

26 February 2021

Sime Darby Property Bhd

FY20 Below, But Expect A Better FY21

By Marie Vaz | msvaz@kenanga.com.my

FY20 CNL of RM13.3m came in below our forecast CNP of RM72m and consensus (RM6.9m) on higher-than-expected operating cost and weakness from Battersea. That said, FY20 sales of RM1.98b is above forecast (117%). We maintain FY21E CNP of RM286m and introduce FY22E CNP of RM391m which will be driven by FY20 and FY21 sales, and better contributions from Battersea upon completion of Phase 2 and 3a. Upgrade to MARKET PERFORM (from UP) on a higher TP of RM0.560 (from RM0.540) based on 0.41x (-2.0SD) to its BV/share of RM1.37.

Below expectations. FY20 CNL of RM13.3m came in below our estimate of RM72m CNP and consensus of RM6.9m CNP. The deviation from estimate was due to higher-than-expected operating cost resulting in LBIT of RM0.5m (vs. our expectation of RM148m) and weaker-than-expected JV contributions from Battersea. However, FY20 sales of RM1.98b is above our estimates of RM1.7b (117%) with 4QFY20 chalking stronger than expected sales mostly from the Guthrie Corridor (42%) and other Klang Valley areas (31.6%) from projects such as Elmina East and West. No dividend declared during the quarter, with FY20 dividend of 1.0 sen below our estimate of 2.1 sen (47%).

Results' highlights. YoY-Ytd, top-line was down by 35% due to decline in all segments due to the Covid-19 pandemic as construction work was suspended for property development, and from the closure of all non-essential services. All in, CNL of RM13.3m was also a result of tax expenses despite the LBT as certain expenses are disallowed for tax deduction. QoQ, 4QFY20 topline was up by 19%, driven by higher recognitions from the property segment and better performance from property investment, which in turn reversed the losses resulting in a CNP of RM16.7m.

Outlook. We maintain our FY21 sales target of RM2.1b for now which is slightly more conservative than management's target of RM2.4b. We believe the property market remains challenging and may only see improvements in the later part of FY21, thus we opt to be cautious for now. The Group is targeting RM2.5b of launches, mostly residential projects (landed residential: 43% and high rise residential: 32%) located in prime Klang Valley areas, with 83% of expected sales priced below RM750k. Unbilled sales of RM1.58b provide c.1-year visibility.

Maintain FY21E CNP of RM286m and introduce FY22E CNP of RM391m which will be driven by decent sales momentum and a growing pipeline from Battersea. FY21-22E DPS of 1.3-1.7 sen (with FY21E DPS lowered from 2.3 sen) as we believe dividend payments may take a backseat given the challenging market outlook for now and pending a convincing recovery which would likely be in 2HCY21 at best, thus implying yields of 2.2-3.0%.

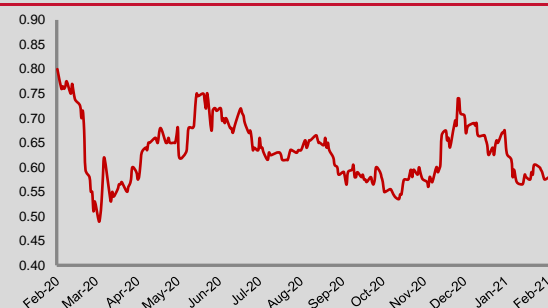
Upgrade to MARKET PERFORM (from UP) on a marginally higher TP of RM0.560 (from RM0.540) post adjusting our BV/share to RM1.37 (from RM1.35) and PBV of 0.41x (-2SD below mean). We believe the stock warrants conservative valuations for now, in line with the sector and pending convincing signs of recovery. That said, we like SIMEPROP for its healthy balance sheet with a low net gearing of 0.28x which bodes well during times of uncertainty.

Risks include: (i) weaker/stronger-than-expected property sales, (ii) weaker margins, (iii) changes in real estate policies, and (iv) changes in lending environment.

MARKET PERFORM ↑

Price : **RM0.575**
Target Price : **RM0.560** ↑

Share Price Performance



KLCI 1,584.93
YTD KLCI chg -2.6%
YTD stock price chg -13.5%

Stock Information

Shariah Compliant Yes
Bloomberg Ticker SDPR MK Equity
Market Cap (RM m) 3,910.5
Shares Outstanding 6,800.8
52-week range (H) 0.78
52-week range (L) 0.48
3-mth avg daily vol: 4,728,592
Free Float 25%
Beta 1.2

Major Shareholders

Amanah Saham Nasional 51.7%
Employees Provident Fund 9.8%
Kumpulan Wang Persaraan 6.3%

Summary Earnings Table

FY Dec (RM m)	2020A	2021E	2022E
Turnover	2063	2102	2343
EBITDA	-1	304	409
PBT	-445	381	517
Net Profit (NP)	-479	286	391
Core Net Profit	-13	286	391
Consensus(NP)	n.m.	297.7	268.1
Earnings Revision	n.m.	n.m.	n.m.
Core EPS (sen)	-0.2	4.2	5.8
Core EPS growth	n.m.	n.m.	37%
NDPS (sen)	1.0	1.3	1.7
BV/Share (RM)	1.34	1.37	1.41
Core PER (x)	-2.9	13.7	10.0
Price/BV (x)	1.3	0.4	0.4
Net Gearing (x)	0.28	0.25	0.22
Net Dvd Yield (%)	1.7	2.2	3.0

26 February 2021

Result Highlight								
FYE: Dec (RM m)	4Q20	3Q20	QoQ	3Q19	YoY	FY20	FY19	YoY
Revenue	705.2	592.6	19%	850.0	-17%	2,062.8	3,180.0	-35%
Op costs w/o depn/amort	(629.7)	(556.9)	13%	(770.9)	-18%	(2,017.0)	(2,710.9)	-26%
Other Op Income	6.6	2.8	134%	4.0	62%	15.8	9.7	63%
EBITDA	82.1	38.5	113%	83.2	-1%	61.6	478.8	-87%
Deprn/Amort	(18.1)	(14.1)	28%	(14.7)	23%	(62.1)	(53.1)	17%
EBIT	64.0	24.4	163%	68.5	-7%	(0.5)	425.6	n.m.
Other operating expenses /gains	(69.1)	(14.4)	380%	(27.5)	151%	(88.0)	171.6	n.m.
Net interest (exp)/inc	18.2	20.0	-9%	23.0	-21%	65.2	98.3	-34%
Associate + JCE	(48.2)	(352.3)	-86%	(22.9)	110%	(421.3)	(29.8)	1312%
Pretax profit	(35.0)	(322.4)	-89%	41.1	-185%	(444.7)	665.7	n.m.
Taxation	(24.7)	(36.2)	-32%	(25.7)	-4%	(71.0)	(74.8)	-5%
Minority Interests & disc. ops	3.8	3.3	14%	9.8	-61%	36.9	7.7	382%
Net profit	(55.9)	(355.3)	-84%	25.2	n.m.	(478.8)	598.5	n.m.
Core net profit	16.7	(17.1)	n.m.	77.4	-78%	(13.3)	708.4	n.m.
EPS (sen)	(0.8)	(5.2)		0.4		(7.0)	8.8	
DPS (sen)	0.0	1.0		0.0		1.0	3.0	
NTA/share (RM)	1.34	1.35		1.40		1.34	1.40	
BV/share (RM)	1.34	1.35		1.40		1.34	1.40	
Net gearing/(cash) (x)	0.28	0.26		0.27		0.28	0.27	
EBIT margin	9.1%	4.1%		8.1%		0.0%	13.4%	
Pretax margin (ex FV/one-offs)	-5.0%	-54.4%		4.8%		-21.6%	20.9%	
Effective tax rate	-70.6%	-11.2%		62.5%		-16.0%	11.2%	

Source: Company, Kenanga Research

Segment Results								
FYE: Dec (RM m)	4Q20	3Q20	QoQ	3Q19	YoY	FY20	FY19	YoY
Revenue								
Property Development	667.7	551.0	21%	810.4	-18%	1,922.1	3,001.0	-36%
Property investment	20.5	17.0	21%	17.5	17%	69.0	88.4	-22%
Leisure & hospitality	16.9	24.6	-31%	22.1	-24%	71.7	90.6	-21%
Concession Arrangement	0.0	0.0	n.a.	0.0	n.a.	0.0	0.0	n.a.
Other operations	0.0	0.0	n.a.	0.0	n.a.	0.0	0.0	n.a.
Total	705.2	592.6	19%	850.0	-17%	2,062.8	3,180.0	-35%
PBIT								
Property Development	59.1	(337.8)	-117%	74.3	-21%	(367.6)	417.8	-188%
Property investment	(98.7)	(6.2)	1486%	(26.9)	266%	(114.4)	(29.7)	286%
Leisure & hospitality	(13.6)	1.7	-894%	(6.4)	112%	(27.8)	179.2	-116%
Concession Arrangement	0.0	0.0	n.a.	0.0	n.a.	0.0	0.0	n.a.
Other operations	0.0	0.0	n.a.	0.0	n.a.	0.0	0.0	n.a.
Total	(53.3)	(342.3)	-84%	41.0	-230%	(509.9)	567.3	-190%
PBIT Margin			ppt		ppt			ppt
Property Development	8.8%	-61.3%	70.2%	9.2%	-0.3%	-19.1%	13.9%	-33.0%
Property investment	-480.7%	-36.5%	-444.2%	-153.7%	-327.0%	-165.8%	-33.6%	-132.3%
Leisure & hospitality	-80.2%	6.9%	-87.2%	-28.9%	-51.3%	-38.8%	197.7%	-236.5%
Concession Arrangement	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other operations	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total	-7.6%	-57.8%	50.2%	4.8%	-12.4%	-24.7%	17.8%	-42.6%

Source: Company, Kenanga Research

26 February 2021

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.			
PROPERTY DEVELOPERS UNDER COVERAGE																		
ECO WORLD DEVELOPMENT GROUP	0.495	1,457.5	Y	10/2021	15.7%	10.5%	2.2%	5.9%	6.2	6.2	5.5	0.3	0.3	5.1%	4.2%	0.490	MP	
IOI PROPERTIES GROUP BHD	1.38	7,598.5	Y	06/2021	-2.2%	-1.6%	10.3%	1.2%	12.3	11.1	11.0	0.4	0.4	3.7%	2.2%	1.32	MP	
MAH SING GROUP BHD	0.790	1,917.9	Y	12/2021	47.7%	19.9%	195.2%	33.3%	56.4	12.0	9.0	0.5	0.5	5.3%	3.8%	1.05	OP	
MALAYSIAN RESOURCES CORP BHD	0.415	1,831.0	Y	12/2021	2.9%	-32.7%	5800%	8.5%	0.0	31.9	27.7	0.4	0.4	1.2%	2.4%	0.650	OP	
SIME DARBY PROPERTY BHD	0.575	3,910.5	Y	12/2021	1.9%	11.5%	2100%	36.7%	-2.9	13.7	10.0	0.4	0.4	3.0%	2.3%	0.560	MP	
SP SETIA BHD	0.915	3,711.9	Y	12/2021	7.8%	-0.4%	444.4%	39.8%	68.8	12.6	9.0	0.3	0.3	2.0%	2.4%	0.940	MP	
SUNWAY BHD	1.49	7,284.5	Y	12/2020	-16.6%	32.8%	-43.5%	38.0%	11.5	20.3	14.7	0.8	0.8	3.7%	2.5%	1.54	MP	
UEM SUNRISE BHD	0.405	2,048.7	Y	12/2020	-55.1%	25.2%	-91.4%	219.9%	5.9	59.8	18.7	0.2	0.2	0.4%	0.0%	0.430	UP	
UOA DEVELOPMENT BHD	1.79	3,801.6	Y	12/2021	18.2%	11.8%	-7.3%	8.1%	11.9	12.8	11.9	0.7	0.7	5.9%	7.3%	1.76	MP	
Simple Average					2.3%	8.5%	934.4%	43.5%	19.4	20.1	13.0	0.5	0.4	3.4%	3.0%			

Source: Bloomberg, Kenanga Research

26 February 2021

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.***

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies.

Published and printed by:

KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my

