

05 August 2022

UEM Sunrise Bhd

Acquiring Land in Jalan Semarak for RM384m

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UEMS has proposed to acquire a 6.4-acre land along Jalan Semarak, KL for RM384m (RM1,380psf) to be paid in cash (RM235.8m) and in kind (land in Johor worth RM148.3m). This land is earmarked for a mixed development with a GDV of RM1.5b to be launched by 2024. We feel that the pricing is on the high side in terms of land cost/GDV ratio as well as in comparison to recent transactions around the vicinity. We maintain our forecasts but lower our TP to RM0.32 (from RM0.40), having rationalised our valuation method to RNAV from PBV. Downgrade to MARKET PERFORM from Outperform as upside is now capped.

New KL land in exchange for cash and Johor lands. UEMS announced that they will be acquiring a 6.4-acre freehold land located along Jalan Semarak for RM384m (or RM1380psf). This purchase will be satisfied with cash (RM235.8m) and lands located in Nusajaya Techpark, Johor (RM148.3m for 107.8acres). This 6.4-acre land in Jalan Semarak has a plot ratio of 7.38x earmarked for a mixed development. UEMS intends to launch this development by 2024 with a tentative GDV of RM1.5b.

Pricy acquisition. We find this land purchase expensive from a (i) land cost/GDV ratio perspective and (ii) by comparing recent transactions around the vicinity.

With only RM1.5b of GDV, the land cost to GDV is considerably high at 25.6% vs typical land/GDV transactions of c.15%. In addition, based on our calculations (refer *overleaf*), we find the RM1.5b GDV projected by UEMS relatively high.

At RM1,380psf, the price tag is significantly higher than MRCB's Semarak City land valuation of RM226psf appraised by Raine and Horne in Aug 2017. MRCB's Semarak City Land (27.5 acres) is located just a kilometre north from this newly acquired land. Despite MRCB's land being leasehold and appraised five years ago, we find it difficult to reconcile the price difference. Similarly, smaller land transactions in the area fetched prices of under RM500psf.

Post-acquisition, UEMS's net gearing is expected to rise from 0.50x (as of 1Q22) to 0.54x. **Overall, we are less than upbeat over the latest land acquisition given the seemingly steep pricing.**

We maintain our forecasts but lower our TP to RM0.32 (from RM0.40), having rationalised our valuation method to RNAV (80% discount) from PBV (0.3x FY22E). Our 80% discount is steeper against peers' 60-65% as: (i) we expect UEMS to remain loss making amidst the increasing challenging property landscape and (ii) their land banks are largely located in the Southern region which could take a long time to monetize. There is no adjustment to our TP based on ESG which we accord a 3-star ESG rating to UEMS. Downgrade to **MARKET PERFORM** from Outperform as upside is now capped.

MARKET PERFORM ↓

Price : RM0.305
Target Price : RM0.320 ↓

Share Price Performance



KLCI 1,507.71
YTD KLCI chg -3.8%
YTD stock price chg -4.7%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	UEMS MK EQUITY
Market Cap (RM m)	1,542.8
Shares Outstanding	5,058.5
52-week range (H)	0.43
52-week range (L)	0.29
3-mth avg daily vol:	926,549
Free Float	20%
Beta	1.2

Major Shareholders

Uem Group Berhad	69.6%
Urusharta Jamaah Sdn	6.2%
Employees Provident	3.3%

Summary Earnings Table

FYE Dec (RM m)	2021A	2022E	2023E
Turnover	1,211	1,370	1,383
EBIT	-70	79	101
PBT	-215	-61	-39
Net Profit (NP)	-214	-46	-30
Core NP	-117	-46	-30
Consensus (CNP)	n.a.	34	59
Earnings Revision	n.a.	3%	258%
Core EPS (sen)	(2.3)	(0.9)	(0.6)
EPS growth (%)	-7%	-61%	-36%
NDPS (sen)	0.0	0.0	0.0
NTA/Share (RM)	1.32	1.31	1.31
Core PER (x)	(13.1)	(33.3)	(52.3)
Price/NTA (x)	0.23	0.23	0.23
Net Gearing (x)	0.50	0.52	0.56
Dividend Yield (%)	0.0%	0.0%	0.0%

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



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Our Tentative GDV for the newly acquired Jalan Semarak Land

Land Area (ac/sf)	Plot Ratio (x)	Allowable GFA (sf)	Tentative PSF pricing (RM m)	Tentative GDV (RM m)
6.4ac/278,305sf	7.38x	2,053,890	700	1,437.72

Based on an extremely optimistic PSF selling price of RM700PSF, the tentative GDV for this development is only RM1.44b – lower than UEM's projected RM1.5b. Note that Platinum Victory's development nearby this plot of land known as Platinum Splendor which was completed in 2021 is only selling for <RM500PSF.

Source: Company, Kenanga Research

Jalan Semarak Land Location



Source: Company, Kenanga Research

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RNAV				
Project	Effective Stakes	Remaining Land Bank	GDV left (RM m)	NPV of profits (effective)
<u>Subsidiaries</u>				
Central	100%	2231	26861	643
Southern	100%	3631	37525	346
International	100%	1	787	30
		5863	65172	1020
<u>JVA (effective)</u>				
Central	Various	101	1179	28
Southern	Various	2019	18474	171
International	Various	31	0	0
		2151	19652	199
Unbilled Sales (as of FY21)	100%		2340	176
Shareholders Fund (FY21)				6693.1
Total RNAV (RM m)				8087.3
Number of shares				5058
RNAV/share				1.60
Discount to RNAV				80%
Target Price				0.32
BV/share (1 yr Fwd)				1.31
EPS (1yr Fwd)				-0.91
ROE				-69.63%
Implied PBV (x)				0.24

Source: Company, Kenanga Research

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Peer Comparison

Name	Last Price (RM)	Market Cap (RM'm)	Shariah Compliant	Current FYE	PER (x) - Core Earnings			PBV (x)		ROE (%)		Net Div Yld (%)	Target Price	Rating
					Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.			
<u>STOCKS UNDER COVERAGE</u>														
ECO WORLD DEVELOPMENT	0.665	1,958.0	Y	10/2022	8.3	8.3	7.4	0.4	0.4	4.9%	6.0%	0.830	OP	
IOI PROPERTIES GROUP BHD	0.985	5,423.6	Y	06/2022	8.6	8.5	7.6	0.3	0.3	3.4%	2.8%	1.65	OP	
MAH SING GROUP BHD	0.590	1,432.3	Y	12/2022	13.5	9.6	10.2	0.4	0.4	4.9%	5.1%	0.600	MP	
MALAYSIAN RESOURCES CORP	0.350	1,563.6	Y	12/2022	N.A.	29.2	70.0	0.3	0.3	1.1%	2.9%	0.375	MP	
SIME DARBY PROPERTY BHD	0.470	3,196.4	Y	12/2022	22.8	13.5	12.8	0.3	0.3	2.5%	2.8%	0.550	OP	
SP SETIA BHD	0.770	3,138.1	Y	12/2022	19.3	11.7	13.8	0.3	0.3	2.9%	4.9%	0.540	UP	
SUNWAY BHD	1.65	8,067.0	Y	12/2022	26.7	20.6	12.3	0.9	0.8	4.4%	1.8%	2.05	OP	
UEM SUNRISE BHD	0.305	1,542.8	Y	12/2022	N.A.	N.A.	N.A.	0.2	0.2	-0.6%	0.0%	0.320	MP	
UOA DEVELOPMENT BHD	1.67	4,020.4	Y	12/2022	11.1	11.9	11.1	0.7	0.7	3.9%	7.8%	1.76	MP	
Simple Average					15.8	14.2	18.1	0.4	0.4	3.0%	3.8%			

Source: Bloomberg, Kenanga Research

Stock ESG Ratings:

	Criterion	Rating			
GENERAL	Earnings Sustainability & Quality	★			
	Corporate Social Responsibility	★	★		
	Management/Workforce Diversity	★	★	★	
	Accessibility & Transparency	★	★	★	
	Corruption-Free Pledge	★	★		
	Carbon-Neutral Initiatives	★	★	★	
SPECIFIC	Digital Transformation	★	★	★	
	Adoption of Green Financing	★	★		
	Waste Management	★	★	★	
	Flora and Fauna Preservation	★	★	★	
	Green Building Planning	★	★		
	Supply Chain Auditing	★	★	★	
OVERALL		★	★	★	

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

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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