130

Source: Company, AmInvestment Bank Bhd estimates

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