

5 August 2022

Property | Real Estate

## UEM Sunrise (UEMS MK)

**Neutral** (Maintained)

### New Land In Semarak

Target Price (Return): MYR0.35 (+13%)  
Price (Market Cap): MYR0.31 (USD346m)  
ESG score: 3.10 (out of 4)  
Avg Daily Turnover (MYR/USD) 0.28m/0.06m

- **Maintain NEUTRAL, with new MYR0.35 TP from MYR0.38, 13% upside.** We are neutral on UEM Sunrise's latest land acquisition. While we think the price is somewhat expensive, the new land may raise net gearing (0.50x as at 1Q22) next year as it could resort to borrowings to fund the acquisition. The land is slated for a mixed development project, potentially worth a GDV of MYR1.5bn. Our TP is now lower as we adjust our cost of equity assumption given the rising interest rate environment.

- **New land in Semarak.** UEMS announced that it has entered into a sale and purchase agreement with Nipponkey SB for the acquisition of a 6.39-acre freehold land located at Jalan Sultan Yahya Petra (formerly known as Jalan Semarak). The total purchase price is MYR384m, to be satisfied in cash (MYR235.8m) as well as in-kind ie 107.8-acre land in Gerbang Nusajaya worth MYR148.2m. While the first 10% deposit has already been paid, the second tranche of cash payment (MYR153.6m) is due around 1Q-2Q23 and the last tranche in 4Q23. UEMS plans to fund the land acquisition via internal funds as well as bank borrowings.

- **Land cost seems slightly expensive.** The purchase price of MYR384m translates into a land cost of MYR1,380 psf, which appears to be somewhat expensive. The cost is also 25.6% of the estimated GDV of MYR1.5bn for the project. However, management explained that the land development order (DO) has already been obtained (but UEMS can still submit a revised DO), and the land has a plot ratio of 1:7.38.

- **A mixed development project for new land.** The land is located about 2.5km away from the KL Convention Centre, and situated at the intersection between Jalan Sultan Yahya Petra and Jalan Padang Tembak. Under the current DO, the development comprises one block of 5-storey shopping complex, 8-storey office, nine levels of car park spaces, three levels of basement car park spaces, one block of hotel and two blocks of 50-storey serviced apartments. The estimated GDV is about MYR1.5bn and the project is expected to be launched in 2024.

- **Forecast.** We keep our FY22F-24F earnings unchanged as the billings may only come in after 2024. Pending further guidance from management, we expect profit margin for the project to be thinner.

- **Lower TP.** The project's incremental value to our RNAV estimate is fairly minimal. However, given the rising interest rate environment, we adjust our discount rate and hence, based on an unchanged 85% discount to RNAV and 2% ESG premium, our TP is lowered to MYR0.35.

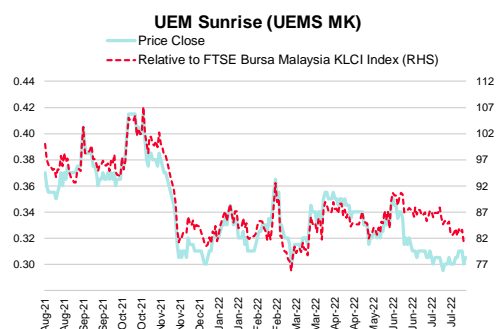
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#### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(4.7)	0.0	(10.3)	(4.7)	(17.6)
Relative	(0.9)	(4.9)	(4.5)	(3.7)	(18.7)
52-wk Price low/high (MYR)				0.30 – 0.42	



Source: Bloomberg

#### Overall ESG Score: 3.10 (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 practices waste management and efficient utilisation of electricity and water.

##### S: EXCELLENT

UEMS emphasises 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: EXCELLENT

58% of UEMS' board members are independent. UEMS has an in-house investor relations team and holds investor meetings regularly, embodying good transparency and disclosure practices.

#### Note:

Small cap stocks are defined as companies with a market capitalisation of less than USD0.5bn.

Forecasts and Valuation	Dec-20	Dec-21	Dec-22F	Dec-23F	Dec-24F
Total turnover (MYRm)	1,137	1,211	1,268	1,419	1,501
Recurring net profit (MYRm)	(277)	(214)	32	68	76
Recurring net profit growth (%)	(206.3)	(22.7)	-	114.6	11.5
Recurring EPS (MYR)	(0.06)	(0.04)	0.01	0.01	0.02
Recurring P/E (x)	na	na	48.48	22.59	20.25
P/B (x)	0.22	0.23	0.23	0.23	0.22
Dividend Yield (%)	na	na	na	na	na
Return on average equity (%)	(3.8)	(3.1)	0.5	1.0	1.1
Net debt to equity (%)	37.9	49.4	50.8	51.8	52.0

Source: Company data, RHB

See important disclosures at the end of this report

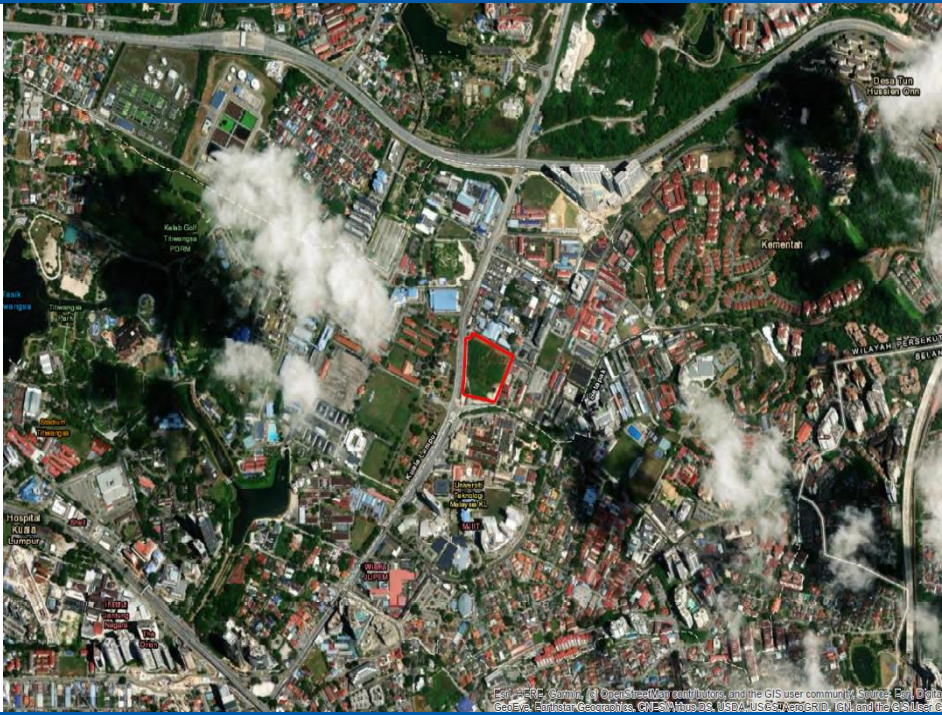
Market Dateline / PP 19489/05/2019 (035080)

## Financial Exhibits

<b>Asia</b>	<b>Financial summary (MYR)</b>	<b>Dec-20</b>	<b>Dec-21</b>	<b>Dec-22F</b>	<b>Dec-23F</b>	<b>Dec-24F</b>
Malaysia	Recurring EPS	(0.06)	(0.04)	0.01	0.01	0.02
Property	EPS	(0.06)	(0.04)	0.01	0.01	0.02
<b>UEM Sunrise</b>	BVPS	1.36	1.32	1.33	1.34	1.36
UEMS MK	Return on average equity (%)	(3.8)	(3.1)	0.5	1.0	1.1
Neutral	Return on average assets (%)	(2.0)	(1.6)	0.2	0.5	0.6
<b>Valuation basis</b>	<b>Valuation metrics</b>	<b>Dec-20</b>	<b>Dec-21</b>	<b>Dec-22F</b>	<b>Dec-23F</b>	<b>Dec-24F</b>
85% discount to RNAV	Recurring P/E (x)	na	na	48.48	22.59	20.25
<b>Key drivers</b>	P/B (x)	0.2	0.2	0.2	0.2	0.2
New property sales, substantial increase in foreign direct investments in Iskandar	EV/EBITDA (x)	58.04	na	34.42	25.19	24.47
<b>Key risks</b>	<b>Income statement (MYRm)</b>	<b>Dec-20</b>	<b>Dec-21</b>	<b>Dec-22F</b>	<b>Dec-23F</b>	<b>Dec-24F</b>
Better-than-expected market conditions	Total turnover	1,137	1,211	1,268	1,419	1,501
<b>Company Profile</b>	Gross profit	299	220	340	405	416
UEM Sunrise (previously known as UEM Land) is a company under Khazanah Nasional. It is the developer undertaking developments in Nusajaya Iskandar	EBITDA	68	(22)	129	180	188
	Depreciation and amortisation	(57)	(56)	(56)	(56)	(56)
	Operating profit	11	(78)	72	124	132
	Net interest	(133)	(145)	(95)	(95)	(97)
	Pre-tax profit	(186)	(210)	45	96	107
	Taxation	(81)	2	(12)	(27)	(30)
	Reported net profit	(268)	(209)	32	68	76
	Recurring net profit	(277)	(214)	32	68	76
	<b>Cash flow (MYRm)</b>	<b>Dec-20</b>	<b>Dec-21</b>	<b>Dec-22F</b>	<b>Dec-23F</b>	<b>Dec-24F</b>
	Change in working capital	197	112	(36)	(172)	(112)
	Cash flow from operations	177	74	114	15	79
	Capex	(271)	0	(97)	0	(3)
	Cash flow from investing activities	(207)	64	(97)	11	(3)
	Cash flow from financing activities	565	94	(23)	(22)	(21)
	Cash at beginning of period	1,057	1,086	853	549	689
	Net change in cash	535	232	(7)	4	55
	Ending balance cash	1,593	1,318	846	553	744
	<b>Balance sheet (MYRm)</b>	<b>Dec-20</b>	<b>Dec-21</b>	<b>Dec-22F</b>	<b>Dec-23F</b>	<b>Dec-24F</b>
	Total cash and equivalents	1,303	858	554	694	521
	Tangible fixed assets	5,833	5,512	5,553	5,485	5,432
	Intangible assets	621	621	621	621	621
	Total investments	2,796	2,996	2,996	2,996	2,996
	Total other assets	589	749	816	883	955
	Total assets	13,480	12,978	12,801	13,192	13,169
	Short-term debt	1,493	1,000	850	700	550
	Total long-term debt	2,600	3,213	3,170	3,564	3,594
	Total liabilities	6,109	6,183	5,974	6,296	6,197
	Shareholders' equity	6,902	6,692	6,724	6,792	6,868
	Minority interests	469	103	103	104	105
	Total equity	7,371	6,795	6,827	6,896	6,973
	Total liabilities & equity	13,480	12,978	12,801	13,192	13,169
	<b>Key metrics</b>	<b>Dec-20</b>	<b>Dec-21</b>	<b>Dec-22F</b>	<b>Dec-23F</b>	<b>Dec-24F</b>
	Revenue growth (%)	(60.9)	6.5	4.7	11.9	5.8
	Recurring net profit growth (%)	(206.3)	(22.7)	0.0	114.6	11.5
	Recurrent EPS growth (%)	(200.5)	(26.7)	0.0	114.6	11.5
	Gross margin (%)	26.3	18.1	26.8	28.6	27.7
	Recurring net profit margin (%)	(24.4)	(17.7)	2.5	4.8	5.1

Source: Company data, RHB

**Figure 1: Location of the new land at Jalan Semarak**



Source: Company

Figure 2: RNAV estimate

Projects	Location	Remaining land (acres)	Remaining GDV (MYR m)	Stake	NPV @ 12%
<b>Ongoing projects</b>					
East Ledang	Iskandar Puteri	98.1	1,683.7	100%	168.1
Nusa Idaman	Iskandar Puteri	20.3	932.8	100%	93.6
Nusa Bayu	Iskandar Puteri	36.5	447.4	100%	102.2
Estuari	Iskandar Puteri	210.6	3,850.6	100%	149.5
Aspira Lakehomes, Gerbang Nusajaya	Iskandar Puteri	13.6	223.3	100%	17.7
Almas, Puteri Harbour	Iskandar Puteri	0.0	1,385.5	100%	121.1
Mall of Medini	Iskandar Puteri	26.2	2,097.0	55%	44.6
Horizon Hills	Iskandar Puteri	318.6	1,999.8	50%	81.2
Emerald Bay	Iskandar Puteri	90.3	3,246.6	40%	86.5
Nusajaya Tech Park	Iskandar Puteri	381.9	3,158.0	40%	49.9
Serene Heights	Selangor	192.9	3,010.7	100%	167.0
Radia Bukit Jelutong	Selangor	7.5	1,038.9	50%	20.1
Residensi Astrea	KL	0.0	324.6	100%	27.8
Solaris Parq	KL	14.1	1,656.2	100%	165.3
KAIA Heights, Equine Park	Selangor	14.3	655.0	100%	35.6
Collingwood Melbourne	Australia	1.3	786.5	100%	83.6
<b>Pipeline projects</b>					
Gerbang Nusajaya	Iskandar Puteri	2,122.0	28,320.4	100%	1,085.0
Gerbang Nusantara	Iskandar Puteri	101.4	501.9	100%	36.4
Fraser Metropolis	Johor	2,500.0	15,000.0	60%	202.7
Artisan Hills, Kajang	Selangor	65.0	1,485.9	100%	100.5
Angkasa Raya	KL	1.6	1,903.6	100%	96.6
MK 31	KL	12.4	742.0	100%	67.5
Taman Pertama, Cheras	KL	11.5	1,108.0	100%	44.6
Dutch Lady land in PJ	KL	9.9	1,290.0	100%	69.0
Semarak land	KL	6.4	1,500.0	100%	51.6
Kiara Bay	KL	72.7	16,705.2	50%	327.6
Durban	South Africa	30.7	1,631.9	100%	98.2
<b>Catalyst development</b>					
Puteri Harbour	Iskandar Puteri	96.3	503.4	100%	33.7
Afiat Healthpark	Iskandar Puteri	28.2	61.4	100%	4.8
Sireh Park	Iskandar Puteri	343.0	448.2	100%	33.4
<b>Undeveloped landbank</b>					
<i>Nusajaya</i>	<b>Land efficiency</b>	<b>Remaining land (acres)</b>	<b>Market value (MYR psf)</b>	<b>Stake</b>	<b>Net surplus</b>
Pocket lands / others	0.70	435.8	100	100%	797.3
<i>Outside Nusajaya</i>					
Klang Valley (Segambut / Mont' Kiara, Bukit Mahkamah)	0.70	27.4	300	100%	150.4
Total NPV and net surplus					4,613.2
Unbilled sales					152.0
NTA					6,916.2
Total RNAV					11,681.4
Share base					5,058.5
RNAV/share					2.31
Discount to RNAV					85%
Intrinsic value					0.35
ESG premium					2%
Target price (MYR)					0.35

Source: RHB

## Recommendation Chart

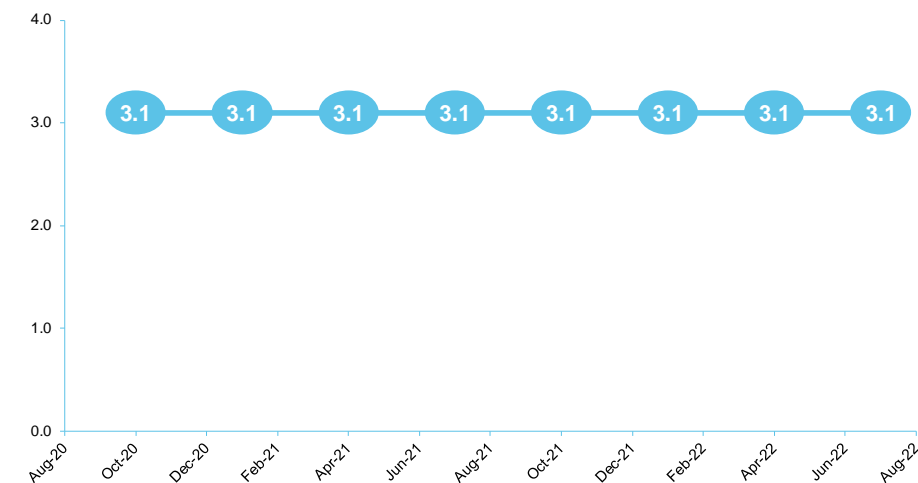


Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
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
2021-03-25	Buy	0.53	0.45
2020-08-24	Buy	0.55	0.41
2020-06-21	Buy	0.70	0.45
2020-06-08	Buy	0.70	0.52
2020-03-25	Trading Buy	0.42	0.32
2020-02-24	Neutral	0.70	0.62
2019-11-27	Neutral	0.82	0.72
2019-11-13	Buy	0.99	0.78
2019-08-29	Buy	0.99	0.67

Source: RHB, Bloomberg

## ESG Rating History



Source: RHB



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