

UEM Sunrise (UEMS MK)

Aims to turnaround in 2022

Results below but sales above expectations

UEMS' 4Q21 core net loss of MYR61m (from net loss of MYR85m in 4Q20) were below our and consensus expectations but 2021 sales of MYR1.46b were above our and management expectations by +22%. Management has set a new sales goal of MYR1.5b for 2022 (+2.7%). We raise our FY22/23 earnings forecasts by +71%/+34% after factoring in MYR1.5b sales target for 2022 (+7%), higher land sales (+2.5x) and the actual 2021 results. Our TP is intact at MYR0.35 (on an unchanged 0.3x FY22 PBV). HOLD.

Ended 2021 with losses

Excl. MYR93.5m one-off items (incl. impairment on inventories [MYR29.2m], investment properties [MYR12.8m], development cost [MYR20.6m] and net allowance for doubtful debts [MYR15m]), 4Q21 core net loss was MYR60.9m (+28% YoY, -37% QoQ), bringing 2021 core net loss to MYR120.9m (+31% YoY, from MYR174.8m core net loss in 2020) vs. our/consensus full-year net loss estimates of MYR73m. The variance in earnings was due to higher-than-expected operating costs, we reckon.

Sets flat sales target in 2022

UEMS has locked in MYR1.46b sales in 2021 (+30% YoY; 71% from Klang Valley [KV]), or 22% above its initial sales target. Management has set a flat sales target of MYR1.5b for 2022 driven by MYR3.3b worth of new launches (52:24:24 Klang Valley: Johor: Melbourne) in 2022. UEMS will launch its project (AUD250m GDV) in Collingwood, Melbourne in 2H22. Despite the end of the Home Ownership Campaign in Dec 2021, UEMS has seen encouraging responses for its Klang Valley's properties thanks to its aggressive marketing campaigns. UEMS has MYR140m worth of bookings in end-Jan 22.

Earnings adjustments

We raise our FY22/23 earnings forecasts by +71%/+34% to factor in higher sales assumption of MYR1.5b (+7%) and higher land sales of MYR300m in 2022 (+2.5x) as well as the actual 2021 results. UEMS is looking to turnaround in 2022 with more new launches, stronger progress billings post lock-down and potential asset/land sales (MYR300m). UEMS' unbilled sales stood at MYR2.4b in end Dec 2021 (1.8x of our FY22 property development revenue).

FYE Dec (MYR m)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	1,137	1,211	1,743	1,868	2,516
EBITDA	11	(78)	307	318	446
Core net profit	(175)	(121)	130	146	252
Core EPS (sen)	(3.5)	(2.4)	2.6	2.9	5.0
Core EPS growth (%)	nm	nm	nm	12.6	72.8
Net DPS (sen)	0.0	0.0	0.5	0.6	1.0
Core P/E (x)	nm	nm	13.8	12.3	7.1
P/BV (x)	0.4	0.2	0.3	0.3	0.3
Net dividend yield (%)	0.0	0.0	1.4	1.6	2.8
ROAE (%)	(3.9)	(3.2)	1.9	2.1	3.6
ROAA (%)	(1.3)	(0.9)	1.0	1.1	1.8
EV/EBITDA (x)	nm	nm	18.0	17.3	12.1
Net gearing (%) (incl perps)	40.8	49.4	52.6	51.5	48.6
Consensus net profit	-	-	71	105	na
MKE vs. Consensus (%)	-	-	83.2	38.5	na

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HOLD

Share Price	MYR 0.36
12m Price Target	MYR 0.35 (-1%)
Previous Price Target	MYR 0.35

Company Description

UEM Sunrise is principally involved in the property development business.

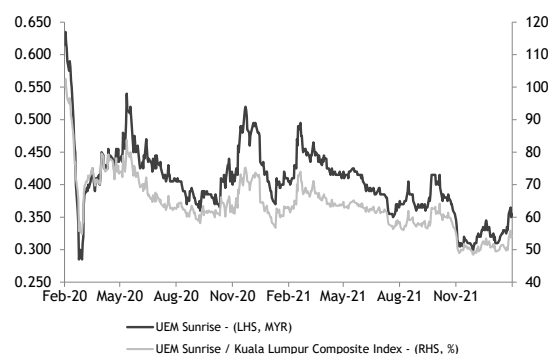
Statistics

52w high/low (MYR)	0.50/0.30
3m avg turnover (USDm)	0.2
Free float (%)	18.6
Issued shares (m)	5,058
Market capitalisation	MYR1.8B
	USD429M

Major shareholders:

Khazanah Nasional Bhd. (Investment Compa	69.6%
Urusharta Jamaah Sdn. Bhd.	6.2%
Employees Provident Fund	3.3%

Price Performance



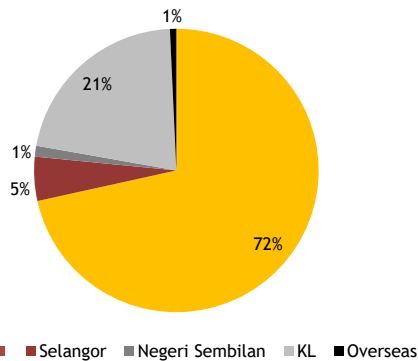
	-1M	-3M	-12M
Absolute (%)	11	1	(12)
Relative to index (%)	7	(2)	(13)

Source: FactSet

Value Proposition

- The largest land owner in Iskandar Malaysia (IM), Johor. Khazanah owns a 70% stake in UEMS.
- 72% of total GDV is derived from Johor (mostly located in IM area).
- UEMS' low land cost should allow it to be more flexible in pricing and project launches in IM.
- Over the past four years, UEMS has been actively looking for land outside of IM to reduce its concentration risk in that region.

GDV breakdown by location - MYR108b as at end-2021

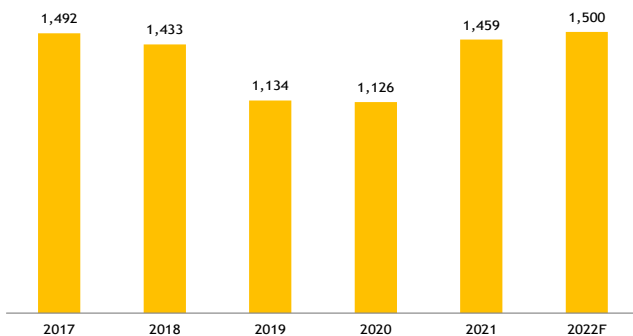


Source: Company

Financial Metrics

- UEMS has a dividend payout policy of 20-40% of its realised PATAMI.
- UEMS has set a MYR1.5b sales target for 2022.

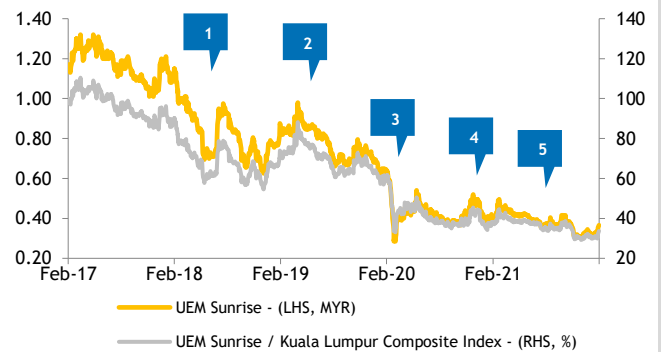
Historical sales track record (MYRm)



Source: Company

Price Drivers

Historical share price trend



Source: Company, Maybank IBG Research

1. 2018: Buying sentiment for properties was weak pre-GE14.
2. 2019: Earnings were boosted by two completed Australian projects.
3. 1H 20: Earnings and sales were severely hit by MCO1.0.
4. Oct 2020: Proposed merger between ECW-UEMS by UEMS' major shareholder in Oct 20 (source: Bursa Malaysia).
5. 2021: UEMS has decided not to pursue the proposed merger with ECW after the latter called off the deal (source: Bursa Malaysia).

Swing Factors

Upside

- RNAV-accretive land acquisitions.
- Higher-than-expected property sales.
- Land/asset sales.

Downside

- RNAV-accretive land acquisitions.
- Higher-than-expected property sales.
- Land/asset sales.

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Fig 1: Results summary - UEMS

FY Dec (MYRm)	Quarterly					Cumulative		
	4Q21	4Q20	%YoY	3Q21	%QoQ	2021	2020	%YoY
Turnover	496.3	611.6	(18.9)	213.0	>+100	1,211.2	1,136.9	6.5
EBIT	(122.1)	16.0	>-100	2.9	>-100	(83.5)	2.2	>-100
Associate/ JV	8.4	(49.9)	>+100	1.2	>+100	13.0	(64.7)	>+100
Finance costs	(35.3)	(39.2)	9.8	(37.5)	5.7	(144.7)	(132.9)	-8.9
PBT	(149.0)	(67.0)	>-100	(38.9)	>-100	(215.2)	(195.3)	-10.2
Tax	(4.7)	(66.3)	92.9	(9.4)	50.0	1.8	(81.4)	>+100
MI	1.5	(1.4)	>+100	(2.0)	>+100	(0.9)	(0.6)	-62.3
Net profit	(152.3)	(134.7)	-13.1	(50.4)	>-100	(214.3)	(277.3)	22.7
Core net profit	(60.9)	(84.6)	28.0	(44.5)	-36.6	(120.9)	(174.8)	30.8
			<i>+/- ppt</i>		<i>+/- ppt</i>			<i>+/- ppt</i>
EBIT margin (%)	(24.6)	2.6	(27.2)	1.4	(26.0)	(6.9)	0.2	(7.1)
Tax rate (%)	(3.2)	(99.1)	95.9	(24.2)	21.1	0.8	(41.7)	42.5

Source: Company, Maybank IBG Research

UEM Sunrise's RNAV estimates

Landbank at market value				MV
	Location	Stake	Acres	(MYR m)
Nusajaya -Residential	Nusajaya	100%	1,916.0	2,086.5
Nusajaya -Commercial	Nusajaya	100%	2,332.1	3,555.5
Nusajaya -Industrial	Nusajaya	100%	230.0	350.7
Puteri Harbour	Nusajaya	100%	276.1	330.5
- Residential	Nusajaya	100%	207.7	226.2
- Commercial	Nusajaya	100%	68.4	104.3
Regional commercial centre	Nusajaya	100%	480.0	731.8
Bangi land	Selangor	100%	448.6	195.4
Tapah land	Perak	100%	2,405.0	168.4
Symphony Hills	Cyberjaya	100%	24.1	21.0
Setia Haruman land	Cyberjaya	25%	2,000.0	588.1
- Residential	Cyberjaya	25%	1,200.0	326.7
- Commercial	Cyberjaya	25%	800.0	261.4
Desaru	Johor	51%	678.7	226.2
Fraser Metropolis	Johor	60%	2,500.0	522.7
Mont Kiara	Kuala Lumpur	100%	43.2	470.4
Mersing, Johor	Johor	100%	431.1	53.7
Seremban	Seremban	50%	225.5	49.1
Sub-total (1)				9,349.9
Active developments: DCF @ 12-18% WACC				(MYR m)
East Ledang	Nusajaya	100%		21.9
Horizon Hills	Nusajaya	50%		50.3
Nusa Bayu	Nusajaya	100%		4.4
SiLC	Nusajaya	100%		12.5
Northern Estuary	Nusajaya	100%		116.7
R10/R11	Nusajaya	100%		4.2
Ledang Heights	Nusajaya	100%		4.3
Afiat Healthpark	Nusajaya	100%		1.3
Ascendas-UEML Tech Park	Nusajaya	40%		74.9
Gerbang Nusajaya, JV with KLK	Nusajaya	40%		75.5
Angkasaraya, KLCC	KLCC vicinity	100%		31.5
Bukit Jelutong	Selangor	50%		24.9
Solaris 3	Mont kiara	100%		118.2
Kepong	Kepong	50%		130.3
Cheras	Cheras	100%		33.1
KAIA	Sri Kembangan	100%		34.5
Sub-total (2):				738.4
Investment properties			NLA (sq.ft.)	MYRm
Plaza Mont Kiara -office			31,980	17.6
Solaris MK - retail & car park			18,146 sq.ft. & 1,776 bays	70.9
Solaris Dutamas - retail & car park			335,000 sq.ft. & 5,000 bays	459.2
Sub-total (3):				547.7
Grand total = (1) + (2) + (3)				10,636.1
Net debt-2021				(3,359.2)
RNAV (MYR m)				7,276.9
Enlarged share capital (m shares)				5,145.5
FD RNAV (MYR/sh)				1.41

Source: Maybank IBG Research

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Key Metrics					
P/E (reported) (x)	nm	nm	13.8	12.3	7.1
Core P/E (x)	nm	nm	13.8	12.3	7.1
P/BV (x)	0.4	0.2	0.3	0.3	0.3
P/NTA (x)	0.4	0.3	0.3	0.3	0.3
Net dividend yield (%)	0.0	0.0	1.4	1.6	2.8
FCF yield (%)	nm	nm	nm	12.8	17.7
EV/EBITDA (x)	nm	nm	18.0	17.3	12.1
EV/EBIT (x)	nm	nm	18.0	17.3	12.1

INCOME STATEMENT (MYR m)

Revenue	1,136.9	1,211.2	1,743.3	1,867.9	2,516.1
EBITDA	11.3	(78.1)	306.9	317.9	446.1
Depreciation	0.0	0.0	0.0	0.0	0.0
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	11.3	(78.1)	306.9	317.9	446.1
Net interest income / (exp)	(132.9)	(144.7)	(183.7)	(183.3)	(181.2)
Associates & JV	(64.7)	13.0	49.0	57.8	66.1
Exceptionals	0.0	0.0	0.0	0.0	0.0
Other pretax income	(9.1)	(5.3)	0.0	0.0	0.0
Pretax profit	(195.3)	(215.2)	172.2	192.4	330.9
Income tax	(81.4)	1.8	(41.3)	(46.2)	(79.4)
Minorities	(0.6)	(0.9)	(1.2)	(0.2)	0.8
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	(277.3)	(214.3)	129.7	146.0	252.3
Core net profit	(174.8)	(120.9)	129.7	146.0	252.3

BALANCE SHEET (MYR m)

Cash & Short Term Investments	1,086.3	853.0	519.4	539.0	643.0
Accounts receivable	494.3	484.7	697.6	747.4	1,006.8
Inventory	580.5	456.9	657.6	704.6	949.1
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	478.6	446.7	540.2	633.7	727.2
Intangible assets	621.4	621.4	621.4	621.4	621.4
Investment in Associates & JVs	1,475.6	1,743.7	1,743.7	1,743.7	1,743.7
Other assets	8,743.2	8,371.6	8,704.6	8,726.6	8,793.4
Total assets	13,479.9	12,978.0	13,484.5	13,716.4	14,484.6
ST interest bearing debt	1,493.1	999.7	1,099.7	1,099.7	1,099.7
Accounts payable	1,007.0	1,043.5	1,501.9	1,609.2	2,167.6
Insurance contract liabilities	0.0	0.0	0.0	0.0	0.0
LT interest bearing debt	2,600.3	3,212.6	3,049.0	3,049.0	3,049.0
Other liabilities	1,009.0	927.0	935.0	943.0	951.0
Total Liabilities	6,109.3	6,183.2	6,585.9	6,701.1	7,267.4
Shareholders Equity	6,901.6	6,691.8	6,795.6	6,912.4	7,114.3
Minority Interest	469.0	102.9	102.9	102.9	102.9
Total shareholder equity	7,370.6	6,794.8	6,898.5	7,015.3	7,217.2
Total liabilities and equity	13,479.9	12,978.0	13,484.5	13,716.4	14,484.6

CASH FLOW (MYR m)

Pretax profit	(195.3)	(215.2)	172.2	192.4	330.9
Depreciation & amortisation	0.0	0.0	0.0	0.0	0.0
Adj net interest (income)/exp	11.6	8.3	183.7	183.3	181.2
Change in working capital	0.0	0.0	(44.8)	(10.5)	(54.5)
Cash taxes paid	(187.7)	(37.3)	1.8	(41.3)	(46.2)
Other operating cash flow	0.0	0.0	0.0	0.0	0.0
Cash flow from operations	(89.8)	(49.5)	319.4	330.3	417.9
Capex	(277.9)	(568.2)	(568.2)	(100.0)	(100.0)
Free cash flow	(367.7)	(617.7)	(248.8)	230.3	317.9
Dividends paid	0.0	0.0	0.0	(25.9)	(29.2)
Equity raised / (purchased)	0.0	0.0	0.0	0.0	0.0
Change in Debt	706.5	118.9	100.0	0.0	0.0
Other invest/financing cash flow	(343.8)	283.8	(184.8)	(184.8)	(184.8)
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	(4.9)	(215.0)	(333.6)	19.6	103.9

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Key Ratios					
Growth ratios (%)					
Revenue growth	(60.9)	6.5	43.9	7.1	34.7
EBITDA growth	(97.7)	nm	nm	3.6	40.3
EBIT growth	(97.7)	nm	nm	3.6	40.3
Pretax growth	nm	nm	nm	11.7	72.0
Reported net profit growth	nm	nm	nm	12.6	72.8
Core net profit growth	nm	nm	nm	12.6	72.8
Profitability ratios (%)					
EBITDA margin	1.0	nm	17.6	17.0	17.7
EBIT margin	1.0	nm	17.6	17.0	17.7
Pretax profit margin	nm	nm	9.9	10.3	13.2
Payout ratio	0.0	0.0	20.0	20.0	20.0
DuPont analysis					
Net profit margin (%)	nm	nm	7.4	7.8	10.0
Revenue/Assets (x)	0.1	0.1	0.1	0.1	0.2
Assets/Equity (x)	2.0	1.9	2.0	2.0	2.0
ROAE (%)	(3.9)	(3.2)	1.9	2.1	3.6
ROAA (%)	(1.3)	(0.9)	1.0	1.1	1.8
Leverage & Expense Analysis					
Asset/Liability (x)	2.2	2.1	2.0	2.0	2.0
Net gearing (%) (incl perps)	40.8	49.4	52.6	51.5	48.6
Net gearing (%) (excl. perps)	40.8	49.4	52.6	51.5	48.6
Net interest cover (x)	0.1	na	1.7	1.7	2.5
Debt/EBITDA (x)	nm	nm	13.5	13.1	9.3
Capex/revenue (%)	24.4	46.9	32.6	5.4	4.0
Net debt/ (net cash)	3,007.1	3,359.2	3,629.4	3,609.8	3,505.8

Source: Company; Maybank

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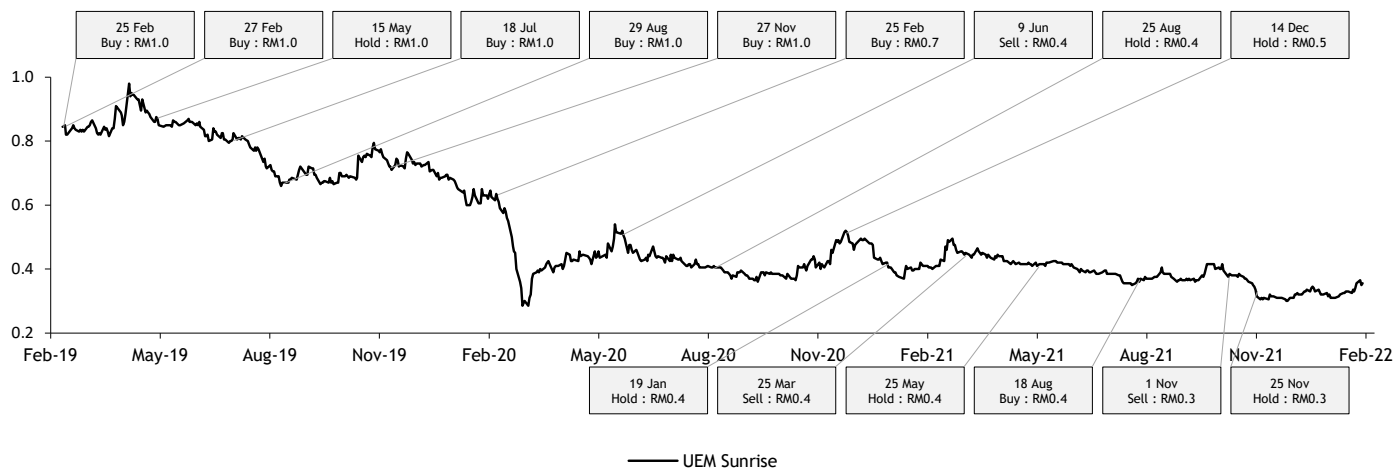
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