

# UEM Land

Key proxy for Iskandar Malaysia

NOT RATED

Maintained

**RM1.48**

Mkt.Cap: RM3,594m/US\$1,012m

Property Devt &amp; Invst

## Notes from Invest Malaysia 2009

UEM Land's presentation at IM09 drew more than 50 fund managers and buy-side analysts. Group Managing Director and CEO Wan Abdullah Wan Ibrahim gave a very thorough explanation of the company's flagship Nusajaya township in Iskandar Malaysia and its prospects. Questions centred around the profile of its property purchasers and transportation links between Johor and Singapore.

### Highlights

**Nusajaya a long-term project.** Based on the normal development timeframe, the 24,000-acre Nusajaya would theoretically take 180 years to complete. This is why numerous catalyst projects have been introduced. The RM750m Legoland is targeted for completion by 2012 and there are still plans to attract more theme parks in order to create critical mass. UEM Land believes the "tipping point" for Nusajaya to really take off would be in 2011/12 when the RM1bn coastal highway, new university, new hospital and additional government buildings are completed.

**Kota Iskandar administrative centre.** The Johor state administrative centre located in Nusajaya has been named Kota Iskandar by the Johor Sultan and 2,200 state civil servants have already shifted there. There are plans to shift all the 3,000 federal government civil servants in the state to Kota Iskandar by 2012. They are currently spread all over the state in 42 buildings.

**Singaporeans are big buyers.** Contrary to common perception, Singaporeans are big buyers of the higher-end residential properties in Nusajaya, making up 50-60% of total purchasers. They do not include Malaysians working in Singapore. UEM Land is very aggressively courting Singaporean buyers and even shuttles them in from Singapore to view properties in Nusajaya. The attraction to Singaporean buyers is the far greater affordability of properties in Johor compared to Singapore.

**Diversifying to Cyberjaya.** UEM Land recently acquired 98 acres of land in Cyberjaya as it believes the location is ripe for development, particularly with the opening of the Maju Expressway which provides a direct link from Kuala Lumpur to Cyberjaya. UEM Land is scouring for more acquisition opportunities in Kuala Lumpur, Selangor and Penang. It will not venture overseas until 2012 at the earliest.

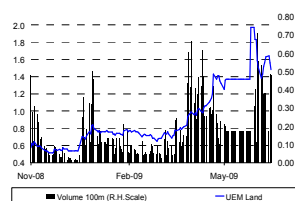
### Comments

We are pleasantly surprised that the decision to move federal government civil servants to Nusajaya is taking shape so soon. It will help build up the population base of Kota Iskandar and should lead to spillover benefits for UEM Land's neighbouring residential projects. The group is also looking into an innovative financing scheme along the lines of other developers' 5/95 or 10/90 plans. This could boost sales, which have also slowed down as a result of the global financial crisis.

## Valuation

With its landbank of more than 10,000 acres in Nusajaya, UEM Land remains the best play on Iskandar Malaysia. Despite its share price resurgence in recent months, the stock is still trading at a steep discount to its fully diluted RNAV/share of RM3.48. Applying the sector average RNAV discount of only 34%, we get a price of RM2.30 for UEM Land, 55% higher than the current share price. Assuming a wider discount of 50%, which is the discount we have applied to smaller and less liquid companies such as UM Land (UML MK; Trading Buy) and Hunza Prop (HPB MK; Trading Buy), UEM Land would be valued at a lower RM1.74, which would still provide upside of 18%.

Price chart



Source: Bloomberg

### Financial summary

FYE Dec	2005	2006	2007	2008
Revenue (RM m)	208.4	453.1	1,871.5	511.6
EBITDA (RM m)	11.4	121.9	427.1	60.4
EBITDA margins (%)	5.5%	26.9%	22.8%	11.8%
Pretax profit (RM m)	7.5	129.2	457.3	75.7
Net profit (RM m)	4.1	83.9	529.1	75.1
EPS (sen)	0.2	3.5	21.8	3.1
EPS growth (%)	N/A	1,933.1%	530.6%	(85.8%)
P/E (x)	870.8	42.8	6.8	47.9
Gross DPS (sen)	0.0	0.0	0.0	0.0
Dividend yield (%)	0.0%	0.0%	0.0%	0.0%
P/BV (x)	50.2	23.9	3.0	2.8
ROE (%)	11.5%	75.7%	78.9%	6.1%
Net gearing (%)	38.4%	60.2%	30.7%	30.9%
P/FCFE (x)	2.2	3.8	(3.2)	104.1
EV/EBITDA (x)	388.1	37.3	10.6	75.2

Source: Company, CIMB Research, Bloomberg

Figure 1: Discount to RNAV and NTA

	Share price (RM)	RNAV/shr (RM)	(Discount)/ Premium	NTA/shr (RM)	(Discount)/ Premium
Hunza Prop	1.43	3.52	-59.4%	2.08	-31.3%
KLCC Prop	3.34	5.00	-33.2%	3.97	-15.9%
Mah Sing	1.74	1.66	4.8%	1.10	58.2%
SP Setia	4.00	4.59	-12.9%	1.97	103.0%
UM Land	1.28	3.98	-67.8%	3.38	-62.1%
<b>Average</b>			<b>-33.7%</b>		<b>10.4%</b>

Source: CIMB estimates, companies

**Figure 2: Revalued NAV**

Project	Development type	Size/units	Price (RM)	Stake	Value (RM m)
<b>Catalyst projects</b>					
Puteri Harbour	Residential	301.0 ac	100.00	100%	1,311.2
Puteri Harbour	Commercial and retail	218.0 ac	160.00	100%	1,519.2
SiLC	Industrial	1,135.0 ac	10.00	100%	494.4
Afiat Healthpark	Medical	65.0 ac	14.00	100%	39.6
<b>Other ongoing committed projects</b>					
Nusa Idaman	Residential	251.0 ac	12.00	100%	131.2
Nusajaya Industrial Park 1 Ph 2 (Comm)	Commercial	17.0 ac	80.00	100%	59.2
East Ledang	Residential	365.0 ac	18.00	100%	286.2
Horizon Hills (JV with Gamuda)	Residential	655.0 ac	20.00	50%	285.3
InfraExpert Dvpt - social housing	Low cost residential	207.0 ac	-	100%	-
Panoramic (Nusa Cemerlang)	Industrial	246.0 ac	8.00	100%	85.7
Regional open space	n.a.	668.0 ac	-	100%	-
Infra reserves	n.a.	173.0 ac	-	100%	-
<b>Remaining land bank (no firm plans)</b>					
Residential (66%)	Residential	3,645.0 ac	8.00	100%	1,270.0
Commercial (28%)	Commercial	1,555.0 ac	50.00	100%	3,386.1
Industrial (6%)	Industrial	329.0 ac	6.00	100%	86.0
Newly acquired	Mixed	414.0 ac	9.00	100%	162.3
Setia Haruman (8x P/E)					16.0
Net current assets less dev. prop.					141.0
Long term borrowings & payables					(579.0)
Total RNAV					8,694.5
No. of shares (m)					2,428.2
<b>RNAV per share (RM)</b>					<b>3.58</b>
<b>F. diluted RNAV per share (RM)</b>					<b>3.48</b>

Source: Company, CIMB/CIMB-GK estimates

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**NEUTRAL:** The stock's total return is expected to be within +/-5% of a relevant benchmark's total return.

**UNDERPERFORM:** The stock's total return is expected to be below a relevant benchmark's total return by 5% or more over the next 12 months.

**TRADING BUY:** The stock's total return is expected to exceed a relevant benchmark's total return by 5% or more over the next 3 months.

**TRADING SELL:** The stock's total return is expected to be below a relevant benchmark's total return by 5% or more over the next 3 months.

### SECTOR RECOMMENDATIONS

**OVERWEIGHT:** The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months.

**NEUTRAL:** The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.

**UNDERWEIGHT:** The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months.

**TRADING BUY:** The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 3 months.

**TRADING SELL:** The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 3 months.

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**NEUTRAL:** Expected total returns of between -15% and +15% over the next 12 months.

**UNDERPERFORM:** Expected negative total returns of 15% or more over the next 12 months.

**TRADING BUY:** Expected positive total returns of 15% or more over the next 3 months.

**TRADING SELL:** Expected negative total returns of 15% or more over the next 3 months.

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**UNDERWEIGHT:** The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of -15% or worse over the next 12 months.

**TRADING BUY:** The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of +15% or better over the next 3 months.

**TRADING SELL:** The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of -15% or worse over the next 3 months.

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