

UEM Sunrise (5148)

Best Property Proxy to Johor Theme



Stock Highlights

Johor property demand boosted by JS-SEZ. On 7 Jan 2025, the impending JS-SEZ was formalised with the signing of a joint agreement between Malaysia and Singapore. Following this, MoF also announced packages of tax incentives for both workers and investee companies. We think this bilateral cooperation between two countries is poised to catalyse a surge in foreign direct investment, drive relocation of Singapore-based firms to Johor (mitigate expansion cost in Singapore), and boost cross-border travel fueled by enhanced connectivity through the RTS. In our view, these developments are likely to create a positive spillover, propelling the real estate demand in Johor (both residential and industrial).

Prime beneficiary of JS-SEZ rollout. We view UEM Sunrise (UEMS) as a key beneficiary of the JS-SEZ initiative, given its substantial 7,985-acre landbank in Johor, with 94% (7,470 acres) strategically located within Iskandar Malaysia (IM). This represents significant land monetisation opportunity for UEMS, driven by the surge in land transactions in Johor, particularly for data centre developments and heightened property demand. Additionally, UEMS's outlook is further enhanced by its robust pipeline of property launches in IM (RM929m GDV) and the upcoming masterplan approval for its 2,334-acre development in Gerbang Nusajaya by mid-2025 (RM45bn GDV including the zoning of 1,136 acres to industrial land).

Valuation could re-rate. UEMS currently trades at a significant 50% discount to RNAV, which we believe there is room for a re-rating. This is underpinned by the robust outlook from the JS-SEZ initiative, an upward-revised FY24 sales target of RM1.2bn (RM929m sales achieved in 9MFY24), and strong unbilled sales of RM2.9bn (representing 2.2x of its revenue).

Uptrend likely to continue. The stock demonstrates a continued uptrend following a significant correction after reaching its 52-week high in early May. A swift recovery, aligned with renewed buying interest, has driven the stock into an upward trajectory, leading to a breakout from the triangle pattern. With these bullish technical signals, the stock is poised to test key resistance levels at RM1.14 first and subsequently at RM1.21. The recommended entry zone is at RM1.07 to RM1.08. Stop loss: RM0.970.

Technical

Resistance 1 (RM)	1.14
Resistance 2 (RM)	1.21
Support 1 (RM)	1.02
Support 2 (RM)	0.945
MACD	Positive
RSI	Neutral

Stock Information

Last Close (RM)	1.08
Market cap (RM m)	5,463.2
52-week Range (RM)	0.810-1.28

Financial Highlights

FYE Dec	FY21	FY22	FY23	9MFY24
Revenue (RM m)	1,184.5	1,473.4	1,339.1	799.5
Core PAT (RM m)	(114.2)	74.0	71.0	51.8
Core EPS (sen)	(2.3)	1.5	1.4	1.0
DPS (sen)	0.0	0.0	0.8	0.0
BV/share (RM)	1.32	1.34	1.35	1.30
P/E (x)	n/a	73.3	78.6	108.0
P/B (x)	0.8	0.8	0.8	0.8

Source: Bloomberg, Mercury Securities

Company Profile

UEM Sunrise Bhd is a property company that focuses in macro township development, high-rise residential, commercial, retail, and integrated development, property management as well as property investment.

Glossary of commonly use technical terms

Moving Average (MA)	An indicator frequently used in technical analysis showing the average value of a security's price over a set period.
Moving Average Convergence Divergence (MACD)	A trend-following momentum indicator that shows the relationship between two moving averages of prices. The MACD is calculated by subtracting the 26-day exponential moving average (EMA) from the 12-day EMA. A 9-day EMA of the MACD, called the "signal line", is then plotted on top of the MACD, functioning as a trigger for buy and sell signals.
Stochastic	A technical momentum indicator that compares a security's closing price to its price range over a given time period. The indicator's sensitivity to market movements can be reduced by adjusting the time period or by taking a moving average of the result.
Average True Range (ATR)	A measure of volatility whereby the indicator is the greatest of the following: <ul style="list-style-type: none">- current high less the current low;- the absolute value of the current high less the previous close;- the absolute value of the current low less the previous close;
Bollinger Band	A band plotted 2 standard deviations away from a simple moving average.
On-Balance Volume (OBV)	A method used in technical analysis to detect momentum, the calculation of which relates volume to price change. OBV provides a running total of volume and shows whether this volume is flowing in or out of a given security.
Support	The price level which, historically, a stock has had difficulty falling below. It is thought of as the level at which a lot of buyers tend to enter the stock.
Resistance	The price at which a stock or market can trade, but not exceed, for a certain period of time. Often referred to as "resistance level".
Reversal	A change in the direction of a price trend. On a price chart, reversals undergo a recognizable change in the price structure. An uptrend, which is a series of higher highs and higher lows, reverses into a downtrend by changing to a series of lower highs and lower lows. A downtrend, which is a series of lower highs and lower lows, reverses into an uptrend by changing to a series of higher highs and higher lows.
Divergence	When the price of an asset and an indicator, index or other related asset move in opposite directions.
Overbought	In technical analysis, this term describes a situation in which the price of a security has risen to such a degree – usually on high volume – that an oscillator has reached its upper bound. This is generally interpreted as a sign that the price of the asset is becoming overvalued and may experience a pullback.
Oversold	A situation in technical analysis where the price of an asset has fallen to such a degree – usually on high volume – that oscillator has reached a lower bound. This is generally interpreted as a sign that the price of the asset is becoming undervalued and may represent a buying opportunity for investors

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