

29 August 2019

UEM Sunrise Bhd

Broadly Within Expectations

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1H19 CNP of RM108.8m and corresponding sales of RM532m came broadly within expectations. No dividends were declared, as expected. Earnings estimates maintained but upgrade our call to OUTPERFORM with an unchanged TP of RM0.835.

Broadly within. 1H19 CNP* of RM108.8m accounted for 41% of street's full-year estimate and 31% of ours. However, we deem this as broadly within expectations as we have built in lumpy land sales in our estimates. 1H19 sales of RM532m are at 44% and 43% of management's (RM1.20b) and our (RM1.25b) respective FY19 targets. Again, we deem this as broadly in-line due to timing of new launches, which are mainly in 2H19. No dividends were declared, as expected.

Results' highlights. QoQ, 2Q19 CNP grew 148% primarily driven by its overseas project as they received partial settlements of Conservatory and Aurora, Melbourne. Its international projects makes up 76% of its 2Q19 revenue. despite having no land transactions this quarter. YoY, 1H19 revenue fell by 56% due to the absence of land sale gain compared to land sales gain of c.RM200.0m back in 1H18. Nonetheless, its net gearing eased to 0.43x compared to 0.57x in 1H18 thanks to management's relentless effort in disposing non-core assets coupled with active clearance of inventories which was lowered from RM695.3m to RM628.8m.

RM1.20b launches on track, management is looking to launch another RM0.9b worth of projects in 2H19 which we believe would help achieve our sales target of RM1.25b given that they are also actively clearing their completed inventories of RM719.6m (market value); but note that the bulk of new launches are in 4Q19. Net gearing is expected to drop to 0.40x by end-FY19 thanks to the divestments and remaining settlements of Aurora and Conservatory. In terms of land banking, the group is looking towards niche parcels of land with quick turnaround time span in matured areas.

No changes to earnings. Unbilled sales of RM2.6b provide close to 2-year earnings visibility.

Upgrade to OUTPERFORM with an unchanged TP of RM0.835. Our TP is based on an unchanged 81% discount (trough levels) to its FD SoP of RM4.45 which is the steepest discount ascribed for property developers under our coverage.

Risks to our call include: (i) weaker-than-expected property sales, (ii) margin fluctuations, (iii) changes in real estate policies, and (iv) changes in lending environment.

OUTPERFORM

Price : RM0.660
Target Price : RM0.835 

Share Price Performance



KLCI	1,589.82
YTD KLCI chg	-6.0%
YTD stock price chg	-0.8%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	UEMS MK EQUITY
Market Cap (RM m)	2,994.7
Shares Outstanding	4,537.4
52-week range (H)	1.02
52-week range (L)	0.62
3-mth avg daily vol:	1,398,687
Free Float	21%
Beta	1.5

Major Shareholders

Khazanah Nasional Bhd	66.1%
Urusharta Jamaah Sdn Bhd	7.7%
Employee Provident Fund Board	5.1%

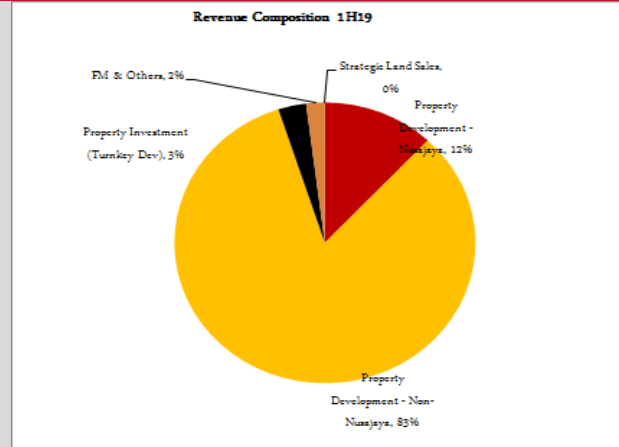
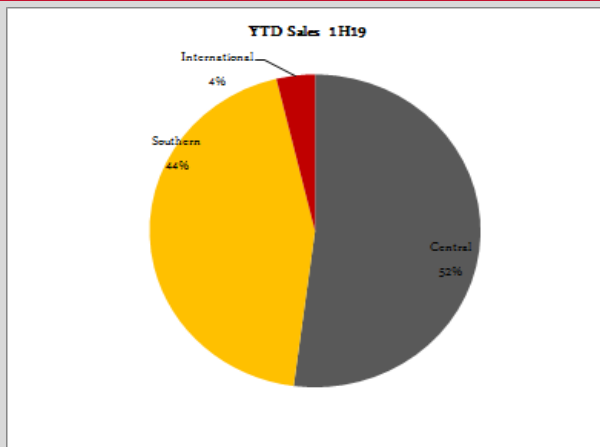
Summary Earnings Table

FYE Dec (RM m)	2018A	2019E	2020E
Turnover	2,044	2,800	2,401
EBIT	520	588	486
PBT	416	533	397
Net Profit (NP)	272	346	283
Core NP	326	346	283
Consensus (CNP)	N.A.	263.0	200.1
Earnings Revision	N.A.	0%	0%
Core EPS (sen)	7.2	7.6	6.2
EPS growth (%)	236%	6%	-18%
NDPS (sen)	0.0	1.0	1.0
NTA/Share (RM)	1.43	1.49	1.55
Core PER (x)	9.2	8.7	10.6
Price/NTA (x)	0.5	0.4	0.4
Net Gearing (x)	0.51	0.40	0.36
Dividend Yield (%)	0.0%	1.5%	1.5%

*CNP excludes unrealized FOREX losses/gains, gain/loss on disposal of non-property assets, FV adjustments, inventory impairments,



1H19 Sales and Revenue Composition



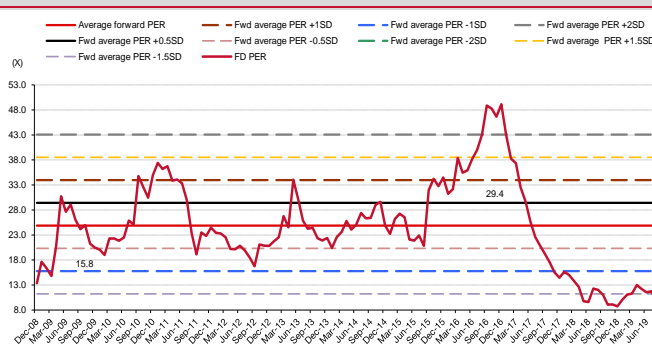
Source: Company, Kenanga Research

Results Highlights

FYE: 31st Dec (RMM)	2Q19	1Q19	QoQ	2Q18	YoY	1H19	1H18	YoY
Revenue	1,000.6	419.3	139%	573.4	75%	1,419.8	861.1	65%
Op costs w/o depn/amort	(845.6)	(346.9)	144%	(255.6)	231%	(1,192.5)	(507.3)	135%
Other Op Income	13.1	14.6	-10%	16.0	-18%	27.8	33.5	-17%
EBITDA	168.1	87.0	93%	333.7	-50%	255.1	387.2	-34%
EBIT	156.5	76.1	106%	327.0	-52%	232.6	373.8	-38%
Net interest	(31.3)	(25.8)	21%	(22.7)	38%	(57.1)	(45.1)	27%
Associate + JCE	(1.2)	(6.8)	-83%	(4.1)	-71%	(8.0)	6.2	-230%
FV, One-offs, Non-Cash	(37.2)	(1.2)	3045%	(10.6)	252%	(38.4)	(15.8)	143%
Pretax profit	86.8	42.2	106%	289.6	-70%	129.0	319.1	-60%
Taxation	(46.6)	(11.9)	291%	(75.5)	-38%	(58.5)	(79.8)	-27%
Minority Interests	0.1	(0.2)	-38%	(8.3)	-98%	(0.1)	(8.2)	-99%
Core net profit (incl. Land Sales)	77.6	31.3	148%	216.4	-64%	108.8	246.9	-56%
EPS (sen)	0.9	0.7		4.5		1.6	5.1	
Diluted EPS (sen)	0.8	0.6		4.0		1.4	4.5	
DPS (sen)	0.0	0.0		0.0		0.0	0.0	
Net gearing/(cash) (x)	0.43	0.49		0.57		0.43	0.57	
EBIT margin	16.8%	20.7%		58.2%		18.0%	45.0%	
Pretax margin	8.7%	10.1%		50.5%		11.8%	38.9%	
Effective tax rate	-52.9%	-24.3%		-25.7%		-45.3%	-25.0%	

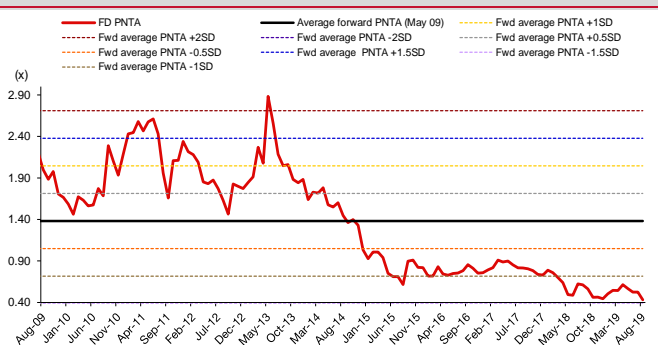
Source: Company, Kenanga Research

Fwd Core PER Band



Source: Bloomberg, Kenanga Research

Fwd PBV Band



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Peer Comparison

Name	Last Price	Market Cap (RM'm)	Shariah Compliant	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)		Net Div.Yld. (%)	Target Price (RM)	Rating
	(RM)				1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.		
PROPERTY DEVELOPERS UNDER COVERAGE																		
AMVERTON BHD	1.08	394.3	Y	12/2019	-0.7%	3.4%	-58.8%	7.3%	16.5	40.0	37.3	0.6	0.5	1.4%	0.0%	1.00	UP	
ECO WORLD DEVELOPMENT GROUP	0.700	2,061.1	Y	10/2019	-4.4%	-18.3%	9.5%	18.8%	12.4	11.4	9.6	0.5	0.4	4.8%	1.3%	1.15	OP	
HUA YANG BHD	0.325	114.4	Y	03/2020	-11.0%	-1.2%	153.2%	-11.8%	N.A.	13.9	15.8	0.2	0.2	1.4%	0.0%	0.335	UP	
IOI PROPERTIES GROUP BHD	1.18	6,497.3	Y	06/2019	-15.0%	-6.0%	2.2%	-5.3%	9.8	9.6	10.1	0.4	0.3	3.6%	4.2%	1.65	OP	
LBS BINA GROUP BHD	0.540	841.6	Y	12/2019	31.3%	0.9%	7.9%	-7.2%	9.9	9.2	9.9	0.6	0.5	6.6%	3.3%	0.495	MP	
MAGNA PRIMA BHD	1.15	382.5	Y	12/2019	-5.6%	28.8%	-572.6%	-139.5%	N.A.	N.A.	N.A.	0.7	0.7	-2.0%	0.0%	0.710	UP	
MAH SING GROUP BHD	0.860	2,087.8	Y	12/2019	4.5%	7.0%	-4.3%	-0.3%	12.7	13.3	13.3	0.6	0.6	5.2%	4.7%	1.05	OP	
MALAYSIAN RESOURCES CORP BHD	0.710	3,132.6	Y	12/2019	-41.9%	70.5%	-95.3%	2791.2%	41.3	882.2	30.5	0.6	0.6	1.2%	0.0%	0.700	UP	
SIME DARBY PROPERTY BHD	0.800	5,440.7	Y	12/2019	127.9%	3.9%	7861.6%	-2.3%	778.4	9.8	10.0	0.6	0.6	5.9%	4.1%	1.10	OP	
SP SETIA BHD	1.53	6,185.0	Y	12/2019	5.5%	24.3%	27.2%	46.0%	28.1	22.2	15.1	0.4	0.4	1.9%	4.6%	1.85	MP	
SUNSURIA BHD	0.730	654.0	Y	09/2019	-2.7%	7.3%	-4.0%	4.8%	4.9	5.1	4.9	0.7	0.7	14.5%	0.0%	0.760	MP	
SUNWAY BHD	1.61	7,851.6	Y	12/2019	-2.7%	12.5%	-8.5%	10.6%	13.4	14.7	13.3	0.9	0.9	6.3%	3.6%	1.60	MP	
UEM SUNRISE BHD	0.660	2,994.7	Y	12/2019	37.0%	-14.3%	5.9%	-18.1%	9.2	8.7	10.6	0.5	0.4	4.8%	1.5%	0.835	OP	
UOA DEVELOPMENT BHD	2.03	3,991.0	Y	12/2019	0.6%	-0.4%	4.4%	0.8%	11.2	10.8	10.7	0.8	0.8	7.4%	6.9%	2.15	MP	
Simple Average					8.8%	8.5%	523.5%	192.5%	79.0	80.8	14.7	0.6	0.6	4.5%	2.5%			
*SIMEPROP change of FY-end from 30-Jun to 31-Dec. Out historical numbers are based on FY18A while 1-Yr and 2-Yr Fwd are based on FY19E and FY20E figures																		
CONSENSUS NUMBERS																		
GLOMAC BHD	0.370	288.1	Y	04/2020	12.9%	38.7%	25.7%	90.1%	21.2	16.8	8.9	0.3	N.A.	1.6%	2.4%	0.405	N.A	
MATRIX CONCEPTS HOLDINGS BHD	1.90	1,494.9	Y	03/2020	3.0%	9.6%	3.8%	9.3%	6.8	6.6	6.0	1.1	1.1	16.3%	6.8%	2.36	BUY	
PARAMOUNT CORP BHD	1.29	782.6	Y	12/2019	-1.4%	8.4%	2.4%	5.3%	8.5	8.3	7.9	0.7	N.A.	7.2%	5.0%	1.83	BUY	
TAMBUN INDAH LAND BHD	0.765	331.6	Y	12/2019	-11.1%	1.5%	-21.2%	1.9%	6.0	7.6	7.5	0.5	0.5	6.7%	5.9%	0.863	BUY	
TITIJAYA LAND BHD	0.305	386.6	Y	06/2019	-14.3%	13.9%	-36.3%	19.5%	5.3	8.4	7.0	0.3	0.3	3.5%	42.0%	0.310	BUY	
YONG TAI BHD	0.215	116.7	Y	06/2020	132.7%	8.3%	-3768.9%	-134.2%	N.A.	N.A.	N.A.	0.3	0.3	-0.3%	0.0%	0.230	N.A	

Source: Kenanga Research

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Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%
 MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
 UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%
 NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
 UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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