



UEM Sunrise (UEMS MK) : HOLD

Mkt. Cap: US\$1,093m | **3m Avg. Daily Val:** US\$0.78m

Last Traded Price (13 Apr 2018): RM0.94

Price Target 12-mth: RM1.05 (12% upside) (Prev RM1.05)

Shariah Compliant: Yes

Analyst

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Expanding land bank in KL

- Proposed JV to develop 72.73 acres of land in Kepong
- RM15bn gross development value over 15 years but development may not commence in the near term
- Maintain Hold and RM1.05 TP

Forecasts and Valuation

FY Dec (RMm)	2017A	2018F	2019F	2020F
Revenue	2,903	2,706	3,023	1,104
EBITDA	350	292	373	221
Pre-tax Profit	439	386	284	144
Net Profit	280	268	197	98.5
Net Pft (Pre Ex.)	106	121	197	98.5
Net Pft Gth (Pre-ex) (%)	(28.9)	14.7	62.8	(50.0)
EPS (sen)	6.17	5.91	4.34	2.17
EPS Pre Ex. (sen)	2.33	2.67	4.34	2.17
EPS Gth Pre Ex (%)	(29)	15	63	(50)
Diluted EPS (sen)	2.33	2.67	4.34	2.17
Net DPS (sen)	1.54	1.48	1.08	0.54
BV Per Share (sen)	156	160	163	164
PE (X)	15.1	15.8	21.5	43.1
PE Pre Ex. (X)	40.2	35.1	21.5	43.1
P/Cash Flow (X)	nm	5.5	6.4	2.4
EV/EBITDA (X)	22.5	25.1	18.5	24.1
Net Div Yield (%)	1.7	1.6	1.2	0.6
P/Book Value (X)	0.6	0.6	0.6	0.6
Net Debt/Equity (X)	0.4	0.4	0.3	0.1
ROAE (%)	4.0	3.7	2.7	1.3

Source of all data on this page: Company, AllianceDBS, Bloomberg Finance L.P.

What's New

UEM Sunrise (UEMS) announced that it has entered into a shareholders' subscription agreement to subscribe for 50%+1 share in Mega Legacy (M) Sdn Bhd (MLM) for RM279.3m to jointly develop a mixed development on a 72.73 acre site in Kepong, adjacent to the Kepong Metropolitan Park. Also, MLM has simultaneously entered into a proposed sale and purchase agreement (SPA) with Datuk Bandar Kuala Lumpur for the acquisition of the Kepong land for RM416.4m.

We estimate that UEMS' purchase consideration implies a land price of RM1.05bn or RM330psf after considering shareholders' advances, payment liability to contractors and purchase consideration payable to Datuk Bandar. This is in line with the independent land valuer's valuation of RM950m or RM300psf. Also, the vendor would have to construct two interchanges connecting the land to Middle Ring Road 2 (MRR2). The commercial land comes with a plot ratio of 1:6.

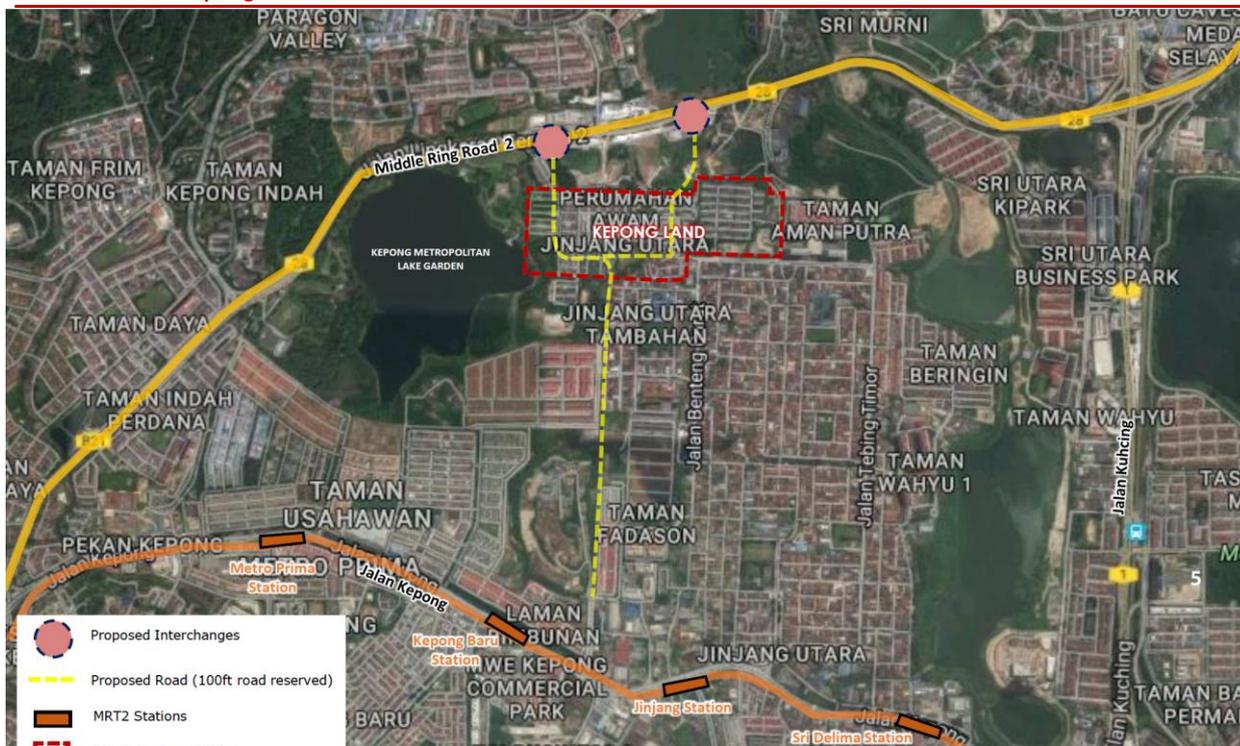
Although the land comes with a gross development value of RM15bn over 15 years, we believe that the project may not commence any time soon. At present, the land is occupied by mostly long-house residents who are being relocated in stages to the Project Perumahan Rakyat Seri Aman located next to the land as well as a small number of squatters.

Flash Note

While the land is located in the prime KL address, we are concerned of its proximity to the Taman Beringin waste transfer station which is less than 1km away. Also, the overwhelming demand for affordably priced development projects in Kepong over the past two years was mostly seen in projects located along the alignment of MRT Line 2 which have higher population density.

We reiterate our Hold rating with RM1.05 TP which is based on 70% discount to our RNAV. We believe stiff competition amid a challenging property market in Malaysia will affect its property sales.

Location of the Kepong land



Source: Company

Target Price & Ratings History



Note: Share price and Target price are adjusted for corporate actions.

S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	18 May 17	1.29	1.25	HOLD
2:	13 Jun 17	1.27	1.25	HOLD
3:	24 Aug 17	1.16	1.25	HOLD
4:	31 Oct 17	1.11	1.25	HOLD
5:	01 Nov 17	1.12	1.25	HOLD
6:	21 Nov 17	1.06	1.10	HOLD
7:	13 Dec 17	1.04	1.10	HOLD
8:	03 Jan 18	1.17	1.10	HOLD
9:	28 Feb 18	1.09	1.10	HOLD
10:	22 Mar 18	1.00	1.05	HOLD

Source: AllianceDBS

Analyst: QUAH He Wei, CFA

DISCLOSURE

Stock rating definitions

STRONG BUY	-	> 20% total return over the next 3 months, with identifiable share price catalysts within this time frame
BUY	-	> 15% total return over the next 12 months for small caps, >10% for large caps
HOLD	-	-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps
FULLY VALUED	-	negative total return > -10% over the next 12 months
SELL	-	negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame

Commonly used abbreviations

Adex = advertising expenditure	EPS = earnings per share	PBT = profit before tax
bn = billion	EV = enterprise value	P/B = price / book ratio
BV = book value	FCF = free cash flow	P/E = price / earnings ratio
CF = cash flow	FV = fair value	PEG = P/E ratio to growth ratio
CAGR = compounded annual growth rate	FY = financial year	q-o-q = quarter-on-quarter
Capex = capital expenditure	m = million	RM = Ringgit
CY = calendar year	M-o-m = month-on-month	ROA = return on assets
Div yld = dividend yield	NAV = net assets value	ROE = return on equity
DCF = discounted cash flow	NM = not meaningful	TP = target price
DDM = dividend discount model	NTA = net tangible assets	trn = trillion
DPS = dividend per share	NR = not rated	WACC = weighted average cost of capital
EBIT = earnings before interest & tax	p.a. = per annum	y-o-y = year-on-year
EBITDA = EBIT before depreciation and amortisation	PAT = profit after tax	YTD = year-to-date

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