

11 December 2023

Property | Real Estate

UEM Sunrise (UEMS MK)

Buy (Maintained)

More To Come; Maintain BUY

Target Price (Return): MYR1.18 (+73%)
Price (Market Cap): MYR0.68 (USD737m)
ESG score: 2.9 (out of 4)
Avg Daily Turnover (MYR/USD) 31.7m/6.72m

- **Maintain BUY and MYR1.18 TP, 73% upside.** Given the influx of investments, a major landowner like UEM Sunrise will have a competitive advantage over its peers. Its huge landbank should enable it to be flexible enough to carve out some parcels for specific developments (eg industrial) if opportunities arise. The company's landbank is held at historical cost and it does not have to acquire new land at current market prices. Its recent share price correction has brought about a good opportunity to re-enter.
- **Big names are coming to Johor.** The entry of Nvidia and Microsoft points to a boost in confidence among foreign investors, especially in the data centre space. Just over the last one month, apart from the two names mentioned, Johor has also received investments from two Singapore-based data centre operators and facility providers, ST Telemedia Global Data Centres and Yu Ao. Some of the land where their data centres will be set up were sold for record prices (MYR120-125 psf) based on our checks. Note that general, water and fibre infrastructure works were included in some of these transactions.
- **Ample flexibility for major landowners.** As a major landowner in Iskandar Malaysia, UEMS has ample flexibility to develop its 7,632 acres of land there. While we are unsure if management would explore opportunities in the data centre segment, having huge parcels of land in Johor would simply mean that the company will be able to convert or re-zone some existing land it owns – probably at remote areas – for industrial developments, without having to compete for and buy new land at current market prices.
- **Current market cap implies a land price of only MYR10 psf.** Industrial land prices in Johor have risen due to the influx of investments. Of the total 7,632 acres of land in Johor, the bulk of UEMS' landbank is located at Gerbang Nusajaya (2,318 acres) along the Second Link Expressway near the Tuas link, and Fraser Metropolis in Kulai (2,500 acres, 40% stake). Based on UEMS' current market cap of MYR3.4bn, this implies a land price of only MYR10 psf (MYR20 psf, if based on enterprise value), and we have not taken into account its 589 acres in the central region. We think the upcoming land valuations for the tie-up between Sunway (SWB MK, BUY, TP: MYR2.65) and Equalbase should provide a good benchmark. Both parties are collaborating to develop the 135-acre Free Commercial Zone for the logistics industry in Sunway City Iskandar Puteri.
- **More to come.** We view the recent correction in UEMS' share price as a good opportunity for investors to re-enter positions to accumulate the stock. This inflow of investments may be just the beginning, and Prime Minister Dato' Seri Anwar Ibrahim's recent visit to the US should bear some fruit. According to media reports, our PM met with the heads of some technology giants like Google, Enovix Corp, Microsoft and Tik Tok in San Francisco.

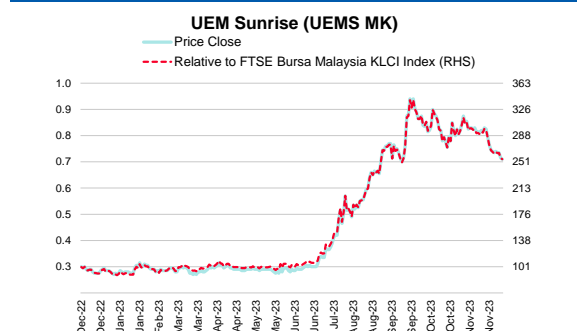
Analyst

Loong Kok Wen, CFA
+603 9280 8861
loong.kok.wen@rhbgroup.com



Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	166.7	(17.6)	(5.6)	172.0	156.6
Relative	170.3	(16.5)	(4.7)	167.1	158.2
52-wk Price low/high (MYR)	0.24 – 0.91				



Source: Bloomberg

Forecasts and Valuation	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
Total turnover (MYRm)	1,211	1,473	1,295	1,449	1,520
Recurring net profit (MYRm)	(214)	74	71	88	92
Recurring net profit growth (%)	(22.7)	-	(4.0)	23.1	4.6
Recurring EPS (MYR)	(0.04)	0.01	0.01	0.02	0.02
Recurring P/E (x)	na	46.45	48.37	39.30	37.58
P/B (x)	0.51	0.51	0.50	0.50	0.49
Dividend Yield (%)	na	na	na	na	na
Return on average equity (%)	(3.1)	1.1	0.8	1.2	1.3
Net debt to equity (%)	49.4	47.3	49.0	47.6	48.9

Source: Company data, RHB

Overall ESG Score: 2.9 (out of 4)

E: GOOD

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

S: EXCELLENT

UEMS emphasises customer satisfaction and addresses defects effectively (89.8% of defects lodged were settled within 30 days, vs 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 directors. The company has an in-house investor relations team and holds investor meetings regularly.

Financial Exhibits

Asia	Financial summary (MYR)	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
Malaysia	Recurring EPS	(0.04)	0.01	0.01	0.02	0.02
Property	EPS	(0.04)	0.01	0.01	0.02	0.02
UEM Sunrise	BVPS	1.32	1.34	1.35	1.37	1.39
UEMS MK	Return on average equity (%)	(3.1)	1.1	0.8	1.2	1.3
Buy	Return on average assets (%)	(1.6)	0.6	0.4	0.6	0.7
Valuation basis	Valuation metrics	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
45% discount to RNAV	Recurring P/E (x)	na	46.45	48.37	39.30	37.58
	P/B (x)	0.5	0.5	0.5	0.5	0.5
	EV/EBITDA (x)	na	17.03	22.51	17.40	17.93
Key drivers	Income statement (MYRm)	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
i. Increase in new property sales;	Total turnover	1,211	1,473	1,295	1,449	1,520
ii. Substantial increase in foreign direct investments in Iskandar and mega infrastructure projects.	Gross profit	220	431	402	472	464
	EBITDA	(22)	296	232	298	298
	Depreciation and amortisation	(56)	(53)	(53)	(53)	(53)
	Operating profit	(78)	243	179	245	245
	Net interest	(145)	(143)	(161)	(158)	(147)
	Pre-tax profit	(210)	128	85	118	128
	Taxation	2	(51)	(28)	(34)	(36)
	Reported net profit	(209)	75	56	83	92
	Recurring net profit	(214)	74	71	88	92
Key risks	Cash flow (MYRm)	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
Unexpected turn in market conditions.	Change in working capital	112	(184)	96	(162)	(96)
	Cash flow from operations	74	45	267	74	150
	Capex	0	0	(308)	0	(173)
	Cash flow from investing activities	64	294	(308)	107	(173)
	Cash flow from financing activities	94	64	(22)	(21)	(20)
	Cash at beginning of period	1,086	853	1,020	949	750
	Net change in cash	232	404	(63)	159	(43)
	Ending balance cash	1,318	1,257	957	1,109	707
Company Profile	Balance sheet (MYRm)	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
UEM Sunrise (previously known as UEM Land) is a company under Khazanah Nasional. It is the developer undertaking real estate projects in Nusajaya Iskandar	Total cash and equivalents	858	1,065	994	795	543
	Tangible fixed assets	5,512	5,239	5,494	5,334	5,454
	Intangible assets	621	621	621	621	621
	Total investments	2,996	2,921	2,921	2,921	2,921
	Total other assets	749	888	955	986	996
	Total assets	12,978	13,095	13,099	12,996	12,974
	Short-term debt	1,000	1,955	1,905	1,855	1,805
	Total long-term debt	3,213	2,361	2,495	2,290	2,223
	Total liabilities	6,183	6,221	6,153	5,962	5,847
	Shareholders' equity	6,692	6,769	6,840	6,928	7,019
	Minority interests	103	104	105	106	107
	Total equity	6,795	6,874	6,945	7,034	7,126
	Total liabilities & equity	12,978	13,095	13,099	12,996	12,974
	Key metrics	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
	Revenue growth (%)	6.5	21.6	(12.1)	11.9	4.9
	Recurring net profit growth (%)	(22.7)	0.0	(4.0)	23.1	4.6
	Recurrent EPS growth (%)	(26.7)	0.0	(4.0)	23.1	4.6
	Gross margin (%)	18.1	29.3	31.0	32.6	30.5
	Recurring net profit margin (%)	(17.7)	5.0	5.5	6.0	6.0

Source: Company data, RHB

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Figure 1: 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%	140.8
Nusa Idaman	Iskandar Puteri	19.1	223.4	100%	21.3
Nusa Bayu	Iskandar Puteri	36.5	447.4	100%	113.3
Estuari	Iskandar Puteri	210.6	3,850.6	100%	214.0
Aspira Lakehomes, Gerbang Nusajaya	Iskandar Puteri	13.6	263.6	100%	21.9
Almas, Puteri Harbour	Iskandar Puteri	0.0	1,385.5	100%	103.6
Mall of Medini	Iskandar Puteri	26.2	2,097.0	55%	32.0
Horizon Hills	Iskandar Puteri	318.6	1,563.7	50%	68.3
Emerald Bay	Iskandar Puteri	90.3	3,246.6	40%	96.3
Nusajaya Tech Park	Iskandar Puteri	381.9	3,158.0	40%	85.2
The Maris, Desaru	Desaru	198.7	1,905.0	51%	20.8
Serene Heights	Selangor	192.9	3,010.7	100%	148.8
Radia Bukit Jelutong	Selangor	7.5	1,038.9	50%	20.2
Residensi Astrea	KL	0.0	324.6	100%	22.2
Solaris Parq	KL	14.1	1,656.2	100%	151.1
KAIA Heights, Equine Park	Selangor	14.3	655.0	100%	31.9
Perth land	Australia	1.2	1,350.0	100%	79.6
Pipeline projects					
Gerbang Nusajaya	Iskandar Puteri	2,251.6	28,319.8	100%	1,007.8
Gerbang Nusantara	Iskandar Puteri	103.1	501.9	100%	30.6
Serassa Greens (I5)	Iskandar Puteri	66.1	389.2	100%	4.7
Oasis	Iskandar Puteri	34.6	248.7	100%	5.5
Artisan Hills, Kajang	Selangor	65.0	1,485.9	100%	65.5
Angkasa Raya	KL	1.6	1,903.6	100%	95.9
MK 31	KL	12.4	742.0	100%	45.8
Taman Pertama, Cheras	KL	11.5	1,108.0	100%	29.9
Dutch Lady land in PJ	KL	9.9	1,290.0	100%	46.7
Kelana Jaya land	KL	9.1	1,100.0	100%	27.8
Kiara Bay	KL	72.7	16,705.2	50%	345.2
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					4,014.3
Unbilled sales					227.0
NTA					6,796.9
Total RNAV					11,038.1
Share base					5,058.5
RNAV/share					2.18
Discount to RNAV					45%
Intrinsic value					1.20
ESG discount					2%
Target price (MYR)					1.18

Source: RHB

Emissions And ESG

Trend analysis

In FY22, UEMS' Scope 1 emissions increased to 4,475 tonnes of CO₂e (FY21: 146 tonnes) while its Scope 2 emissions dropped to 2,103 CO₂e (FY21: 2,146).

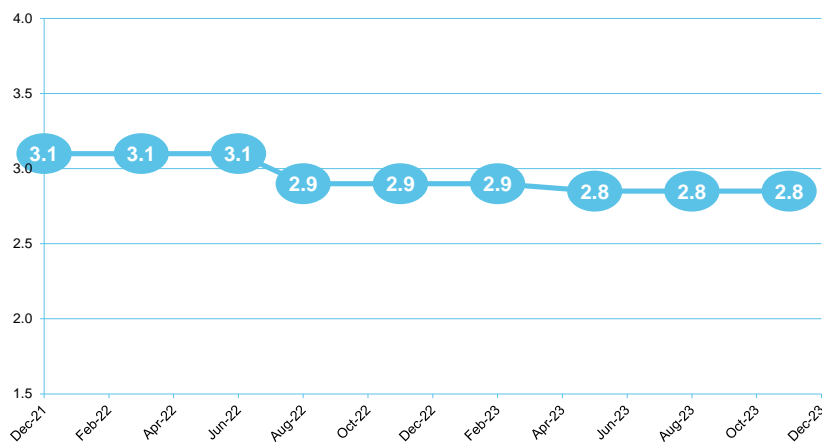
Emissions (tCO ₂ e)	Dec-20	Dec-21	Dec-22
Scope 1	na	146	4,475
Scope 2	na	2,146	2,103
Scope 3	na	na	381
Total emissions	na	2,292	6,959

Source: Company data, RHB

Latest ESG-Related Developments

- The company received SHASSIC scores of 95.48% and 93.88% 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 assessments.

ESG Rating History



Source: RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
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
2021-05-25	Buy	0.50	0.41

Source: RHB, Bloomberg

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Trading Buy:	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
Neutral:	Share price may fall within the range of +/- 10% over the next 12 months
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Not Rated:	Stock is not within regular research coverage

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KUALA LUMPUR

RHB Investment Bank Bhd
Level 3A, Tower One, RHB Centre
Jalan Tun Razak
Kuala Lumpur 50400
Malaysia
Tel : +603 9280 8888
Fax : +603 9200 2216

JAKARTA

PT RHB Sekuritas Indonesia
Revenue Tower, 11th Floor, District 8 - SCBD
Jl. Jendral Sudirman Kav 52-53
Jakarta 12190
Indonesia
Tel : +6221 509 39 888
Fax : +6221 509 39 777

BANGKOK

RHB Securities (Thailand) PCL
10th Floor, Sathorn Square Office Tower
98, North Sathorn Road, Silom
Bangrak, Bangkok 10500
Thailand
Tel: +66 2088 9999
Fax :+66 2088 9799

SINGAPORE

RHB Bank Berhad (Singapore branch)
90 Cecil Street
#04-00 RHB Bank Building
Singapore 069531
Fax: +65 6509 0470