

28 February 2024

Property | Real Estate

UEM Sunrise (UEMS MK)

Buy (Maintained)

New Masterplan Saw Larger Industrial Component

Target Price (Return): MYR1.60 (+54%)
Price (Market Cap): MYR1.04 (USD1,105m)
ESG score: 2.9 (out of 4)
Avg Daily Turnover (MYR/USD) 28.8m/6.14m

- **Maintain BUY and MYR1.60 TP, 54% upside.** UEM Sunrise's 4Q23 earnings met expectations. Although management has set a lower sales target of only MYR1bn (vs MYR2.1bn achieved in FY23), the revision in the masterplan for Gerbang Nusajaya which resulted in a much larger industrial component indicates potential catalytic developments in the pipeline. Management also admitted that it has received strong demand given the land's strategic location. We believe UEMS is the best proxy for Johor's multi-year growth story and remains one of our sector Top Picks.
- **4Q23 results.** Sequential revenue was higher due to the disposal of land at Iskandar Puteri (MYR96m) and petrol station land (MYR16m). As such, EBIT margin was much higher at 22.9% during the quarter (vs 13.6% in 3Q23). Unsold completed properties fell slightly to MYR127m from MYR135m in the previous quarter. Net gearing remained stable at 0.45x. Management has also announced its new dividend payout policy of 40-60% (from 20-40%), and a 0.75 sen single-tier tax exempt dividend was declared, compared with 0.5 sen in FY22.
- **Stronger sales momentum in 4Q23.** 4Q23 property sales hit MYR367m vs MYR280m in 3Q23. Full-year sales of MYR2.14bn (vs MYR924m in FY22) was mainly driven by the Collingwood project in Australia (MYR874m), followed by The Minh (MYR463m) and The Connaught One (MYR213m). Take-up rates for both projects improved to 46% and 32% from 36% and 23% in 3Q23. About MYR800m worth of new projects are in the launch pipeline for 2024. These include MYR619m worth of new projects in the southern region as demand has been very encouraging in Iskandar Malaysia. Sales from Residensi ZIG in Kiara Bay should continue to flow to 2024 as it was only launched at the end of 2023.
- **Industrial component upped substantially at Gerbang Nusajaya.** Management revealed the revised masterplan of Gerbang Nusajaya during the virtual briefing yesterday. The industrial component now makes up 28.3% (1,136 acres) of total GDV of MYR45bn from only 1.6% (of MYR42bn before the revision). We understand that some proposals are currently on the table that have prompted the revision. Management indicated that the company has received strong demand from local and foreign parties from industries related to renewable energy and data centres given the strategic location of Gerbang Nusajaya, which is just off the Tuas link.
- **Forecasts.** We make minimal changes in our FY24F-25F earnings. Unbilled sales remained relatively unchanged at MYR2.65bn vs MYR2.66bn in 3Q23.
- **Maintain TP.** Our TP is based on 25% discount to RNAV, and 2% ESG discount given our ESG score of 2.9 for the company.

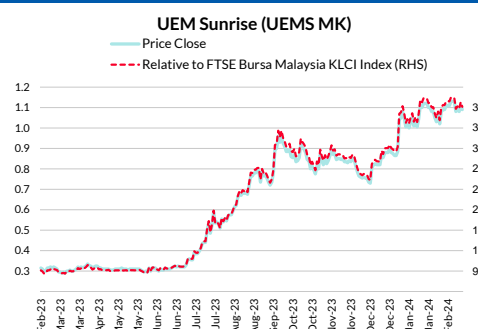
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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	27.6	(2.8)	35.9	55.2	292.5
Relative	20.4	(6.3)	28.3	47.3	285.4
52-wk Price low/high (MYR)				0.24	1.08



Source: Bloomberg

Forecasts and Valuation	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Total turnover (MYRm)	1,473	1,295	1,449	1,520	1,664
Recurring net profit (MYRm)	74	71	88	92	108
Recurring net profit growth (%)	-	(4.0)	23.1	4.6	17.6
Recurring EPS (MYR)	0.01	0.01	0.02	0.02	0.02
Recurring P/E (x)	71.04	73.98	60.11	57.48	48.88
P/B (x)	0.78	0.77	0.76	0.75	0.74
Dividend Yield (%)	na	na	na	na	na
Return on average equity (%)	1.1	0.8	1.2	1.3	1.5
Net debt to equity (%)	47.3	49.0	47.6	48.9	45.5

Source: Company data, RHB

Overall ESG Score: 2.9 (out of 4)

E: GOOD

UEMS is stringent on appointment of vendors based on work quality and track record. All of UEMS' projects are designed with sustainability features that promote green living. The company also practises waste management and efficient utilisation of electricity and water.

S: EXCELLENT

UEMS emphasizes customer satisfaction and addresses defects effectively (89.8% of defects lodged was settled within 30 days, an improvement from 78.4% in 2018). The company is also involved in various charity events to help provide educational support and address social issues.

G: GOOD

58% of UEMS' board members are independent. UEMS has an in-house investor relations team and holds investor meetings regularly.

Financial Exhibits

Asia	Financial summary (MYR)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Malaysia	Recurring EPS	0.01	0.01	0.02	0.02	0.02
Property	EPS	0.01	0.01	0.02	0.02	0.02
UEM Sunrise	BVPS	1.34	1.35	1.37	1.39	1.40
UEMS MK	Return on average equity (%)	1.1	0.8	1.2	1.3	1.5
Buy	Return on average assets (%)	0.6	0.4	0.6	0.7	0.8
Valuation basis	Valuation metrics	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
25% discount to RNAV	Recurring P/E (x)	71.04	73.98	60.11	57.48	48.88
Key drivers	P/B (x)	0.8	0.8	0.8	0.7	0.7
i. New property sales;	EV/EBITDA (x)	21.26	27.94	21.64	22.20	20.42
ii. Substantial increase in foreign direct investments in Iskandar Malaysia;	Income statement (MYRm)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
iii. Mega infrastructure projects	Total turnover	1,473	1,295	1,449	1,520	1,664
Key risks	Gross profit	431	402	472	464	523
Unexpected turn in market conditions	EBITDA	296	232	298	298	315
Company Profile	Depreciation and amortisation	(53)	(53)	(53)	(53)	(53)
UEM Sunrise (previously known as UEM Land) is a company under Khazanah Nasional. It is the developer undertaking developments in Nusajaya Iskandar	Operating profit	243	179	245	245	262
	Net interest	(143)	(161)	(158)	(147)	(142)
	Pre-tax profit	128	85	118	128	151
	Taxation	(51)	(28)	(34)	(36)	(42)
	Reported net profit	75	56	83	92	108
	Recurring net profit	74	71	88	92	108
	Cash flow (MYRm)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
	Change in working capital	(184)	96	(162)	(96)	5
	Cash flow from operations	45	267	74	150	268
	Capex	0	(308)	0	(173)	0
	Cash flow from investing activities	294	(308)	107	(173)	43
	Cash flow from financing activities	64	77	(21)	(20)	(57)
	Cash at beginning of period	853	1,020	949	750	498
	Net change in cash	404	36	159	(43)	254
	Ending balance cash	1,257	1,056	1,109	707	752
	Balance sheet (MYRm)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
	Total cash and equivalents	1,065	994	795	543	564
	Tangible fixed assets	5,239	5,494	5,334	5,454	5,358
	Intangible assets	621	621	621	621	621
	Total investments	2,921	2,921	2,921	2,921	2,921
	Total other assets	888	955	986	996	962
	Total assets	13,095	13,099	12,996	12,974	12,915
	Short-term debt	1,955	1,905	1,855	1,805	1,805
	Total long-term debt	2,361	2,495	2,290	2,223	2,037
	Total liabilities	6,221	6,153	5,962	5,847	5,718
	Shareholders' equity	6,769	6,840	6,928	7,019	7,089
	Minority interests	104	105	106	107	108
	Total equity	6,874	6,945	7,034	7,126	7,197
	Total liabilities & equity	13,095	13,099	12,996	12,974	12,915
	Key metrics	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
	Revenue growth (%)	21.6	(12.1)	11.9	4.9	9.5
	Recurring net profit growth (%)	0.0	(4.0)	23.1	4.6	17.6
	Recurrent EPS growth (%)	0.0	(4.0)	23.1	4.6	17.6
	Gross margin (%)	29.3	31.0	32.6	30.5	31.5
	Recurring net profit margin (%)	5.0	5.5	6.0	6.0	6.5

Source: Company data, RHB

Results At a Glance

Figure 1: Quarterly results

FYE Dec (MYRm)	4Q22	3Q23	4Q23	QoQ (%)	YoY (%)	FY22	FY23	YoY (%)	Comments
Turnover	336.2	312.4	422.0	35.1	25.5	1,473.4	1,339.1	(9.1)	
<u>Property Development</u>									
- Direct development	268.2	237.4	253.8	6.9	(5.4)	1,075.6	950.8	(11.6)	Development revenue was mainly underpinned by Residensi Allevia, KAJA Heights, and the completion of Residensi Astrea in the Central region, as well as other projects in the southern region
- Developed land sales	44.5	43.7	152.8	249.4	243.4	294.7	281.2	n.m.	Land sale was higher in FY22, due to the disposal of industrial plots in Phase 3 of SiLC in 1Q22, while land sales in 2Q23 came from the disposal of 623-acre land in Tapah for MYR29.9m and 68-acre Plot B in Nusajaya Tech Park for MYR38.9m. 4Q23 saw the disposals of Iskandar Puteri land worth MYR96m, and MYR16m sale of petrol station land in Pulau in Johor and Klang in Selangor
- Strategic land sales	0.0	0.0	0.0	n.m.	n.m.	0.0	0.0	n.m.	
Property Investment	20.2	28.1	24.6	(12.5)	21.9	88.4	107.1	21.2	
Others	0.0	0.0	0.0	n.m.	n.m.	0.0	0.0	n.m.	
EBIT	75.8	42.4	96.5	127.5	27.3	249.0	275.5	10.6	EBIT margin was lower due to higher expense arising from the marketing expenses for new launches as well as preparation costs for pipeline projects
EBIT margin (%)	22.6	13.6	22.9			16.9	20.6		The higher land sales in 4Q23 lifted EBIT margin to 22.9%
Net interest	(36.6)	(38.8)	(40.1)	3.4	9.5	(143.5)	(157.1)	9.5	
Pretax profit	40.3	13.6	53.1	291.4	31.8	134.2	139.2	3.8	
Pretax margin (%)	12.0	4.3	12.6			9.1	10.4		
Taxation	(19.8)	(2.5)	(21.7)	779.4	9.7	(51.5)	(53.0)	3.0	The higher effective tax rate was due to non-deductible expenses and unrecognised tax losses for certain loss-making entities
Tax rate (%)	49.0	18.2	40.8			38.4	38.1		
Minority interest	(0.1)	(2.8)	(4.1)	n.m.	n.m.	(2.2)	(10.5)	n.m.	
Net profit	20.5	8.3	27.3	227.9	33.6	80.5	75.7	n.m.	
Core net profit	13.1	8.3	27.3	227.9	109.2	73.1	75.7	n.m.	Within expectations
EPS (sen)	0.4	0.2	0.5	n.m.	n.m.	1.6	1.5	n.m.	
Gross DPS (sen)	0.01	0.00	0.01			0.01	0.01		
NTA/share (MYR)	1.3	1.3	1.4			1.3	1.3		

Source: Company data, RHB

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Property | Real Estate

Figure 2: RNAV estimate

Projects	Location	Remaining land (acres)	Remaining GDV (MYR m)	Stake	NPV @ 10%
Ongoing projects					
East Ledang	Iskandar Puteri	98.1	1,683.7	100%	139.8
Nusa Idaman	Iskandar Puteri	19.1	223.4	100%	21.2
Nusa Bayu	Iskandar Puteri	36.5	447.4	100%	112.0
Estuari	Iskandar Puteri	210.6	3,850.6	100%	211.4
Aspira Lakehomes, Gerbang Nusajaya	Iskandar Puteri	13.6	263.6	100%	21.8
Almas, Puteri Harbour	Iskandar Puteri	0.0	1,385.5	100%	103.1
Mall of Medini	Iskandar Puteri	26.2	2,097.0	55%	31.5
Horizon Hills	Iskandar Puteri	318.6	1,563.7	50%	67.8
Emerald Bay	Iskandar Puteri	90.3	3,246.6	40%	95.1
Nusajaya Tech Park	Iskandar Puteri	381.9	3,158.0	40%	83.9
The Maris, Desaru	Desaru	198.7	1,905.0	51%	20.2
Serene Heights	Selangor	192.9	3,010.7	100%	146.9
Radia Bukit Jelutong	Selangor	7.5	1,038.9	50%	19.9
Residensi Astrea	KL	0.0	324.6	100%	22.1
Solaris Parq	KL	14.1	1,656.2	100%	150.0
KAIA Heights, Equine Park	Selangor	14.3	655.0	100%	31.5
Perth land	Australia	1.2	1,350.0	100%	78.7
Pipeline projects					
Gerbang Nusajaya	Iskandar Puteri	2,251.6	28,319.8	100%	980.3
Gerbang Nusantara	Iskandar Puteri	103.1	501.9	100%	30.1
Serassa Greens (I5)	Iskandar Puteri	66.1	389.2	100%	4.6
Oasis	Iskandar Puteri	34.6	248.7	100%	5.4
Artisan Hills, Kajang	Selangor	65.0	1,485.9	100%	64.7
Angkasa Raya	KL	1.6	1,903.6	100%	94.7
MK 31	KL	12.4	742.0	100%	45.1
Taman Pertama, Cheras	KL	11.5	1,108.0	100%	29.5
Dutch Lady land in PJ	KL	9.9	1,290.0	100%	46.1
Kelana Jaya land	KL	9.1	1,100.0	100%	27.3
Kiara Bay	KL	72.7	16,705.2	50%	338.8
Durban	South Africa			100%	19.0
Catalyst development					
Puteri Harbour	Iskandar Puteri	96.3	461.4	100%	15.9
Afiat Healthpark	Iskandar Puteri	28.2	49.1	100%	2.1
Sireh Park	Iskandar Puteri	343.0	298.8	100%	9.1
Undeveloped landbank					
<i>Nusajaya</i>	Land efficiency	Remaining land (acres)	Market value (MYR psf)	Stake	Net surplus
Pocket lands / others	0.70	312.4	100	100%	714.4
<i>Outside Nusajaya</i>					
Klang Valley (Segambut / Mont' Kiara, Klang etc)	0.70	25.8	300	100%	177.0
Total NPV and net surplus					3,960.9
Unbilled sales					227.0
NTA					6,836.4
Total RNAV					11,024.3
Share base					5,058.5
RNAV/share					2.18
Discount to RNAV					25%
Intrinsic value					1.63
ESG discount					2%
Target price (MYR)					1.60

Source: RHB

Emissions And ESG

Trend analysis

In FY22, Scope 1 emissions: Increased to 4,475 tonnes of CO₂ equivalents (FY21: 146 tonnes of CO₂ equivalents) and Scope 2 dropped to 2,103tn (FY21: 2,146 tonnes of CO₂ equivalents).

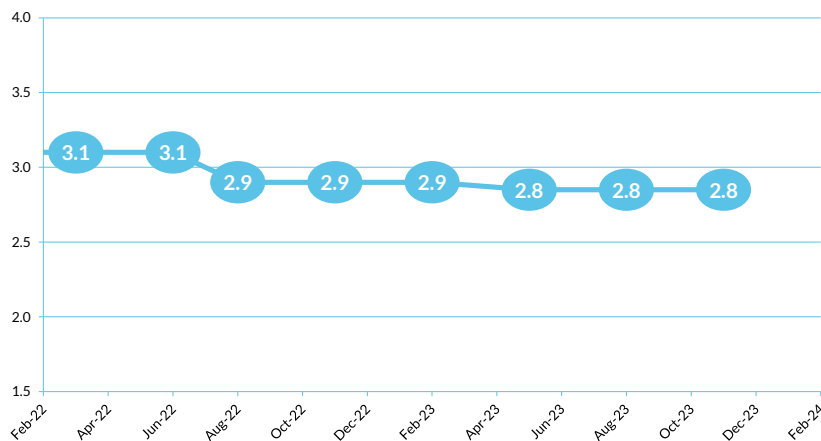
Emissions (tCO ₂ e)	Dec-21	Dec-22	Dec-23
Scope 1	146	4,475	na
Scope 2	2,146	2,103	na
Scope 3	na	381	na
Total emissions	2,292	6,959	na

Source: Company data, RHB

Latest ESG-Related Developments

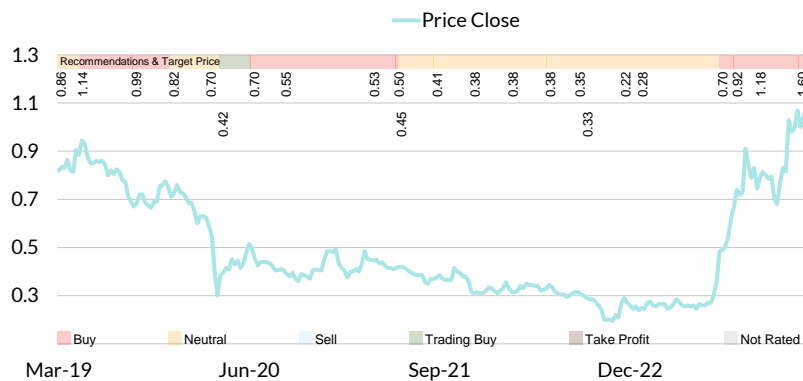
- The company received 95.48% and 93.88% SHASSIC scores for The Minh and Residensi AVA projects in the central region (SHASSIC is a certification score by the Construction Industry Development Board (CIDB) for safety and health assessment).

ESG Rating History



Source: RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2024-01-25	Buy	1.60	1.07
2023-11-15	Buy	1.18	0.80
2023-10-16	Buy	1.18	0.80
2023-08-20	Buy	0.92	0.62
2023-07-16	Buy	0.70	0.36
2023-05-18	Neutral	0.28	0.26
2023-01-04	Neutral	0.28	0.25
2022-11-23	Neutral	0.22	0.21
2022-08-24	Neutral	0.33	0.30
2022-08-04	Neutral	0.35	0.31
2022-05-25	Neutral	0.38	0.33
2022-02-23	Neutral	0.38	0.36
2021-11-24	Neutral	0.38	0.35
2021-08-25	Neutral	0.41	0.37
2021-05-30	Neutral	0.45	0.42

Source: RHB, Bloomberg

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