

Flash Note



Refer to important disclosures at the end of this report

AllianceDBS Research, Malaysia Equity

29 Aug 2018

UEM Sunrise (UEMS MK) : HOLD

Mkt. Cap: US\$1,020m | 3m Avg. Daily Val: US\$0.31m

Last Traded Price (28 Aug 2018): RM0.92

Price Target 12-mth: RM0.95 (3% upside) (Prev RM0.95)

Shariah Compliant: Yes

Analyst

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Expecting a strong 2H18

- 2Q18 results met expectations
- RM664m property sales in 1H, on track to meet RM1.2bn sales target
- Lumpy recognition from Australian projects in 2H18
- Maintain HOLD and RM0.95 TP

Forecasts and Valuation

FY Dec (RMm)	2017A	2018F	2019F	2020F
Revenue	2,903	2,778	3,023	1,104
EBITDA	476	292	373	221
Pre-tax Profit	439	422	282	143
Net Profit	280	295	195	98.3
Net Pft (Pre Ex.)	231	121	195	98.3
Net Pft Gth (Pre-ex) (%)	55.8	(47.5)	61.2	(49.7)
EPS (sen)	6.17	6.51	4.31	2.17
EPS Pre Ex. (sen)	5.09	2.67	4.31	2.17
EPS Gth Pre Ex (%)	56	(48)	61	(50)
Diluted EPS (sen)	5.09	2.67	4.31	2.17
Net DPS (sen)	1.54	1.63	1.08	0.54
BV Per Share (sen)	156	161	163	165
PE (X)	14.9	14.1	21.4	42.5
PE Pre Ex. (X)	18.1	34.4	21.4	42.5
P/Cash Flow (X)	nm	5.9	5.8	2.4
EV/EBITDA (X)	16.4	25.1	18.3	23.8
Net Div Yield (%)	1.7	1.8	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	4.0	2.6	1.3

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

What's New

Within expectation: Excluding RM1m unrealised forex loss and RM200m land sales gain, UEM Sunrise (UEMS) reported a 2Q18 core profit of RM15m. This takes 1H core profit to RM37.9m, comprising 31% of our full-year estimate. Its 2H18 earnings are expected to pick up substantially as first separable parcels of Aurora Melbourne Central (AUD\$87m) and Conservatory (AUD\$320m) will be delivered by year end.

2Q18 revenue lifted by land sales. 2Q18 revenue came in at RM573m (+99% q-o-q, +97% y-o-y), largely due to RM370m land sales contribution. Meanwhile, property development revenue remained low at RM203m as the bulk of its projects such as Residensi Solaris Parq, Serimbun and Kiara Kasih are at the early stages.

RM310m property sales in 2Q18: UEEMS' 2Q18 property sales came in at RM310m (-13% q-o-q, +39% y-o-y), taking 1H18 property sales to RM664m (+69% y-o-y), of which 45% came from its projects in the central region. UEEMS' FY18 sales target stands at RM1.2bn while its launch pipeline remains at RM1bn. It is also actively working on selling its completed inventory of RM545m (as at end-2Q18) via various incentive schemes and campaigns which have shown some promising results.

Dependent on international projects. Unbilled sales stood at RM4.9bn as at end-Jun 2018, of which 75% (or RM3.7bn) came from its Australian projects. We expect RM1.2bn worth of revenue from Australia to be recognised in 2H18. Therefore, strong sales replenishment especially for its Malaysian projects is critical to sustain its earnings momentum.



Flash Note

Borrowings on an uptrend: UEMS's net gearing stood at 54% as at end-2Q18. We note that its borrowings have been on an uptrend over the past few quarters, suggesting high upfront outlays for its Australian projects. Nevertheless, we understand that its gearing level will remain manageable given the upcoming cash inflow from the completion of Australian projects as well as ongoing land divestments.

Maintain HOLD. We maintain our TP of RM0.95, based on a 70% discount to our RNAV. We reiterate our HOLD rating given the lack of catalysts due to the challenging conditions for the property market in Malaysia which may affect its property sales replenishment.

Quarterly / Interim Income Statement (RMm)

FY Dec	2Q2017	1Q2018	2Q2018	% chg yoy	% chg qoq
Revenue	291	288	573	97.1	99.3
Cost of Goods Sold	(294)	(251)	(459)	55.8	83.0
Gross Profit	(3.5)	37.1	115	nm	209.4
Other Oper. (Exp)/Inc	(5.8)	(6.7)	(6.7)	15.7	(0.1)
Operating Profit	(9.3)	30.4	108	(1,265.5)	255.8
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	nm	nm
Associates & JV Inc	6.06	10.3	(4.1)	nm	(140.1)
Net Interest (Exp)/Inc	(16.6)	(13.6)	(13.0)	21.8	4.4
Exceptional Gain/(Loss)	5.60	2.40	199	3,452.5	8,175.0
Pre-tax Profit	(14.2)	29.5	290	nm	882.5
Tax	4.93	(4.3)	(75.5)	(1,631.1)	1,658.9
Minority Interest	(0.5)	0.10	(0.3)	38.8	(419.8)
Net Profit	(9.8)	25.3	214	nm	745.5
Net profit bef Except.	(15.4)	22.9	15.0	nm	(34.3)
EBITDA	2.59	47.4	111	4,170.3	133.3
Margins (%)					
Gross Margins	(1.2)	12.9	20.0		
Opg Profit Margins	(3.2)	10.6	18.8		
Net Profit Margins	(3.4)	8.8	37.3		

Source of all data: Company, AllianceDBS

Target Price & Ratings History



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	31 Oct 17	1.11	1.25	HOLD
2:	01 Nov 17	1.12	1.25	HOLD
3:	21 Nov 17	1.06	1.10	HOLD
4:	13 Dec 17	1.04	1.10	HOLD
5:	03 Jan 18	1.17	1.10	HOLD
6:	28 Feb 18	1.09	1.10	HOLD
7:	22 Mar 18	1.00	1.05	HOLD
8:	16 Apr 18	0.95	1.05	HOLD
9:	23 May 18	0.85	0.95	HOLD
10:	12 Jun 18	0.74	0.95	HOLD

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

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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