Residential Property | MALAYSIA

PROPERTY

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NEW THEME

Action

Despite share pullbacks in the sector, we conclude that while affordability and overall supply remain intact (ensuring 2011 earnings visibility), valuations for bigger players (closing on peaks) are cognizant of supportive fundamentals. While we see headline transaction numbers supported by a healthy secondary market and dominated by the mass market, we also see potential for looser supply in the high-end segment (given a limited pool of purchasers) capping price increases off 2010 highs. We recommend selective BUYs on mid-cap and landbank re-rating plays.

Catalysts

Sequential strengthening of property sales numbers.

Anchor Themes

Compelling demographics and improving affordability are driving a consumption boom in Malaysia, which is likely to fuel property demand over the long term.

Stocks for action

We think strong transactions continue to support residential property fundamentals; we prefer mid-cap and landbank re-rating plays — Mah Sing and UEM Land. NEUTRAL on SPSB and MRCB.

Stock	Rating	Price (RM)	Price target
Mah Sing (MSGB MK)	BUY	2.66	3.08
UEM Land Holdings (ULHB MK)	BUY	2.86	3.29
Malaysian Resources Corporation (MRC MK)	NEUTRAL	2.26	2.42↑
SP Setia (SPSB MK)	NEUTRAL	6.40	7.00

Prices as at 6 April 2011 ↑ PT increased

Mass market or million dollars, dear?

① Domestic demand solid amid robust fundamentals

FY10 saw headline transaction volumes and values rise 7% and 21% y-y, respectively, to a decade high, driven by domestic demand. Secondary transactions dominated, comprising 65% of all transactions. Property transactions below RM1mn accounted for 75% of total transactions (value terms). Housing starts are at their lowest since 2001, while incoming supply is at a three-year low.

② Too many 'million-dollar' launches?

Supported by buoyant transaction data and positive sentiment in this upcycle that is entering its second full year, most developers are drumming up launch momentum for 2Q11. An analysis of these launches suggest a larger proportion of million-dollar property launches targeting a smaller pool of affluent purchasers (about 6% of total households), with a potentially looser supply picture emerging within the next 18 months as middle income earners realise their dreams to own these million dollar homes remain aspirational for the moment. *Au contraire*, a tighter demand picture is emerging for more affordable homes (< RM1mn) in Klang Valley (where the bulk of our developers have exposure), which should be strengthened further with higher urbanisation targeted by the government under the Economic Transformation Programme.

③ Multi-year catalyst from MRT and government land development

The MRT development is likely to spur the unlocking of value in certain areas over the long term where the value of such connectivity outweighs associated negative effects, thus supporting secondary market values.

④ Selective BUYs on undervalued stocks

Following our downgrade of SP Setia to NEUTRAL in mid-January, we believe a sector-wide BUY call is unjustifiable as strong fundamentals may be priced in, leading the market to look for continued sales momentum which may not be forthcoming until the May reporting season. We have a BUY call on re-rating plays — Mah Sing — and those with deeply undervalued landbanks with the strong possibility of value-unlocking within the next 12 months — UEM Land.

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Physical market healthy but more catalysts needed

Physical market remains firm

Starts and incoming supply declining amid strong transaction volumes …

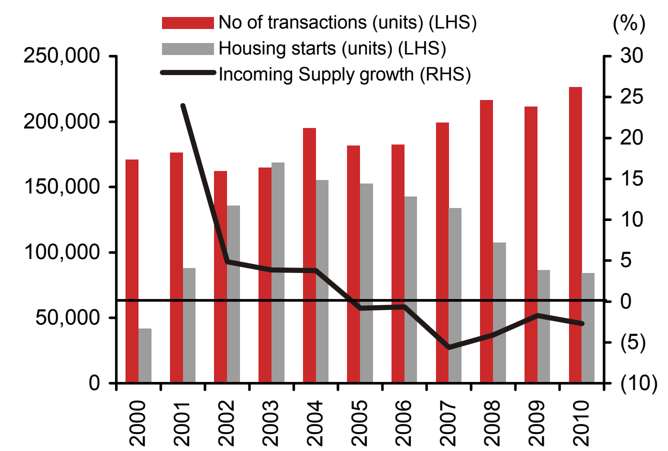
In 2010, transaction volumes grew 7% (by units), while housing starts and incoming supply growth both declined by 3%, according to the Malaysian Valuation and Property Services Department. Housing starts are at their lowest since 2001 and have been on a declining trend since 2005. In value terms, transaction values have continued to hit highs every year since 2006.

Supply-demand picture tightening over long term

This, we believe, is due to growing mass market incomes – indeed, property transactions below RM1mn comprised 75% of total residential transaction values in 2010. Adding robust consumer sentiment, a positive mortgage lending outlook, and strong secondary transactions (65% of total transactions) to the mix, sustained overall transaction number growth is likely in 2011, in our view.

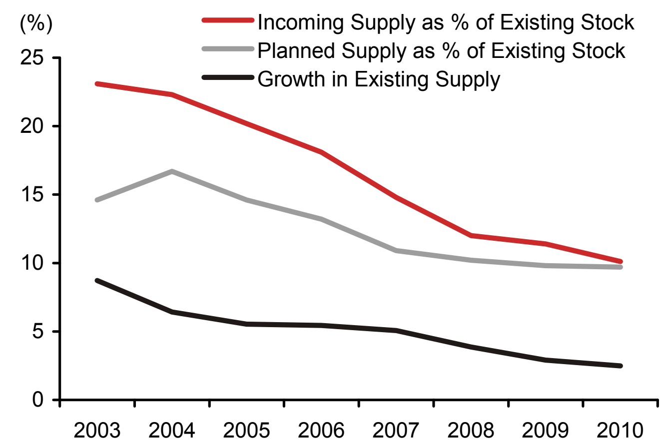
Transaction value highs are driven by a solid secondary market and dominated by mass market transactions

Exhibit 1. Negative incoming supply growth since 2005, while transactions continue to climb



Source: CEIC, Valuation and Property Services Department

Exhibit 2. Incoming and planned supply also decreasing

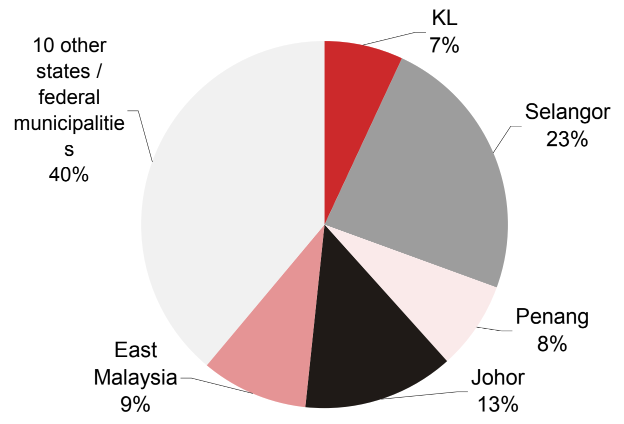


Source: Valuation and Property Services Department , CB Richard Ellis, Nomura research

Incoming supply[1] on a national basis hit 527,166 units in 4Q10, comprising about 13% of current national existing housing stock (excluding low cost housing from this, incoming supply would comprise about 10% of existing stock, in our view). This headline number on its own appears large; however despite this apparent overhang, Malaysia's House Price Index has seen an average ~3% CAGR over the past 10 years.

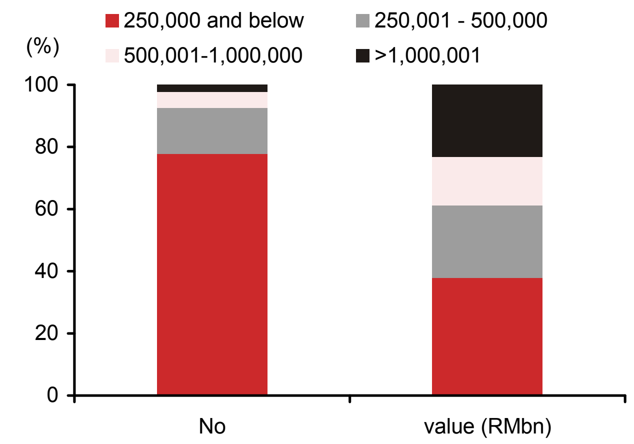
[1] Incoming supply includes units under construction and housing starts

Exhibit 3. Selangor and Johor have the highest proportion of incoming supply



Source: Valuation and Property Services Department, data as of 4Q10

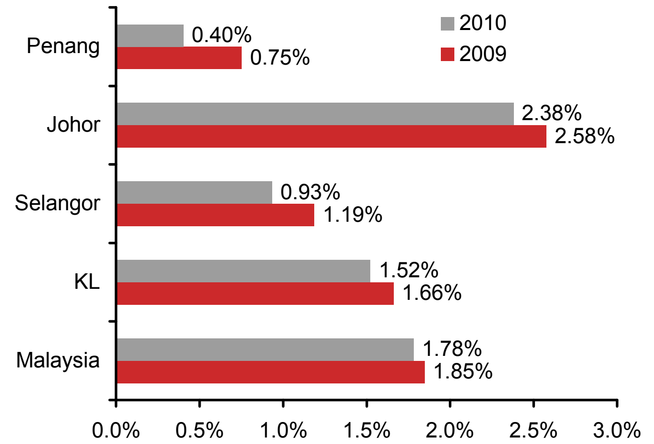
Exhibit 4. Transactions below RM1mn comprise three-quarters of total transaction values



Source: Valuation and Property Services Department, 2010 figures

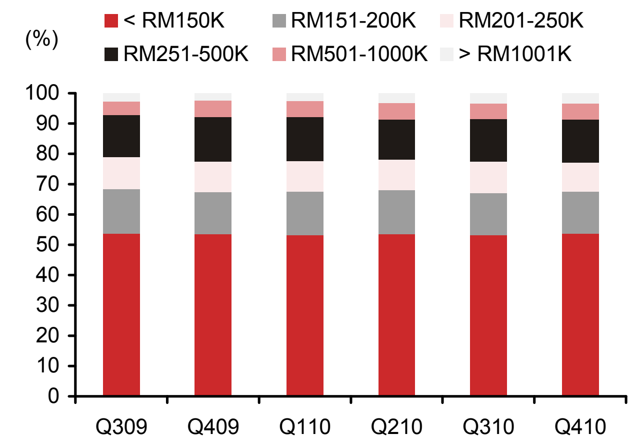
... while overhang rates[2] remain manageable

Exhibit 5. Overhang rate of residential property



Source: Valuation and Property Services Department

Exhibit 6. Unsold residential properties in Malaysia



Source: Valuation and Property Services Department

While much has been made of high property overhang rates in the country, on a state-by-state basis we find that the major markets of the Klang Valley have below national overhang rates, and that 40-50% of the national overhang is in the low-cost segment of <RM150k per the Exhibit above right (where the developers under our coverage have minimal exposure).

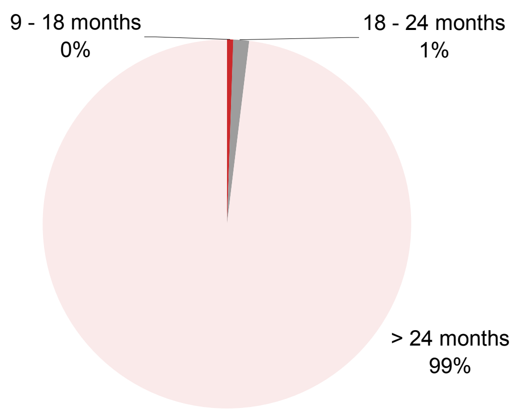
Major markets have lower overhang rates than national statistics appear to imply — half the overhang is in low cost properties to which our developers have minimal exposure

This suggests the main markets of Penang, KL and Selangor (where the developers under coverage are mostly present) have a less drastic overhang picture than the national statistics appear to imply. An analysis of the current overhang shows that 98% of the overhang comprises properties that have remained unsold for at least more than two years.

98% of the current overhang comprises "problem" properties unsold for years

[2] Overhang rates comprise unsold units – both fully constructed and under construction

Exhibit 7. Bulk of overhang from properties that have remained unsold for > 2 years

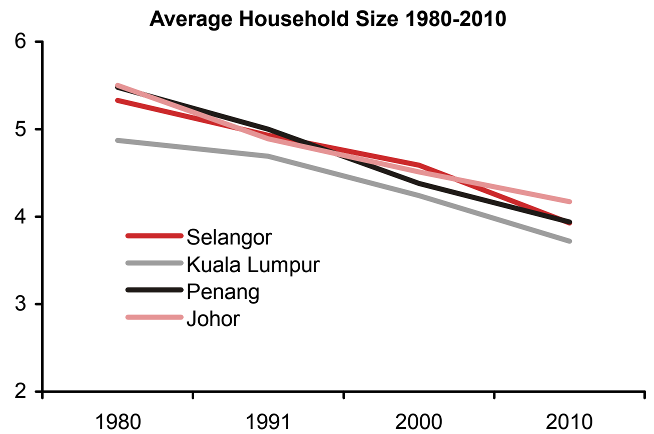


Source: Valuation and Property Services Department, Data as of 4Q10

Shrinking average household size plus household formation …

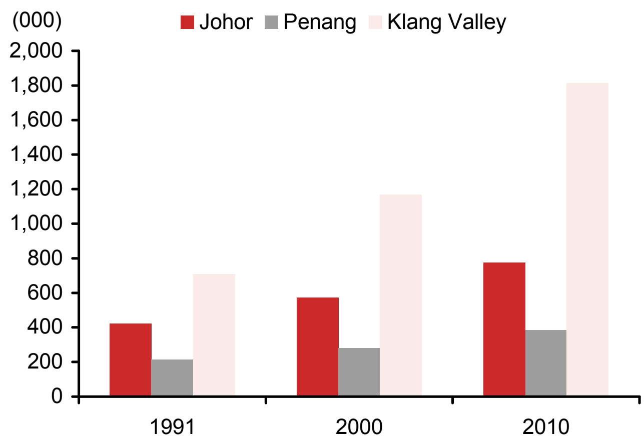
Average household sizes have structurally decreased over the past two decades in the four key states, while population growth has led to the number of households growing by an average of 3% to 6% pa over the past ten years, as per data from the Ministry of Statistics Malaysia. This has supported the physical market, in addition to the decreasing incoming supply factor (as discussed in an earlier section). The number of new marriages pa is now in the region of 180,000 pa, which, we believe, about balances the actual increase in housing stock per year of approximately 200,000 units.

Exhibit 8. Average household sizes shrinking …



Source: Ministry of Statistics Malaysia, Nomura research

Exhibit 9. … and total households are growing



Source: Ministry of Statistics Malaysia, Nomura research

... have led to demand broadly balancing supply

Housing needs for FY11F-12F appear fairly balanced in the four key states, save for Johor

Digging deeper into the incoming supply statistics, we find that the supply picture on a state-by-state basis is a much tighter one, based on a simple comparison of anticipated demand versus incoming units (ignoring affordability factors for the moment, which are discussed in subsequent sections). Per the next Exhibit, save for Johor, the total estimated additional housing units needed (conservatively assuming the mean household size stays constant) for the next two years fairly balances the incoming number of units.

The statistics provide us with pointers to drive our investment themes:

Our view: 1) Penang and Klang Valley supply-demand look fairly balanced and 2) Johor market most dependent on upgraders/outside investments

- Anticipated supply-demand looks balanced in the Klang Valley before factoring in continued shrinking household sizes which is likely to emerge as a bonus. Average household sizes in the Klang Valley shrunk on average by 1.5% per year for the last 10 years, according to the Ministry of Statistics.
- Organic population growth is unlikely to fill demand for Johor properties alone, suggesting that the Johor market is likely to be most dependent on upgraders and/or foreign (Singaporean or Malaysian Singaporean permanent residents) investments to work off incoming supply over the next few years.
- There appears to be less imbalance in Penang, as projected demand balances incoming supply (excluding low cost housing).

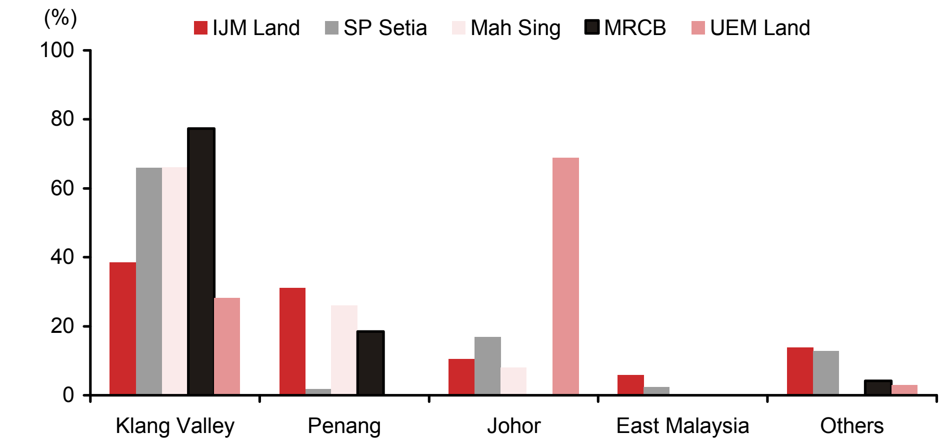
Exhibit 10. Save for Johor, estimated additional housing needed over FY11F-12F matches incoming supply

Incoming supply data 4Q10								
By state	Incoming units		By type	Mean hsehold size (persons)	Population 2010	Population 2011	Population 2012	Total add'l housing units needed
KL	37,194	Low cost	4,335	4	1,682,000	1,766,100	1,854,405	42,626
		Terraced	667					
		Semi-D	476					
		Detached	1,105					
		Condo / SOHO	30,611					
Selangor	123,636	Low cost	27,380	4.1	5,287,000	5,551,350	5,828,918	130,846
		Terraced	43,166					
		Semi-D	9,485					
		Detached	8,168					
		Condo / SOHO	35,437					
Penang	41,580	Low cost	16,371	4.6	1,610,000	1,658,300	1,708,049	21,214
		Terraced	13,445					
		Semi-D	4,374					
		Detached	3,271					
		Condo / SOHO	4,119					
Johor	70,404	Low cost	24,045	5.1	3,460,000	3,494,600	3,529,546	13,551
		Terraced	29,704					
		Semi-D	5,199					
		Detached	2,859					
		Condo / SOHO	8,597					

Source: Nomura, news reports, Valuation and Property Services Department, Ministry of Statistics Malaysia

Hence, we are more positive on developers with higher Klang Valley exposure (which has the added boon of potentially benefiting from future urbanisation), followed by Penang and then Johor. Save for UEM Land, the rest of the developers under our coverage have 45-75% exposure (by outstanding gross development value [GDV]) to Klang Valley.

Exhibit 11. Developers' geographical exposure



Source: Company data 2010

But watch affordability signals

While Bank Negara expects 5-6% GDP growth for 2011F and developers anticipate sell-out launches in 2Q11 – the most recent YTL Land (YTLL MK, not rated) Capers condominium launch near a potential MRT station site saw 80% take-up for Block A prior to the launch and a sell-out for Block B with remaining units priced >RM1mn — we see increasing signs that most of the upcoming launches target a much smaller pool of high-income households. The Malaysia Property Expo 2011 saw circa 50 developers launching mostly condos, and larger-landed semi-detacheds / bungalows with close to 70% of the properties priced from RM500,000 upwards. The average price of a newly launched semi-detached home in the Klang Valley was selling for upwards of an average of RM1mn, according to our observations at the Expo.

Most upcoming new launches target a smaller pool of high-income households, ~ 6% of total Malaysian households

Exhibit 12. Prices rose by double digits for landed properties and Selangor condos

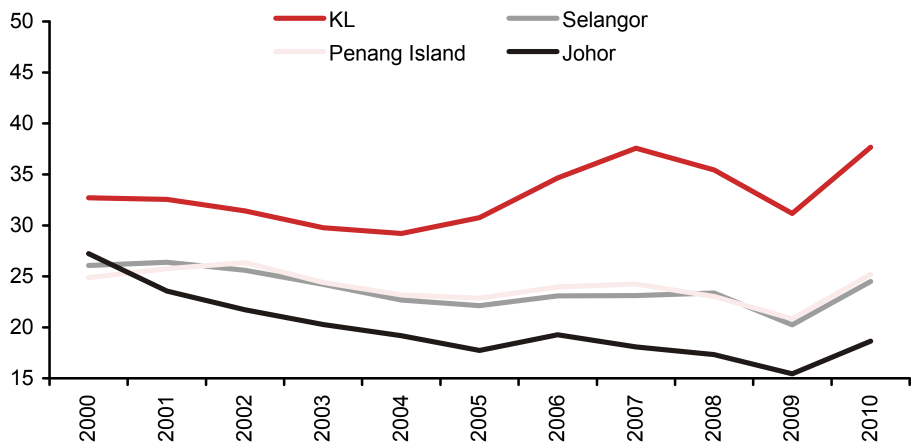
Average transaction price (RM)	4Q10	3Q10	1Q10	1Q09	1Q08	1Q07	Sequential (%)	From 1Q09 to current (%)
KL								
1-1 1/2 Storey Terraced	326,207	321,981	328,215	258,359	254,222	249,360	1	26
2-3 Storey Terraced			554,550	413,160	444,644	395,805		
2-2 1/2 Storey Semi Detach	2,012,829	1,719,709	2,053,312	1,423,750	1,206,000	1,130,332	17	41
Detached	2,247,765	2,345,980	2,309,043	1,466,333	1,970,125	1,818,131	(4)	53
Cluster	118,200	122,500	99,500	104,714		96,000	(4)	13
Low Cost House	181,138	157,463	147,667		130,750	131,200	15	
Flat	128,297	114,899	119,007	109,671	100,955	96,292	12	17
Condominium	431,094	406,320	454,295	395,281	383,305	323,221	6	9
Low Cost Flat	71,763	72,449	68,120	69,955	72,556	67,037	(1)	3
Selangor								
1-1 1/2 Storey Terraced	189,208	174,834	179,467	168,040	159,191	161,028	8	13
2-3 Storey Terraced			277,050	287,146	270,922			
1-1 1/2 Storey Semi	204,333	368,243	312,905	217,917	231,100	341,000	(45)	(6)
2-3 Storey Semi Detached		810,094	786,179	672,775	598,385	627,522		
Detached	819,902	744,182	826,806	644,850	794,229	564,625	10	27
Cluster		160,600	188,917					
Low Cost House	106,568	96,434	97,997	90,774	90,300	84,479	11	17
Flat	95,294	98,208	100,706	92,258	98,388	79,945	(3)	3
Condominium	211,490	210,326	216,173	172,876	177,370	163,312	1	22
Low Cost Flat	62,811	62,724	62,828	60,412	60,125	60,550	0	4

Source: CEIC data

While we believe the twin factors of population growth and the evolution of a bigger middle-income group in Malaysia will likely protect against a scenario of falling property prices, 2010's affordability ratio in the four key states deteriorated slightly amid double-digit growth in house prices (below Exhibit), suggesting the potential for price increases to moderate in the Klang Valley.

While twin factors of population growth + rising middle incomes likely insulate against falling prices, we see property price increases slowing as the mass market gets priced out

Exhibit 13. Affordability dipped slightly in 2010 …



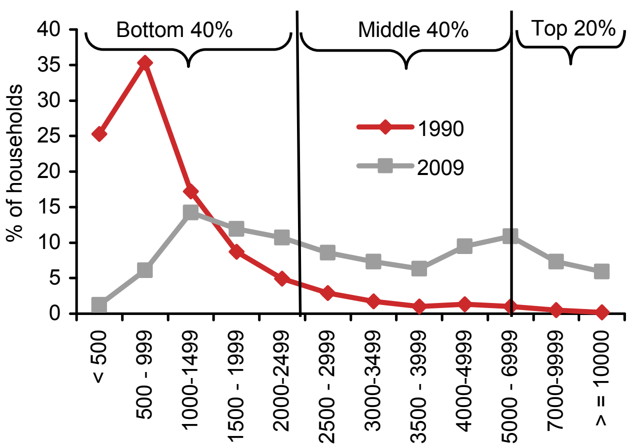
Source: 10th Malaysia Plan (10MP), Bank Negara, Nomura

Based on an 80% LTV (loan-to-value ratio) for a RM1mn property, a mortgage-to-income ratio of 35% and interest rate of 4% (base lending rate minus 2.3%), a household would need a combined monthly income of circa RM11,000 to afford the circa RM4,000 monthly mortgage repayment, on our calculations. The income distribution in the next Exhibit (left) indicates about 6% of Malaysian households (circa 384,000 households) make more than RM10,000 a month and, hence, would be able to afford a property costing > RM1mn.

Existing plus future supply of Klang Valley higher-end landed homes slightly exceeds the number of households able to afford them

Of those 384,000 Malaysian households (given that Klang Valley contributes 8x the GDP of any other Malaysian state, per the latest 10th Malaysia Plan), we estimate about 128,000 of households in the Klang Valley earn more than RM10,000.

Exhibit 14. …only 6% of Malaysian households can afford properties >RM1mn



Source: 10MP

Exhibit 15. Existing plus future supply of large landed homes > no. of households who can afford them

Total existing semi-detached and bungalows in Klang Valley*	124,467
Total incoming supply	19,234
	143,701
Total number of households earning > RM11k currently, estimated at	128,000
Total households in 2012F at 6% historical growth rate	135,680
Potential oversupply (units)	8,021

Source: Valuation and Property Services Department, Ministry of Statistics, Nomura *Based on a simple assumption that these comprise the bulk of the expensive homes, drawing from data in Exhibit 12

Based on this rough comparison of the total existing supply for semi-detached and bungalow houses and incoming supply versus the expected total Klang Valley households that can afford to live in those homes (Exhibit above right), we highlight the potential for slight oversupply occurring in the next 18 months, with a clearer picture likely emerging by year-end.

This suggests price increases in the high-end segment are likely to take a breather as the market digests supply, especially after solid double-digit price increases

This contributes to our view that we are approaching a period where price increases are likely to take a breather in the higher-end segment as the market digests the incoming supply after solid double-digit increases in this recent property upcycle (see Exhibit 12). We think this is also because the remaining bulk of the population appears to be priced out of the recent new launches.

Better demand picture for mass to mid-range units

50% of households are most likely priced out of new launches of >RM1mn

According to the Ministry of Statistics, about 50% of Malaysian households earn RM2,500-RM10,000 per month, and an estimated 1.14mn households in the Klang Valley fall into this low- to upper-middle class. Using the midpoint of RM6,250, this translates to an ability to afford a house worth RM500,000, based on current financing conditions (see Exhibit below, left). As highlighted earlier, this would mean this 50% of households are priced out of most new launches over RM1mn, on our calculations.

However, tighter supply/demand seen in the mass to medium end segment encompasses this 50% of households

Applying the same rough comparison to the mass to mid-range market, we find a stronger demand picture compared with the higher-end landed segment. This about roughly balances the total existing plus incoming supply of mass to mid-terraced link homes and apartments of circa 1.1mn units.

Exhibit 16. The average household can afford a home worth RM500,000

Salary	RM6,250
Amount available for mortgage	RM2,187
Tenure	30 yrs
Int rate (BLR - 2.3%)	4%
Loan amount	RM450,000
Assuming 10% down payment	RM500,000

Source: Nomura estimates

Exhibit 17. A stronger demand picture exists for mass to medium-end homes in the Klang Valley

Total existing link + condo + medium end homes in Klang Valley*	990,184
Total incoming supply	109,881
	1,100,065
Total number of households earning in that band	1,140,442
Est. households in 2012G (based on historical 6% growth rate p.a)	1,208,868
Potential add'l demand (units)	108,803

Source: Valuation and Property Services Department, Ministry of Statistics, Nomura research *Based on a simple assumption that these properties would have average prices in the medium end range, drawing from data in Ex. 12

Malaysia could draw down all incoming plus planned affordable low- to upper-middle housing supply by 2013 – the government is now posed with a challenge to address an upcoming dearth of affordable housing, potentially via all the upcoming government land parcels

However, assuming past household growth rates pa of 6% continue to hold, this would boost the number of households to 1.197mn in 2012F, implying potential additional demand for at least another 108,803 units, in our view. This figure does not include any assumptions of continuously shrinking household size and urbanization.

We think this poses a challenge for the government: should it want to achieve its Economic Transformation Programme population target in Klang Valley / Greater KL of 10mn in 2020 (versus circa 6mn+ currently), it would have to address this apparent dearth of affordable low- to upper-medium houses. Otherwise, it seems almost certain to us that projected housing needs will not be met as the country would have drawn down all current incoming and planned supply by 2013 (simplistically assuming no new starts).

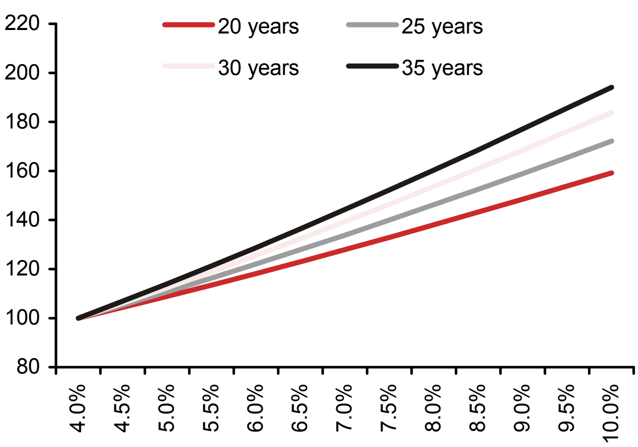
What happens when interest rates rise?

Based on our expectation of a 50bp hike in rates this year, mortgage payments are likely to rise by 4-7%, which appears manageable

Our house forecasts peg a further 50bp hike in the overnight policy rate this year. Based on current financing rates of circa 4% (base lending rate minus 2.3%), we expect monthly mortgage payments to rise by 4-7% for 20- to 35-year loan tenures (next Exhibit, right) for a 50bp increase in lending rates (and assuming banks maintain the same margins as now). Assuming only a 50bp hike, the resulting increase in mortgage payments of 4-7% looks fairly manageable for those that are already servicing mortgages.

According to our Malaysia banks analyst Julian Chua (see *Sector stats: December 2010 dated 1 Feb 2011*, industry mortgage loan growth is expected to chart fairly robust low-teens growth this year, 10-11% (vs 13-14% loans growth in 2010). Competition among banks (especially from foreign banks) remains strong on the consumer side, and according to Julian Chua, domestic banks have been holding mortgage rates steady at BLR minus 2.2-2.3%.

Exhibit 18. Sensitivity of mortgage payments to interest rate hikes



Source: Nomura research

Exhibit 19. Another 100bp increase in rates could bump mortgage payments up by 9-14%

	20	25	30	35
4.0%	-	-	-	-
4.5%	4%	5%	6%	7%
5.0%	9%	11%	12%	14%
5.5%	14%	16%	19%	21%
6.0%	18%	22%	26%	29%
6.5%	23%	28%	32%	36%
7.0%	28%	34%	39%	44%

Source: Nomura research

Stock calls

Our stock picks explained

We reiterate our preference for developers with high residential exposure (to benefit from the consumption boom), a greater focus in the Klang Valley followed by Penang, and that have fairly balanced exposure across product pricing bands, while trading at palatable valuations. Given that, we prefer Mah Sing (rated BUY) with its lower P/Es for growth, supported by above-average ROEs and the highest dividend yields amongst listed property developers that we cover. We think SP Setia will likely remain a core holding for investors wanting exposure to the Malaysian property market, given the company's market and branding leadership; however, we are NEUTRAL on SP Setia, given its valuation at a 33x FY11F P/E (27x FY12F P/E) is closing in on peak cycle levels.

Prefer names at palatable valuations with high residential exposure, focus in Klang Valley and balanced across product pricing bands – Mah Sing fits the bill

UEM Land remains a BUY at current levels given we think it has potential to gain recognition of its landbank value within the next 12 months. It may potentially benefit from any interest in Johor properties (from Malaysians working in Singapore) given Singapore property curbs. Catalysts may come from potential participation in Singapore land swap sites, given its status as Khazanah's development arm, as well as continued sales momentum from Nusajaya, which is expected to drive up revenues. Moreover, should it win the recent bid for the RM5-6bn Pudu jail redevelopment project, it could be positive for the integrated UEM Land entity (after incorporating Sunrise), in our view.

We think UEM Land has potential to unlock landbank value with a good part of its catalytic Nusajaya project completions in 2012; meanwhile Sunrise integration should provide earnings sustainability and land swap parcels could provide a catalyst for sharp potential upside

See company sections for our respective company views.

Exhibit 20. Product matrix of key developers

Breakdown category		SP Setia (NEUTRAL)	Mah Sing[1] (BUY)	UEM Land (BUY)	MRCB (NEUTRAL)	IJM Land (Not Rated)
Product type	Residential	◕	◕	◑	◔	◑
	Commercial	◔	◔	◑	◕	◑
	Industrial[2]	○	○	○	○	○
By geography	Penang	○	◔	○	◔	◔
	Klang valley	◑	◕	◔	◕	◑
	Johor	◔	○	◕	○	◔
By price bands	Mass market (RM200-500k)	◔	○	○	○	◔
	Medium end (RM501-1mn)	◔	◔	◔	◔	◔
	Medium-high end (RM1-1.5 mn)	◔	◑	◑	◔	◔
	High end (>RM1 mn)	◔	◔	◔	◑	◔

Note: 1. Mah Sing has circa 10% mass market exposure and 15% high end exposure 2. While most companies have minimal industrial properties exposure, both Mah Sing and UEM Land have circa 5% exposure but proportions are too small to warrant a shaded area 3. SP Setia's geographical distribution does not equal 100% given it has exposure to other states and foreign exposure. Source: Respective company data, Nomura research

Exhibit 21. Peer valuation: P/E comparison

	Ticker	Nomura rating	Price (RM)	FY11F EPS (RM)	FY11F P/E	FY12F EPS (RM)	Growth (%)	FY12F P/E
Mah Sing	MSGB MK	BUY	2.66	0.15	17.7	0.18	20	14.5
SP Setia Berhad	SPSB MK	NEUTRAL	6.40	0.19	33.8	0.23	21	27.3
Malaysian Resources Corporation Berhad	MRC MK	NEUTRAL	2.26	0.07	32.1	0.08	13	28.4
UEM Land Holdings Berhad	ULHB MK	BUY	2.86	0.06	45.3	0.07	17	38.8
IGB Corporation Berhad	IGB MK	Not rated	2.17	0.13	17.4	0.14	11	15.6
IJM Land Berhad	IJMLD MK	Not rated	2.81	0.16	17.8	0.18	15	15.5
KLCC Properties	KLCC MK	Not rated	3.32	0.25	13.3	0.27	8	12.3
Sunway City Berhad	SCITY MK	Not rated	4.65	0.42	11.1	0.48	15	9.6
Sunway Holdings Berhad	SGW MK	Not rated	2.35	0.27	8.6	0.31	13	7.6
Total/Wtd avg				**0.15**	**29.51**	**0.18**		**25.16**

Note: Pricing as of April 6, 2011

Source: Bloomberg consensus estimates for not rated stocks, Nomura estimates *Mah Sing EPS is fully diluted

Exhibit 22. Peer valuation: P/B comparison

	Ticker	Nomura rating	Price (RM)	FY11F BVPS (RM)	FY11F P/BV	FY12F BVPS (RM)	Growth (%)	FY12F P/BV
Mah Sing	MSGB MK	BUY	2.66	1.19	2.2	1.32	11	2.0
SP Setia Berhad	SPSB MK	NEUTRAL	6.40	3.50	1.8	3.63	4	1.8
Malaysian Resources Corporation Berhad	MRC MK	NEUTRAL	2.26	0.98	2.3	1.04	6	2.2
UEM Land Holdings Berhad	ULHB MK	BUY	2.86	1.13	2.5	1.23	9	2.3
IGB Corporation Berhad	IGB MK	Not rated	2.17	2.13	1.0	2.22	4	1.0
IJM Land Berhad	IJMLD MK	Not rated	2.81	1.61	1.7	1.774	10	1.6
KLCC Properties	KLCC MK	Not rated	3.32	4.47	0.7	4.717	5	0.7
Sunway City Berhad	SCITY MK	Not rated	4.65	5.59	0.8	6.04	8	0.8
Sunway Holdings Berhad	SGW MK	Not rated	2.35	1.65	1.4	1.96	19	1.2
Total/Wtd avg				**2.28**	**1.87**	**2.43**		**1.73**

Note: Pricing as of April 6, 2011

Source: Bloomberg consensus estimates for not rated companies, Nomura estimates

Exhibit 23. Peer valuation: Dividend yield comparison

	Ticker	Nomura rating	Curr price (RM)	FY11F DPS (RM)	FY11F yield (%)	FY12F DPS (RM)	Growth (%)	FY12F yield (%)
Mah Sing	MSGB MK	BUY	2.66	0.07	2.6	0.09	29	3.2
SP Setia Berhad	SPSB MK	NEUTRAL	6.40	0.13	2.0	0.16	23	2.5
Malaysian Resources Corporation Berhad	MRC MK	NEUTRAL	2.26	0.01	0.4	0.01	5	0.5
UEM Land Holdings Berhad	ULHB MK	BUY	2.86	0.00	0.0	0.00	0	0.0
IGB Corporation Berhad	IGB MK	Not rated	2.17	0.04	1.8	0.04	-8	1.7
IJM Land Berhad	IJMLD MK	Not rated	2.81	0.026	0.9	0.031	19	1.1
KLCC Properties	KLCC MK	Not rated	3.32	0.11	3.4	0.12	5	3.6
Sunway City Berhad	SCITY MK	Not rated	4.65	0.10	2.2	0.12	14	2.6
Sunway Holdings Berhad	SGW MK	Not rated	2.35	0.03	1.4	0.04	12	1.6
Total/Wtd avg				**0.05**	**1.29**	**0.06**		**1.47**

Note: Pricing as of April 6, 2011

Source: Bloomberg consensus estimates for not rated companies, Nomura estimates

Exhibit 24. Peer valuation: ROE comparison

	Ticker	Nomura rating	Curr price (RM)	FY11F ROE (%)	FY12F ROE (%)
Mah Sing	MSGB MK	BUY	2.66	15.5	17.2
SP Setia Berhad	SPSB MK	NEUTRAL	6.40	8.0	7.5
Malaysian Resources Corporation Berhad	MRC MK	NEUTRAL	2.26	7.4	7.9
UEM Land Holdings Berhad	ULHB MK	BUY	2.86	8.8	8.1
IGB Corporation Berhad	IGB MK	Not rated	2.17	5.8	5.9
IJM Land Berhad	IJMLD MK	Not rated	2.81	11.2	11.4
KLCC Properties	KLCC MK	Not rated	3.32	5.4	4.8
Sunway City Berhad	SCITY MK	Not rated	4.65	7.5	8.0
Sunway Holdings Berhad	SGW MK	Not rated	2.35	14.8	14.5
Total/Wtd avg				**8.73**	**8.55**

Note: Pricing as of April 6, 2011

Source: Bloomberg consensus estimates for not rated companies, Nomura estimates

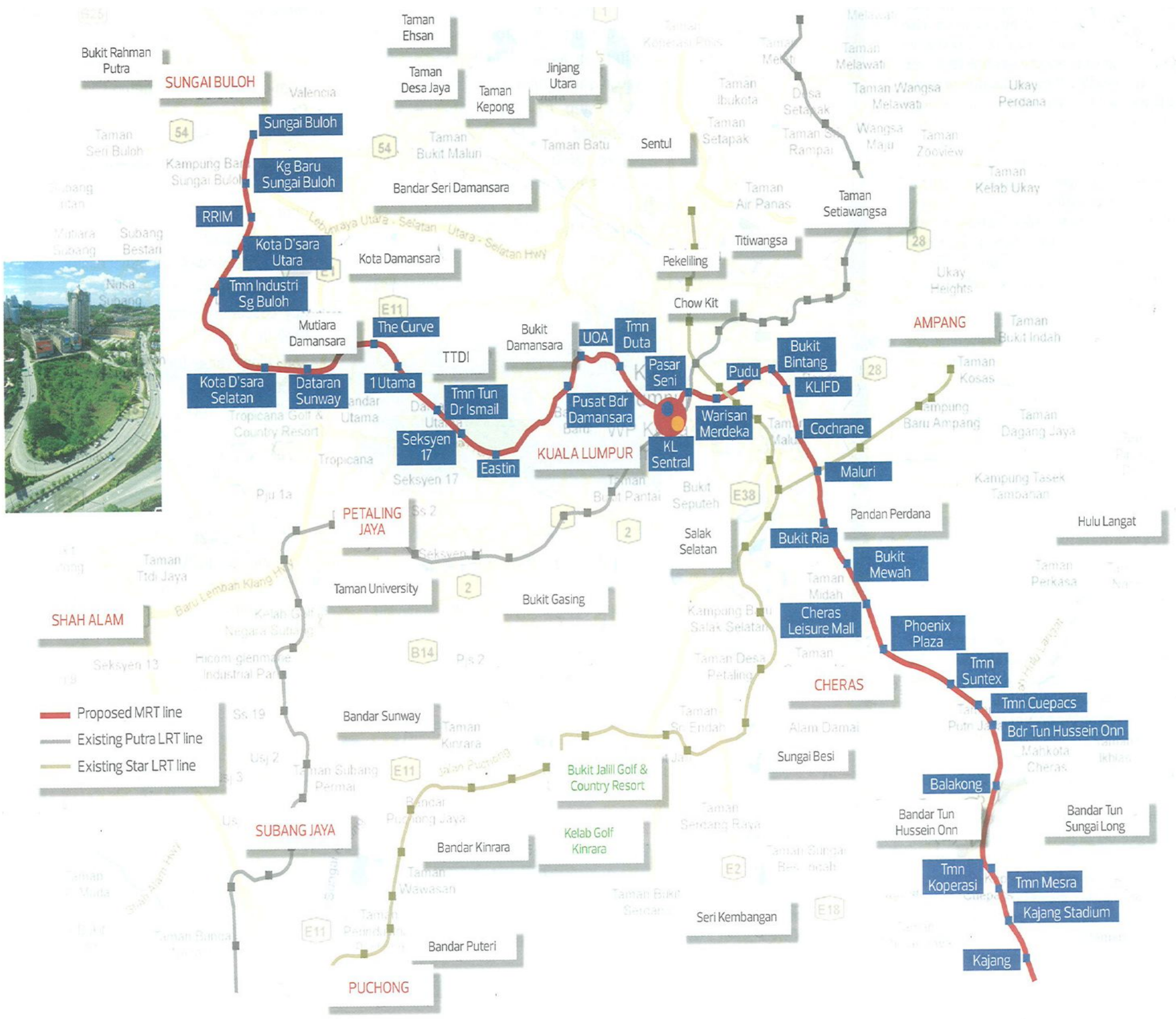
Government-driven catalyst projects are a multi-year story

Long-term catalyst from MRT/government participation

While the bulk of the 35 proposed stations along the Sg Buloh-Kajang MRT line (one of three rail projects proposed by the government, further details on the other two are expected to be announced soon) are in fairly well-populated areas, the few remaining and meaningfully sized plots of new developable land are likely to centre on the northern part, we expect, which would include the two northern-most Sungai Buloh stations, Kota Damansara, together with the other planned government-related projects in Warisan Merdeka and KLIFD as well as Cochrane.

Meaningful plots of developable land to benefit from being adjacent to the MRT project are expected to be along the northern part

Exhibit 25. Proposed MRT line spans 51km with 35 stations; next deadline is 14 May 2011 for public to give feedback



Source: Nomura research, news reports, company data

This proposed MRT line is now on public display for comments until 14 May. MMC Corp (MMC MK, not rated) and Gamuda (GAM MK, RM3.87, BUY) have been appointed project delivery partners for this project, and construction is targeted to begin in July 2011 and completion in 2016, per news reports.

Given the MRT line is in the finalization stage, the only conclusion we can reach for now, is that the capital values of properties close to the MRT stops should at least remain well supported if not rise over the long term, depending on whether the value of such connectivity (reasons of convenience etc) outweighs any associated negatives (congestion, noise etc[3]). Based on our analysis of the remaining GDV of the property developers under our coverage, we note the following percentage of projects (by GDV) that are located adjacent or within the vicinity of proposed MRT stations.

We conclude that for the moment capital values will likely remain well supported if not rise over the long term, *if* the value of MRT connectivity outweighs associated negatives

- SP Setia – KL Eco City (c. 15% of total remaining GDV)
- Mah Sing – Star Avenue, One Legenda, Hijauan (close to MRT) comprising 6% of remaining GDV, and M-Suites, Icon Residence and M-City comprising c. 15% of remaining GDV (which are located close to the proposed Circle Line, a train line what would circle the KL City centre).
- MRCB – The KL Sentral project should benefit from the MRT near to KL Eco City as it would likely be one station away (c. 75% of remaining GDV)
- UEM Land – Minimal exposure as it has higher exposure to Nusajaya.

Exhibit 26. Most new developments near proposed MRT stations have or are anticipating brisk sales (reflecting general expectations of price appreciations)

Station Name	Project Name	Details	Remaining Project GDV (RMmn)	As % of remaining total GDV	Developer
Recently Launched Projects					
TTDI / Seksyen 17	Glomac Damansara	Mixed development comprising shop houses, office suites and serviced apartment	868	26%	Glomac **(Feb 2011 soft launch – Tower 1 registered 70% takeup to date)**
Sentul (Circle Line)	The Capers	Two 36-storey towers with 338 units. Built up of 695–1,567 sf. Also includes 128 low rise suites built up between 999- 1,965 sf.	350	na	YTL Land **(Mar 2011 launch – 36-storey towers sold out in 2 days)**
Kota Damansara South	The Cascades	Phase 1 -40 Retail units, Phase 2 - 266 units of serviced apartments (one- and two-bedroom apartments and are priced from RM580 to RM650psf, from RM319,200 - RM648,900) and Phase 3 - 28-storey corporate tower with a gross floor area (GFA) of 260,000 sq ft. Phase 1 and 2 all sold out.	390	na	Mitraland Group (unlisted)
Upcoming Projects to Watch!!					
Cochrane	Velocity	Integrated development - residential service apartments (V Residence), office suites (V office) and commercial property (V Retail)	1,500	7%	Sunway **(launching 9 April)**
The Curve	Glomac Mutiara	200-unit service apartments in a 35-storey tower. Indicative RM650psf, sizes from 1,300sf.	245	7%	Glomac **(May 2011)**
Pusat Bandar Damansara	Damansara City	Two office blocks, a 300-room hotel, a 260-unit serviced apartment block and a retail centre	2,000	na	Guocoland **(launching 3Q11)**
Bukit Ria	Nova Square	Mixed commercial development comprising a 5-star hotel, one block of fashionable luxury residences, a grade-A office building and a lifestyle podium comprising alfresco food & beverage outlets, a banquet hall and boutique shop units	1,300	na	TA Global **(scheduled launch 2012)**
The Curve, Mutiara Damansara	Nucleus	Mixed development called NUCLEUS on a 10-acre site at its main commercial centre next to The Curve shopping mall. Nucleus will have a floor area of about 1.4 million sq ft comprising corporate offices, serviced apartments, SOHO and retail outlets housed in eight blocks of high-rise buildings and one low-rise	1,000	12.5%	Boustead **(launch date TBD)**

Source: Nomura research, news reports, company data

[3] The Star dated 7 Feb 2011 – "TTDI Residents Against MRT station" http://www.starproperty.my/PropertyScene/PropertyNews/9981/0/0

Valuation and risks

Valuation methodology and investment risks

Exhibit 27. Valuation Methodology and Risks to our investment view

Company	Valuation Methodology	Risks to our investment view
Mah Sing	We peg Mah Sing's price target at parity to our RNAV-based and diluted fair value (after accounting for the proposed convertibles) derived from the net present value of profits from ongoing and future projects at a discount rate of 9%.	Downside risks include: 1) Project delays. Any project delays or disappointing take-up rates could dent our earnings forecasts. Profit margin could also vary at different stages of billing — a slower actual schedule might result in a difference between actual reported net profit and our estimates. Project delays could arise from longer-than-expected approval/completion on land acquisition and building designs. Delays to key projects like Icon City, Garden Plaza or Southbay could affect our projections to a greater degree compared to the rest of its projects. 2) General economic conditions. The company's operational and stock performance is closely tied to general economic conditions and consumer sentiment. Any contractions in GDP growth or unexpected government policy measures to curb sentiment in the property sector are downside risks to our call.
SP Setia	We peg SPSB's price target at parity to our RNAV-based and diluted fair value (after accounting for any warrants conversion), derived from a combination of a net present value of profits from ongoing projects at a discount rate of 9% and revaluation surplus of land values above their book value	Downside risks include: 1) Project delays or disappointing take-up rates could dent our earnings forecasts. Profit margin could also vary at different stages of billing — a slower actual schedule might result in a difference between actual reported net profit and our estimates. Project delays could arise from longer-than-expected approval/completion on land acquisition and building designs. 2) Double dip or recessionary scenario. Upside risks include: Project concentration in Johor/Klang Valley. While the company has stepped up its diversification efforts in recent years by securing projects in Vietnam and China, the bulk of its portfolio consists of projects in Malaysia, and in particular, residential projects in Johor and Klang Valley. Its operational as well as stock performance is therefore closely tied to the Johor and Klang Valley residential markets. Further RNAV and near-term earnings accretive landbank acquisitions in these regions could provide upside risk to our call.
MRCB	We peg MRCB's price target at parity to our RNAV-based fair value, derived from: 1) the net present value of profits from its property segment at a 10% discount rate; 2) valuing the construction profits at a 15x P/E based on the multiples used for other construction stocks in our rating universe; and 3) valuing the two toll concessions using a 10% discount rate.	Downside risks include: 1) Project delays or disappointing take-up rates could dent our earnings forecasts. Profit margin could also vary at different stages of billing — a slower actual schedule might result in a difference between actual reported net profit and our estimates. Project delays could arise from longer-than-expected approval/completion on land acquisition and building designs. 2) Landbank/ order book replenishment remains weak. 3) Slowdown in the economy, double dip or recessionary scenario. Upside risks include: 1) Faster-than-expected new contract wins, 2) Additional land banking acquisitions.
UEM Land	We peg ULHB's price target at parity to our RNAV-based fair value, derived from a combination of a net present value of profits from ongoing projects at a discount rate of 10% and revaluation surplus of its landbank above its book value.	Downside risks include: Developments that could jeopardise progress in developing Nusajaya, which comprises 99% of the landbank: 1) a recession could derail the development in Nusajaya; 2) negative news flow on land sales/deal progress; 3) any reversal in the positive tone and progress in Malaysia-Singapore relations as negotiations continue; 4) political events, e.g., election upsets that could encroach on UEM Land's position as a strategic Khazanah holding and change the regulatory environment; 5) delayed launches/project delays which could lead to earnings downside as Nusajaya is less concentrated than the markets of Selangor and KL; 6) immediate conversion of the RCPS (redeemable convertible preference share) which could present near-term dilution; and 7) any restrictive moves to curb the Malaysian property.

Source: Nomura estimates

NOMURA

NOMURA SECURITIES MALAYSIA SDN BHD

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Maintain

BUY

Action

We reaffirm our BUY on Mah Sing on continued re-rating arising from its quick landbank turnover strategy that has netted it the second-highest unbilled sales in the industry (on par with UEM Land), despite its being the fifth-largest listed developer. Annualized Jan-Feb sales of RM363mn are about 9% above its FY11F target of RM2bn, with its upcoming Icon City launch likely to provide more positive news flow following solid take-up of its shop offices in that project. At 17.7x FY11F P/E, valuation looks attractive for growth. Dividend yields are the highest among the listed developers, while the ROE is leading market peers.

Catalysts

Announcement of further landbanking acquisitions and sales launches for 1H11.

Anchor themes

Compelling demographics and improving affordability are driving a consumption boom in Malaysia, which is likely to fuel property demand for the next decade.

Closing price on 6 Apr	RM2.66
Price target	RM3.08
	(set on 8 Feb 11)
Upside/downside	15.6%
Difference from consensus	14.8%
FY11F net profit (RMmn)	146.5
Difference from consensus	-3.7%

Source: Nomura

Nomura vs consensus

We are in line with consensus, but believe the potential for PT upgrades exists on further landbanking, and if annualized sales continue exceeding 2011's RM2bn target.

Re-rating onto investor radars

① Cheaper alternative to blue-chip Malaysian developers

Mah Sing's differentiating strategy of pursuing quick landbank turnover along with manageable gearing has helped it achieve the second-highest unbilled sales in the industry (second to SP Setia, on par with UEM Land) despite being only the fifth-largest listed developer (by 2010 end). We think its c. 60% exposure to residential, similar geographical distribution and margins as names like SP Setia, combined with improving scale, liquidity and market cap are likely to put it on investors' radars as a cheaper alternative to play blue-chip quality Malaysian developers.

② Continuing strong sales momentum

Annualized sales for 2M11 are above its FY11F target of c. RM2bn. Management expects the current remaining GDV and unbilled sales of RM11.4bn (excluding future acquisitions) to sustain the company for the next five to seven years. This year, we expect to see planned launches of six projects worth ~RM2.5bn in FY11F, starting with its Icon City development (we estimate 22% contribution to FY11F sales), translating into healthy double-digit earnings growth and market-leading ROEs. Initial previews of its 7- to 8-storey shops (each worth >RM10mn) led to take up of 12 of 30 units within two weeks over the past month. Recent fundraising via CBs suggests a strategy of continued landbank replenishment in near future, in our view.

③ Multiple expansion from hitting critical mass

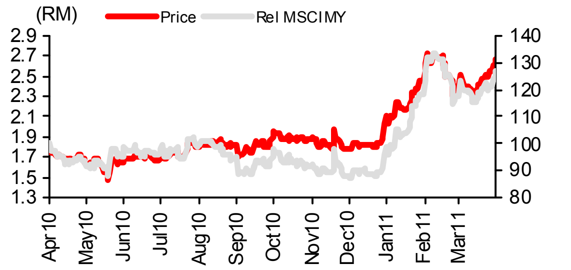
Despite current valuations being at historical peak levels, we believe the market has yet to fully price in the structural re-rating as it continues to accord recognition for strong double-digit growth and improving brand strength. Our PT implies a FY11F P/BV of 2.5x and a P/E of 20x (target P/E at 25% discount to SP Setia's current valuation). We see further catalysts from the official launch of its key Icon City in the next few months and potential landbanking opportunities. Maintain BUY.

Key financials & valuations

31 Dec (RMmn)	FY09	FY10F	FY11F	FY12F
Revenue	702	984	1,205	1,529
Reported net profit	94.3	110.6	146.5	179.7
Normalised net profit	94.3	110.6	146.5	179.7
Normalised EPS (RM)	0.12	0.14	0.18	0.22
Norm. EPS growth (%)	(8.8)	15.9	25.0	22.6
Norm. P/E (x)	27.3	22.4	17.7	14.5
EV/EBITDA (x)	14.9	14.1	11.2	9.5
Price/book (x)	2.5	2.5	2.2	2.0
Dividend yield (%)	1.8	2.0	2.6	3.2
ROE (%)	12.3	12.7	15.5	17.2
Gearing (%)	13.9	23.3	31.1	27.3
Earnings revisions				
Previous norm. net profit		110.6	146.5	179.7
Change from previous (%)		-	-	-
Previous norm. EPS (RM)		0.14	0.18	0.22

Source: Company, Nomura estimates

Share price relative to MSCIMY



	1m	3m	6m
Absolute (RM)	10.8	26.7	40.0
Absolute (US$)	10.9	28.5	43.2
Relative to Index	8.1	28.0	35.3
Market cap (US$mn)			731
Estimated free float (%)			0.0
52-week range (RM)			2.73/1.47
3-mth avg daily turnover (US$mn)			4.51
Stock borrowability			Hard
Major shareholders (%)			
Mayang Teratai			34.7
EPF			6.5

Source: Company, Nomura estimates

Financial statements

Income statement (RMmn)					
Year-end 31 Dec	**FY08**	**FY09**	**FY10F**	**FY11F**	**FY12F**
Investment properties					
Property development	502	564	826	1,047	1,371
Hotels/serviced apartments					
Other Revenue	150	138	158	158	158
Revenue	**652**	**702**	**984**	**1,205**	**1,529**
EBIT contributions					
Investment properties					
Property development	202	174	290	358	412
Hotels/serviced apartments					
Other income	17	62	18	18	18
Management expenses	(81)	(89)	(122)	(126)	(130)
EBITDA	**130**	**137**	**175**	**239**	**289**
Depreciation and amortisation	9	10	11	11	12
EBIT	**139**	**146**	**186**	**250**	**301**
Net interest expense	(3)	(2)	(18)	(27)	(27)
Associates & JCEs					
Other income					
Earnings before tax	**136**	**144**	**168**	**223**	**274**
Income tax	(43)	(48)	(45)	(60)	(74)
Net profit after tax	**93**	**96**	**123**	**163**	**200**
Minority interests	0	(2)	(12)	(16)	(20)
Other items					
Preferred dividends					
Normalised NPAT	**93**	**94**	**111**	**147**	**180**
Extraordinary items					
Reported NPAT	**93**	**94**	**111**	**147**	**180**
Dividends	(37)	(38)	(44)	(59)	(72)
Transfer to reserves	**56**	**56**	**66**	**88**	**108**
Valuation and ratio analysis					
FD normalised P/E (x)	25.5	27.3	22.4	17.7	14.5
FD normalised P/E at price target (x)	29.5	31.6	25.8	20.5	16.7
Reported P/E (x)	19.9	21.9	18.9	15.1	12.3
Dividend yield (%)	1.8	1.8	2.0	2.6	3.2
Price/cashflow (x)	21.6	10.4	na	na	23.5
Price/book (x)	3.0	2.5	2.5	2.2	2.0
EV/EBITDA (x)	17.4	14.9	14.1	11.2	9.5
EV/EBIT (x)	16.3	13.9	13.3	10.6	9.1
EBIT margin (%)	21.3	20.9	18.9	20.8	19.7
Effective tax rate (%)	31.7	33.6	27.0	27.0	27.0
Dividend payout (%)	39.8	40.1	40.0	40.0	40.0
ROA (pretax %)	14.3	13.4	12.8	12.7	12.6
Growth (%)					
Revenue	13.7	7.7	40.3	22.4	26.9
EBITDA	13.0	5.1	28.4	36.3	20.8
EBIT	12.7	5.6	27.0	34.7	20.2
Normalised EPS	(12.0)	(8.8)	15.9	25.0	22.6
Normalised FDEPS	(3.1)	(6.4)	22.1	26.1	22.6
Per share					
Reported EPS (RM)	0.13	0.12	0.14	0.18	0.22
Norm EPS (RM)	0.13	0.12	0.14	0.18	0.22
Fully diluted norm EPS (RM)	0.10	0.10	0.12	0.15	0.18
Book value per share (RM)	0.89	1.08	1.08	1.19	1.32
DPS (RM)	0.05	0.05	0.05	0.07	0.09

Source: Nomura estimates

Despite share price run-up on sector-wide re-rating, comparative valuation to market favourites still low, given highest yields amongst listed developers

Cashflow (RMmn)					
Year-end 31 Dec	**FY08**	**FY09**	**FY10F**	**FY11F**	**FY12F**
EBITDA	130	137	175	239	289
Change in working capital	(52)	53	(490)	(294)	(194)
Other operating cashflow	8	10	-	-	-
Cashflow from operations	**86**	**199**	**(315)**	**(55)**	**94**
Capital expenditure	(8)	(8)	(14)	(16)	(14)
Free cashflow	**78**	**191**	**(329)**	**(71)**	**81**
Reduction in investments	-	-	-	-	-
Net acquisitions	(47)	-	-	-	-
Reduction in other LT assets	(0)	2	0	-	-
Addition in other LT liabilities	(49)	18	(18)	-	-
Adjustments	(35)	(14)	(52)	(63)	(78)
Cashflow after investing acts	**(54)**	**196**	**(398)**	**(134)**	**3**
Cash dividends	(37)	(38)	(44)	(59)	(72)
Equity issue	3	99	-	-	-
Debt issue	60	(6)	238	-	-
Convertible debt issue	-	-	-	325	-
Others	(4)	(28)	-	-	-
Cashflow from financial acts	**22**	**28**	**194**	**266**	**(72)**
Net cashflow	**(31)**	**224**	**(205)**	**132**	**(69)**
Beginning cash	204	172	397	192	325
Ending cash	172	397	192	324	255
Ending net debt	47	(181)	261	454	523

Source: Nomura estimates

Balance sheet (RMmn)					
As at 31 Dec	**FY08**	**FY09**	**FY10F**	**FY11F**	**FY12F**
Cash & equivalents	172	397	192	325	256
Properties held for sale	625	821	1,216	1,541	1,816
Accounts receivable	250	181	377	462	586
Other current assets	40	36	46	55	71
Total current assets	**1,087**	**1,435**	**1,832**	**2,382**	**2,729**
Investment properties	-	-	-	-	-
Other fixed assets (net)	107	108	112	114	116
Associates	-	-	-	-	-
Other LT assets	6	4	4	4	4
Total assets	**1,200**	**1,547**	**1,947**	**2,500**	**2,849**
Short-term debt	37	74	74	74	74
Accounts payable	265	439	549	674	895
Other current liabilities	15	18	18	18	18
Total current liabilities	**318**	**531**	**641**	**766**	**987**
Long-term debt	182	141	380	380	380
Convertible debt	-	-	-	325	325
Other LT liabilities	3	21	3	3	3
Total liabilities	**503**	**693**	**1,025**	**1,474**	**1,695**
Minority interest	6	8	20	36	56
Preferred stock	-	-	-	-	-
Shareholders' Equity	313	346	416	416	416
Other equity and reserves	377	499	486	574	682
Total shareholders' equity	**690**	**846**	**902**	**990**	**1,098**
Total equity & liabilities	**1,200**	**1,547**	**1,947**	**2,500**	**2,849**
Leverage					
Interest cover	53.5	67.9	10.5	9.1	11.0
Gross debt/property assets (%)	18.3	13.9	23.3	31.1	27.3
Net debt/EBITDA (x)	0.36	net cash	1.49	1.90	1.81
Net debt/equity (%)	6.8	net cash	28.9	45.8	47.6
Dupont decomposition					
Net margin (%)	14.3	13.4	11.2	12.2	11.8
Asset utilisation (x)	0.6	0.5	0.6	0.5	0.6
ROA (%)	8.1	6.9	6.3	6.6	6.7
Leverage (Assets/Equity x)	1.7	1.8	2.0	2.4	2.6
ROE (%)	14.1	12.3	12.7	15.5	17.2

Source: Nomura estimates

Solid ROEs on improving scale and asset turn

Malaysian Resources Corp MRC MK

PROPERTY | MALAYSIA

Maintained

NEUTRAL

NOMURA
NOMURA SECURITIES MALAYSIA SDN BHD

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Action

We think FY11F earnings at MRCB will reflect a higher percentage of engineering and construction projects reaching maturity and higher-progress billings at KL Sentral for its 2012F completion projects, leading us to raise earnings forecasts by some 20%. The company aims to diversify from its KL Sentral project, as evidenced by two new development projects in KLCC and Penang. We have seen market interest in the possibility of: 1) MRCB taking the lead in EPF's land development; and 2) MRCB being in the running for RM1.6bn LRT extension works. Still, we are NEUTRAL on MRCB's current fundamentals and portfolio.

Catalysts

1) Key development project launches in KL Sentral; 2) new contract wins.

Anchor themes

Malaysia's consumption boom arising from compelling demographics and rising affordability is likely to fuel solid property demand for the next decade.

Closing price on 6 Apr	RM2.26
Price target	**RM2.42**
	(from RM2.13)
Upside/downside	6.9%
Difference from consensus	-8.5%
FY11F net profit (RMmn)	97.2
Difference from consensus	21.5%

Source: Nomura

Nomura vs consensus

We think consensus may revise earnings up for FY11F. But more contract wins and firm participation in upcoming developments are needed for sustainability beyond FY12F.

KL Sentral coming through

① Looking to diversify

The company aims to diversify its property development projects away from KL Sentral, as evidenced by its planned RM300mn development in Jalan Kia Peng and the RM184mn Batu Feringghi Residences in Penang. However, the KL Sentral portfolio will still comprise 75% of the remaining property development GDV, on our estimates. In engineering and construction, the orderbook stands at RM1.6bn (from RM2.3bn a year ago). While ongoing KL Sentral works are likely to keep the E&C division busy for the next few years, we think there remains a need for more contract wins outside of KL Sentral to: 1) reduce dependence on the KL Sentral development (currently 65% of the entire E&C orderbook); and 2) ensure earnings continuity from FY13F.

② A few key projects to drive earnings in FY11-12F

Lot B (office space totalling 1.5mn sf GFA) in KL Sentral has already obtained a high level of pre-commitments (60%) at an indicative launch price of RM1,200psf, supporting FY12F earnings. Near-term FY11F growth is underpinned by our circa 20% increase in earnings to include a faster billing pace for remaining works at KL Sentral's Nu Sentral mall project, KL Sentral Park, and the Eastern Dispersal Link highway (nearing completion).

③ NEUTRAL on current fundamentals – accelerated construction orderbook replenishment could be catalyst

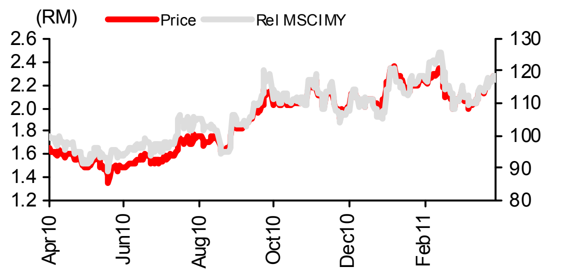
We remain NEUTRAL after pricing in the Jalan Kia Peng, Feringghi and Penang Sentral projects, which boost our RNAV-based PT by 14% to RM2.42. Should MRCB be successful in winning a bid (worth RM16.bn) for the light rail extension, we would see scope for upside to current numbers. In our view, a key theme remains potential upside from development of Rubber Research Institute land and the recently announced river cleanup project. All developments and subsequent project amounts remain in the negotiation stage for the moment.

Key financials & valuations

31 Oct (RMmn)	FY09	FY10F	FY11F	FY12F
Revenue	922	1,068	1,305	1,488
Reported net profit	33.1	66.6	97.2	109.9
Normalised net profit	33.1	66.6	97.2	109.9
Normalised EPS (RM)	0.036	0.051	0.070	0.080
Norm. EPS growth (%)	na	41.0	37.2	13.1
Norm. P/E (x)	62.0	44.0	32.1	28.4
EV/EBITDA (x)	70.0	40.6	21.7	19.0
Price/book (x)	3.1	2.3	2.3	2.2
Dividend yield (%)	0.5	0.5	0.4	0.5
ROE (%)	5.1	6.8	7.4	7.9
Gearing (%)	0.0	0.0	0.0	0.0
Earnings revisions				
Previous norm. net profit		43.3	79.8	86.0
Change from previous (%)		54.0	21.8	27.9
Previous norm. EPS (RM)		0.031	0.058	0.062

Source: Company, Nomura estimates

Share price relative to MSCIMY



	1m	3m	6m
Absolute (RM)	8.7	3.7	11.3
Absolute (US$)	8.7	5.2	13.9
Relative to Index	5.9	4.7	6.0
Market cap (US$mn)			1,033
Estimated free float (%)			58.0
52-week range (RM)			2.36/1.36
3-mth avg daily turnover (US$mn)			3.65
Stock borrowability			Hard
Major shareholders (%)			
EPF			41.6

Source: Company, Nomura estimates

Financial statements

Income statement (RMmn)					
Year-end 31 Oct	**FY08**	**FY09**	**FY10F**	**FY11F**	**FY12F**
Investment properties					
Property development					
Hotels/serviced apartments					
Other Revenue					
Revenue	**789**	**922**	**1,068**	**1,305**	**1,488**
EBIT contributions					
Investment properties					
Property development					
Hotels/serviced apartments					
Other income					
Management expenses					
EBITDA	**20**	**67**	**118**	**209**	**230**
Depreciation and amortisation	(6)	(7)	(9)	(11)	(14)
EBIT	**14**	**60**	**110**	**197**	**215**
Net interest expense	(53)	(11)	(1)	(42)	(42)
Associates & JCEs	(1)	(10)	(12)	(12)	(12)
Other income	-	-	-	-	-
Earnings before tax	**(39)**	**39**	**97**	**144**	**162**
Income tax	(20)	(9)	(24)	(33)	(37)
Net profit after tax	**(59)**	**30**	**74**	**111**	**125**
Minority interests	5	3	(7)	(14)	(15)
Other items	-	-	-	-	-
Preferred dividends	-	-	-	-	-
Normalised NPAT	**(54)**	**33**	**67**	**97**	**110**
Extraordinary items	-	-	-	-	-
Reported NPAT	**(54)**	**33**	**67**	**97**	**110**
Dividends	-	(10)	(13)	(14)	(14)
Transfer to reserves	**(54)**	**23**	**53**	**84**	**96**
Valuation and ratio analysis					
FD normalised P/E (x)	na	62.0	44.0	32.1	28.4
FD normalised P/E at price target (x)	na	66.3	47.0	34.3	30.3
Reported P/E (x)	na	62.0	44.0	32.1	28.4
Dividend yield (%)	-	0.5	0.5	0.4	0.5
Price/cashflow (x)	21.7	3.5	107.7	na	13.7
Price/book (x)	3.2	3.1	2.3	2.3	2.2
EV/EBITDA (x)	188.9	70.0	40.6	21.7	19.0
EV/EBIT (x)	264.5	79.3	44.2	23.1	20.3
EBIT margin (%)	1.8	6.5	10.3	15.1	14.5
Effective tax rate (%)	na	23.0	24.4	23.0	22.8
Dividend payout (%)	na	30.2	20.2	14.0	13.0
ROA (pretax %)	0.8	2.4	3.3	5.2	5.6
Growth (%)					
Revenue	(12.7)	16.9	15.8	22.2	14.0
EBITDA	(83.7)	235.4	77.2	76.7	10.1
EBIT	(87.7)	318.2	82.5	80.1	9.2
Normalised EPS	(229.2)	na	41.0	37.2	13.1
Normalised FDEPS	(229.2)	na	41.0	37.2	13.1
Per share					
Reported EPS (RM)	(0.06)	0.04	0.05	0.07	0.08
Norm EPS (RM)	(0.06)	0.04	0.05	0.07	0.08
Fully diluted norm EPS (RM)	(0.06)	0.04	0.05	0.07	0.08
Book value per share (RM)	0.70	0.74	0.99	0.98	1.04
DPS (RM)	-	0.01	0.01	0.01	0.01

Source: Nomura estimates

Revenue contribution in FY11-12F underpinned by its KL Sentral development; needs to replenish construction orderbook from FY12F onward for further upside

Cashflow (RMmn)					
Year-end 31 Oct	**FY08**	**FY09**	**FY10F**	**FY11F**	**FY12F**
EBITDA	20	67	118	209	230
Change in working capital	122	225	(257)	(147)	80
Other operating cashflow	(48)	295	166	(84)	(82)
Cashflow from operations	**95**	**586**	**27**	**(23)**	**227**
Capital expenditure	(20)	(59)	(12)	(50)	(50)
Free cashflow	**75**	**527**	**15**	**(73)**	**177**
Reduction in investments					
Net acquisitions					
Reduction in other LT assets	(165)	(473)	(357)	-	-
Addition in other LT liabilities					
Adjustments	(53)	(262)	(207)	103	(72)
Cashflow after investing acts	**(211)**	**(238)**	**(801)**	**30**	**106**
Cash dividends	(8)	(1)	(10)	(14)	(14)
Equity issue	-	0	526	-	-
Debt issue	878	25	98	1	(120)
Convertible debt issue					
Others		279	(33)		
Cashflow from financial acts	**870**	**303**	**580**	**(13)**	**(134)**
Net cashflow	**659**	**65**	**(221)**	**18**	**(29)**
Beginning cash	423	1,082	806	795	969
Ending cash	1,082	1,148	585	813	941
Ending net debt	525	827	1,202	1,158	1,017

Source: Nomura estimates

Balance sheet (RMmn)					
As at 31 Oct	**FY08**	**FY09**	**FY10F**	**FY11F**	**FY12F**
Cash & equivalents	1,082	806	795	969	981
Properties held for sale					
Accounts receivable	481	419	808	754	754
Other current assets	269	254	393	543	583
Total current assets	**1,855**	**1,500**	**2,018**	**2,290**	**2,341**
Investment properties					
Other fixed assets (net)	61	112	199	152	188
Associates					
Other LT assets	294	767	1,125	1,125	1,125
Total assets	**2,916**	**3,119**	**4,388**	**4,555**	**4,642**
Short-term debt	546	58	355	486	357
Accounts payable	477	619	889	846	964
Other current liabilities	16	20	19	13	13
Total current liabilities	**1,039**	**697**	**1,263**	**1,344**	**1,334**
Long-term debt	1,062	1,575	1,642	1,642	1,642
Convertible debt	-	-	-	-	-
Other LT liabilities	162	156	162	162	162
Total liabilities	**2,264**	**2,428**	**3,067**	**3,148**	**3,138**
Minority interest	17	18	35	49	64
Preferred stock					
Shareholders' Equity					
Other equity and reserves	86	88	170	170	170
Total shareholders' equity	**635**	**672**	**1,286**	**1,358**	**1,440**
Total equity & liabilities	**2,916**	**3,119**	**4,388**	**4,555**	**4,642**
Leverage					
Interest cover	0.3	5.7	181.9	4.7	5.2
Gross debt/property assets (%)					
Net debt/EBITDA (x)	26.43	12.41	10.18	5.55	4.43
Net debt/equity (%)	82.7	123.1	93.4	85.2	70.6
Dupont decomposition					
Net margin (%)	(6.8)	3.6	6.2	7.4	7.4
Asset utilisation (x)					
ROA (%)	(3.0)	1.6	2.3	2.7	3.0
Leverage (Assets/Equity x)					
ROE (%)	(8.0)	5.1	6.8	7.4	7.9

Source: Nomura estimates

Better net margins from constructing KL Sentral developments

SP Setia SPSB MK

PROPERTY | MALAYSIA

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Maintained
NEUTRAL

Action

Annualised sales achieved in FY11, to date, are fairly in-line with its RM3bn full-year target, and KL Eco City's residential launch plans remain on track for June '11 while a strong take-up was recorded for its strata title offices. We think the completion of the new share placement on Mar 21 has removed the overhang on the stock since January. However, we remain NEUTRAL on current upside as newsflow regarding new launches, landbank acquisitions and a fairly solid property market in FY11F are close to being priced in at c. 27x FY12F P/E.

Catalysts

Above-expected sales from the launch of KL Eco City, continued momentum from Setia City and Setia Alam, and further landbank acquisitions.

Anchor themes

Malaysia's consumption boom arising from compelling demographics and rising affordability is likely to fuel solid property demand for the next decade.

Closing price on 6 Apr	RM6.40
Price target	RM7.00
	(set on 22 Mar 11)
Upside/downside	9.4%
Difference from consensus	2.5%
FY12F net profit (RMmn)	311.4
Difference from consensus	-10.4%

Source: Nomura

Nomura vs consensus

Consensus is skewed by one or two low PTs; the bulk of the Street's PTs range between RM6 and RM7.50. We are in the mid-range.

On track for a good FY11F

① In-line 1QFY11 results; solid sales momentum

Sales achieved in the first four months of FY11 totalled RM953mn (up 25% over the corresponding period last year), which, in our view, implies that the company is fairly on track to meet its full-year sales target of RM3bn (up 30% from RM2.3bn in FY10). There were also no surprises to a fairly solid, if not somewhat expected, set of 1Q11 earnings. The key contributing projects to sales this year remain Setia Alam, KL Eco City and Johor (combined 80% of sales). The share price has reacted positively to the newsflow on KL Eco City and Penang launches over the past few months, pricing in a positive view on demand for its products.

② Placement over and strategy reiterated

Despite the proceeds of RM884mn falling short of the original fundraising amount by 12%, we estimate it remains adequate for the earlier-identified needs for KL Eco City, Fulton Lane and Setia City. In addition, we believe its current low gearing (1Q11: 0.34x) affords it financial flexibility to comfortably raise more funds should the need arise, for instance, Bangsar land plans, development of the 1NIH complex or landbanking. Management reiterated that overseas expansion remains a 5-10 year strategy (international projects comprise around 14% of the remaining GDV of RM37bn) and that the immediate focus will be on launching integrated commercial developments like KL Eco City.

③ Valuations cognizant of a solid property market; reaffirm NEUTRAL

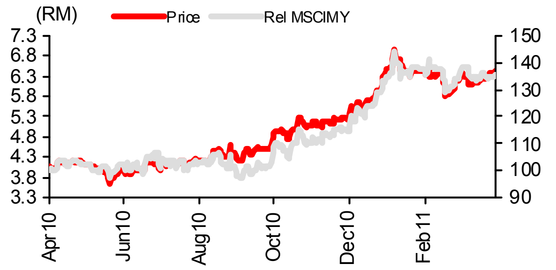
We remain NEUTRAL as P/E valuations (27x FY12F P/E) are certainly not cheap (close to testing past peaks), and which we believe are fairly cognizant of the anticipated robust sales performance expected in 2011F, on the back of a continued manageable interest rate environment and supportive government policies.

Key financials & valuations

31 Oct (RMmn)	FY10	FY11F	FY12F	FY13F
Revenue	1,746	1,923	2,305	2,708
Reported net profit	258.0	251.6	311.4	375.0
Normalised net profit	218.0	251.6	311.4	375.0
Normalised EPS (RM)	0.21	0.22	0.27	0.32
Norm. EPS growth (%)	27.3	0.3	23.7	20.3
Norm. P/E (x)	29.8	33.8	27.3	22.7
EV/EBITDA (x)	28.4	25.1	20.1	16.3
Price/book (x)	3.0	1.8	1.8	1.7
Dividend yield (%)	2.3	2.0	2.5	3.0
ROE (%)	12.2	8.0	7.5	8.7
Gearing (%)	0.0	0.0	0.0	0.0
Earnings revisions				
Previous norm. net profit		251.6	311.4	375.0
Change from previous (%)		-	-	-
Previous norm. EPS (RM)		0.22	0.27	0.32

Source: Company, Nomura estimates

Share price relative to MSCIMY



	1m	3m	6m
Absolute (RM)	3.7	(0.5)	33.3
Absolute (US$)	3.8	1.0	36.4
Relative to Index	1.0	0.5	28.5
Market cap (US$mn)			2,151
Estimated free float (%)			46.2
52-week range (RM)			6.93/3.66
3-mth avg daily turnover (US$mn)			4.30
Stock borrowability			Hard
Major shareholders (%)			
PNB			27.9
EPF			14.5

Source: Company, Nomura estimates

Financial statements

Income statement (RMmn)					
Year-end 31 Oct	**FY09**	**FY10**	**FY11F**	**FY12F**	**FY13F**
Investment properties					
Property development					
Hotels/serviced apartments					
Other Revenue					
Revenue	**1,408**	**1,746**	**1,923**	**2,305**	**2,708**
EBIT contributions					
Investment properties					
Property development					
Hotels/serviced apartments					
Other income					
Management expenses					
EBITDA	**192**	**261**	**289**	**377**	**466**
Depreciation and amortisation	(11)	(13)	(21)	(24)	(27)
EBIT	**181**	**248**	**269**	**354**	**439**
Net interest expense	(3)	(3)	(5)	(8)	(7)
Associates & JCEs	(0)	(0)	8	8	8
Other income	54	92	57	57	57
Earnings before tax	**231**	**337**	**329**	**411**	**497**
Income tax	(60)	(79)	(77)	(99)	(122)
Net profit after tax	**171**	**258**	**252**	**311**	**375**
Minority interests	(0)	0	-	-	-
Other items	-	(40)	-	-	-
Preferred dividends	-	-	-	-	-
Normalised NPAT	**171**	**218**	**252**	**311**	**375**
Extraordinary items	-	40	-	-	-
Reported NPAT	**171**	**258**	**252**	**311**	**375**
Dividends	(107)	(153)	(151)	(187)	(225)
Transfer to reserves	**64**	**105**	**100**	**125**	**150**
Valuation and ratio analysis					
FD normalised P/E (x)	38.0	29.8	33.8	27.3	22.7
FD normalised P/E at price target (x)	41.6	32.6	37.0	29.9	24.8
Reported P/E (x)	38.0	25.2	29.8	24.0	20.0
Dividend yield (%)	1.6	2.3	2.0	2.5	3.0
Price/cashflow (x)	na	21.9	na	11.6	13.7
Price/book (x)	3.2	3.0	1.8	1.8	1.7
EV/EBITDA (x)	40.1	28.4	25.1	20.1	16.3
EV/EBIT (x)	42.6	29.9	27.0	21.4	17.3
EBIT margin (%)	12.8	14.2	14.0	15.3	16.2
Effective tax rate (%)	25.9	23.5	23.5	24.2	24.6
Dividend payout (%)	62.3	59.1	60.1	59.9	60.0
ROA (pretax %)	5.4	6.5	5.7	6.1	7.0
Growth (%)					
Revenue	6.0	24.0	10.1	19.9	17.5
EBITDA	(8.5)	36.2	10.8	30.3	23.5
EBIT	(9.2)	37.4	8.3	31.6	24.2
Normalised EPS	(8.4)	27.3	0.3	23.7	20.3
Normalised FDEPS	(8.4)	27.3	(11.8)	23.7	20.3
Per share					
Reported EPS (RM)	0.17	0.25	0.22	0.27	0.32
Norm EPS (RM)	0.17	0.21	0.22	0.27	0.32
Fully diluted norm EPS (RM)	0.17	0.21	0.19	0.23	0.28
Book value per share (RM)	2.01	2.15	3.50	3.63	3.77
DPS (RM)	0.11	0.15	0.13	0.16	0.19

Source: Nomura estimates

New launches such as KL Eco City and Setia City to drive further revenue, in addition to solid contributors such as Setia Alam

Cashflow (RMmn)					
Year-end 31 Oct	**FY09**	**FY10**	**FY11F**	**FY12F**	**FY13F**
EBITDA	192	261	289	377	466
Change in working capital	(502)	166	(1,039)	(265)	(104)
Other operating cashflow	271	(130)	435	533	186
Cashflow from operations	**(39)**	**297**	**(315)**	**645**	**548**
Capital expenditure	(47)	(63)	(64)	(67)	(70)
Free cashflow	**(86)**	**235**	**(379)**	**578**	**478**
Reduction in investments					
Net acquisitions			502		
Reduction in other LT assets					
Addition in other LT liabilities					
Adjustments	120	(168)	(1,046)	(533)	(246)
Cashflow after investing acts	**(74)**	**(12)**	**(1,767)**	**(109)**	**232**
Cash dividends	(114)	(114)	(190)	(184)	(217)
Equity issue	0	0	1,857	-	-
Debt issue	128	263	615	(86)	-
Convertible debt issue					
Others	-	-	-	-	-
Cashflow from financial acts	**14**	**149**	**2,283**	**(270)**	**(217)**
Net cashflow	**(60)**	**137**	**516**	**(378)**	**15**
Beginning cash	335	275	412	929	551
Ending cash	275	412	928	551	566
Ending net debt	1,163	909	956	1,248	1,233

Source: Nomura estimates

Balance sheet (RMmn)					
As at 31 Oct	**FY09**	**FY10**	**FY11F**	**FY12F**	**FY13F**
Cash & equivalents	275	412	929	551	566
Properties held for sale					
Accounts receivable	327	241	330	402	479
Other current assets	1,708	2,037	2,716	3,025	3,182
Total current assets	**2,337**	**2,714**	**4,010**	**4,021**	**4,270**
Investment properties					
Other fixed assets (net)	146	108	172	185	228
Associates					
Other LT assets	60	76	84	92	92
Total assets	**3,952**	**4,386**	**6,598**	**6,784**	**7,077**
Short-term debt	331	305	569	569	569
Accounts payable	307	345	401	481	565
Other current liabilities	160	528	212	255	301
Total current liabilities	**797**	**1,178**	**1,182**	**1,305**	**1,435**
Long-term debt	1,107	1,016	1,316	1,230	1,230
Convertible debt					
Other LT liabilities	2	2	1	1	1
Total liabilities	**1,907**	**2,197**	**2,499**	**2,536**	**2,666**
Minority interest	-	0	0	0	0
Preferred stock					
Shareholders' Equity					
Other equity and reserves	280	286	1,817	1,817	1,817
Total shareholders' equity	**2,045**	**2,189**	**4,099**	**4,248**	**4,411**
Total equity & liabilities	**3,952**	**4,386**	**6,598**	**6,784**	**7,077**
Leverage					
Interest cover	57.9	82.2	57.3	43.8	62.1
Gross debt/property assets (%)					
Net debt/EBITDA (x)	6.06	3.48	3.30	3.31	2.64
Net debt/equity (%)	56.8	41.5	23.3	29.4	27.9
Dupont decomposition					
Net margin (%)	12.2	14.8	13.1	13.5	13.8
Asset utilisation (x)					
ROA (%)	5.1	6.7	5.2	5.2	5.9
Leverage (Assets/Equity x)					
ROE (%)	8.5	12.2	8.0	7.5	8.7

Source: Nomura estimates

We see gearing staying at manageable levels, post a strengthened balance sheet from the new share placement

UEM Land Holdings Berhad ULHB MK

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Action

Post our company visit, we believe newsflow on catalytic land sales may pick up steam in the next few months. On the property development front, the 28 May launch of Sunrise's Quintet Phase 2 in Vancouver and announcement of the results of the company's bid for the RM5-6bn Pudu area redevelopment could support momentum for the name. We see the merged entity's RM1.3bn in unbilled sales and planned RM5bn of launches providing a sustainable earnings base from FY11F, while its Nusajaya projects undergo gestation for the next 12 months.

Catalysts

Continued newsflow on catalytic developments, land sales, plus positive outcomes from the growing Singapore-Malaysia relations.

Anchor themes

Compelling demographics and improving affordability are driving a consumption boom in Malaysia, which is likely to fuel property demand for the next decade.

Closing price on 6 Apr	RM2.86
Price target	**RM3.29**
	(set on 28 Feb 11)
Upside/downside	15.0%
Difference from consensus	**11.5%**
FY12F net profit (RMmn)	349.2
Difference from consensus	**-1.8%**

Source: Nomura

Nomura vs consensus

We are in line with consensus in terms of earnings; but consensus RNAV-based PTs range from RM2.80 – RM3.80.

New dawn after Sunrise

① Bidding to expand Klang Valley footprint

UEM Land recently bid for the RM5-6bn redevelopment of the 22 acre Pudu jail site in Bukit Bintang, with bid results expected in the next 1-2 months. Like other major developers, it has also bid for the Employee Provident Fund's (EPF) 3000-acre Rubber Research (RRI) land. In a move to diversify its property portfolio geographically and gain exposure to the most economically profitable region in Malaysia, it also recently acquired Bangi land, which we expect to create an affordable mass to mid-income Klang Valley township (launch 1Q12).

② Continued momentum from property sales

On the residential development front in Nusajaya, the company is aiming to continue product launches in East Ledang following the sell-out of Phase 7 and 8 link houses (priced at RM600-700k). Sunrise's Quintet Phase 2 launch in Vancouver is planned for 28 May after the weekend sell-out of Phase 1 back in September '10. Close to 75% of 2011 property launches will be coming from Quintet, Solaris 3, MK 20, and other Sunrise brand projects while its Nusajaya projects undergoes gestation this year. A site visit revealed that the Columbia Asia hospital and the Newcastle University have or are reaching completion in the next few months, while 2,000 government workers have moved to Kota Iskandar Phase 1 and construction of Ujana executive apartments have reached the 15^{th} floor (out of 23). We expect news flow of further tie-ups in the pipeline and announcement of more catalytic land sales (in progress pending formal announcements) to continue driving momentum for the name.

③ Maintain BUY with PT of RM3.29

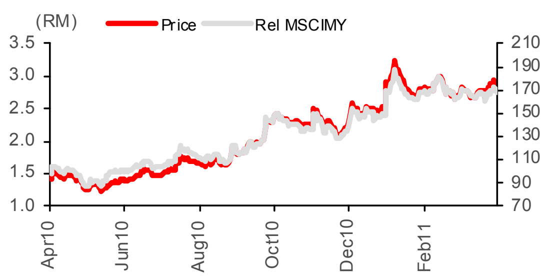
Post the full-year results, we adjusted our numbers to incorporate Sunrise, both in terms of earnings and RNAV. We flag that a winning of the Pudu jail redevelopment bid or participation in EPF's RRI land could lead to a possible revision in RNAV. We maintain our PT of RM3.29 and reiterate BUY.

Key financials & valuations

31 Dec (RMmn)	FY10	FY11F	FY12F	FY13F
Revenue	421	1,255	1,477	2,038
Reported net profit	145.6	299.0	349.2	429.4
Normalised net profit	145.6	299.0	349.2	429.4
Normalised EPS (RM)	0.040	0.063	0.074	0.091
Norm. EPS growth (%)	(13.1)	57.8	16.8	23.0
Norm. P/E (x)	71.6	45.3	38.8	31.6
EV/EBITDA (x)	72.1	36.1	29.8	22.8
Price/book (x)	3.9	2.5	2.3	2.1
Dividend yield (%)	0.0	0.0	0.0	0.0
ROE (%)	6.9	8.8	8.1	9.2
Gearing (%)	10.3	14.5	14.6	14.2
Earnings revisions				
Previous norm. net profit		299.0	349.2	429.4
Change from previous (%)		-	-	-
Previous norm. EPS (RM)		0.063	0.074	0.091

Source: Company, Nomura estimates

Share price relative to MSCIMY



	1m	3m	6m
Absolute (RM)	5.9	(1.4)	25.4
Absolute (US$)	6.0	0.0	28.3
Relative to Index	3.2	(0.4)	20.4
Market cap (US$mn)			3,788
Estimated free float (%)			23.0
52-week range (RM)			3.25/1.23
3-mth avg daily turnover (US$mn)			10.27
Stock borrowability			Hard
Major shareholders (%)			
Khazanah Nasional			77.0

Source: Company, Nomura estimates

Financial statements

Income statement (RMmn)					
Year-end 31 Dec	FY09	FY10	FY11F	FY12F	FY13F
Investment properties	-	-	-	-	-
Property development	404	421	1,255	1,477	2,038
Hotels/serviced apartments	-	-	-	-	-
Other Revenue	4	-	-	-	-
Revenue	**408**	**421**	**1,255**	**1,477**	**2,038**
EBIT contributions					
Investment properties					
Property development	83	120	303	367	472
Hotels/serviced apartments					
Other income					
Management expenses					
EBITDA	**86**	**125**	**310**	**374**	**482**
Depreciation and amortisation	(3)	(5)	(7)	(8)	(9)
EBIT	**83**	**120**	**303**	**367**	**472**
Net interest expense	(8)	(7)	(8)	(10)	(9)
Associates & JCEs	29	33	29	29	29
Other income	23	59	23	23	23
Earnings before tax	**127**	**205**	**346**	**408**	**515**
Income tax	(14)	(10)	(44)	(52)	(66)
Net profit after tax	**113**	**195**	**303**	**356**	**448**
Minority interests	(1)	(1)	(4)	(7)	(19)
Other items		(48)			
Preferred dividends					
Normalised NPAT	**112**	**146**	**299**	**349**	**429**
Extraordinary items		-			
Reported NPAT	**112**	**146**	**299**	**349**	**429**
Dividends					
Transfer to reserves	**112**	**146**	**299**	**349**	**429**
Valuation and ratio analysis					
FD normalised P/E (x)	62.2	71.6	45.3	38.8	31.6
FD normalised P/E at price target (x)	71.6	82.3	52.2	44.7	36.3
Reported P/E (x)	62.2	71.6	45.3	38.8	31.6
Dividend yield (%)	-	-	-	-	-
Price/cashflow (x)	na	na	na	54.3	34.9
Price/book (x)	4.6	3.9	2.5	2.3	2.1
EV/EBITDA (x)	105.1	72.1	36.1	29.8	22.8
EV/EBIT (x)	108.0	74.7	36.8	30.3	23.2
EBIT margin (%)	20.3	28.5	24.2	24.8	23.2
Effective tax rate (%)	11.0	4.9	12.6	12.7	12.9
Dividend payout (%)	-	-	-	-	-
ROA (pretax %)	3.5	4.4	6.7	6.2	8.0
Growth (%)					
Revenue	(32.8)	3.2	198.0	17.7	38.0
EBITDA	26.2	45.8	147.1	20.8	28.7
EBIT	25.6	44.7	152.9	20.8	28.9
Normalised EPS	54.9	(13.1)	57.8	16.8	23.0
Normalised FDEPS	54.9	(13.1)	57.8	16.8	23.0
Per share					
Reported EPS (RM)	0.05	0.04	0.06	0.07	0.09
Norm EPS (RM)	0.05	0.04	0.06	0.07	0.09
Fully diluted norm EPS (RM)	0.05	0.04	0.06	0.07	0.09
Book value per share (RM)	0.63	0.74	1.13	1.23	1.35
DPS (RM)	-	-	-	-	-

Source: Nomura estimates

FY11F likely to see a pickup in sales / launches as well as continued landbank monetizing via strategic tie-ups and outright sales

Cashflow (RMmn)					
Year-end 31 Dec	FY09	FY10	FY11F	FY12F	FY13F
EBITDA	86	125	310	374	482
Change in working capital	142	(509)	(1,684)	(149)	(45)
Other operating cashflow	(250)	265	(90)	24	(48)
Cashflow from operations	**(22)**	**(119)**	**(1,464)**	**250**	**389**
Capital expenditure	(23)	(16)	(16)	(17)	(18)
Free cashflow	**(44)**	**(134)**	**(1,481)**	**232**	**371**
Reduction in investments					
Net acquisitions					
Reduction in other LT assets	(329)	(29)	14	-	-
Addition in other LT liabilities	31	(15)	23	-	-
Adjustments	282	(36)	(96)	-	-
Cashflow after investing acts	**(61)**	**(215)**	**(1,540)**	**232**	**371**
Cash dividends	-	-	-	-	-
Equity issue	(114)	340	1,219	-	-
Debt issue	130	150	86	19	23
Convertible debt issue	-	-	-	-	-
Others	134	47	-	-	-
Cashflow from financial acts	**150**	**537**	**1,305**	**19**	**23**
Net cashflow	**89**	**322**	**(235)**	**252**	**394**
Beginning cash	27	116	438	203	455
Ending cash	116	438	203	455	849
Ending net debt	585	(30)	764	532	160

Source: Nomura estimates

Balance sheet (RMmn)					
As at 31 Dec	FY09	FY10	FY11F	FY12F	FY13F
Cash & equivalents	116	438	203	455	849
Properties held for sale	36	-	-	-	-
Accounts receivable	499	457	714	714	714
Other current assets	718	888	2,984	2,856	2,772
Total current assets	**1,369**	**1,783**	**3,901**	**4,026**	**4,336**
Investment properties	29	31	368	368	368
Other fixed assets (net)	57	62	135	87	96
Associates	99	87	253	282	310
Other LT assets	1,979	2,009	1,995	1,995	1,995
Total assets	**3,533**	**3,971**	**6,653**	**6,757**	**7,105**
Short-term debt	9	-	97	116	140
Accounts payable	333	156	500	543	414
Other current liabilities	345	104	429	110	110
Total current liabilities	**687**	**260**	**1,026**	**769**	**663**
Long-term debt	691	408	870	870	870
Convertible debt	-	-	-	-	-
Other LT liabilities	176	161	184	184	184
Total liabilities	**1,554**	**829**	**2,080**	**1,824**	**1,718**
Minority interest	453	454	458	465	484
Preferred stock	-	-	-	-	-
Shareholders' Equity	1,216	1,823	2,371	2,371	2,371
Other equity and reserves	310	864	1,743	2,098	2,532
Total shareholders' equity	**1,526**	**2,687**	**4,114**	**4,468**	**4,903**
Total equity & liabilities	**3,533**	**3,971**	**6,653**	**6,757**	**7,105**
Leverage					
Interest cover	11.0	17.2	36.7	37.0	53.9
Gross debt/property assets (%)	19.8	10.3	14.5	14.6	14.2
Net debt/EBITDA (x)	6.80	net cash	2.46	1.42	0.33
Net debt/equity (%)	38.3	net cash	18.6	11.9	3.3
Dupont decomposition					
Net margin (%)	27.4	34.6	23.8	23.6	21.1
Asset utilisation (x)	0.1	0.1	0.2	0.2	0.3
ROA (%)	3.4	3.9	5.6	5.2	6.2
Leverage (Assets/Equity x)	2.4	1.8	1.6	1.6	1.5
ROE (%)	8.0	6.9	8.8	8.1	9.2

Source: Nomura estimates

FY11F incorporates the merger effects as the Sunrise acquisition was completed in Jan'11

Raashi Gupta (Associate) – All enquiries arising from this report should be directed to Jacinda Ee Wenn Loh.

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Mentioned companies

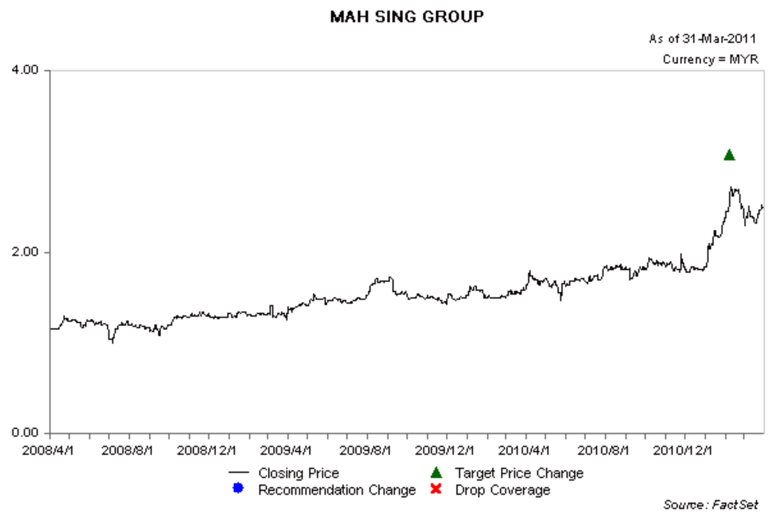
Issuer name	Ticker	Price	Price date	Stock rating	Sector rating	Disclosures
Mah Sing Group	MSGB MK	2.66 MYR	06-Apr-2011	Buy	Not Rated	
Malaysian Resources	MRC MK	2.26 MYR	06-Apr-2011	Neutral	Not Rated	
SP Setia	SPSB MK	6.40 MYR	06-Apr-2011	Neutral	Not Rated	
Uem Land Holdings Bhd	ULHB MK	2.86 MYR	06-Apr-2011	Buy	Not Rated	

Previous Rating

Issuer name	Previous Rating	Date of change
Mah Sing Group	Not Rated	08-Feb-2011
Malaysian Resources	Not Rated	27-Oct-2010
SP Setia	Buy	17-Jan-2011
Uem Land Holdings Bhd	Not Rated	27-Oct-2010

Mah Sing Group (MSGB MK) **2.66 MYR (06-Apr-2011)** Buy (Sector rating: Not Rated)

Rating and target price chart (three year history)

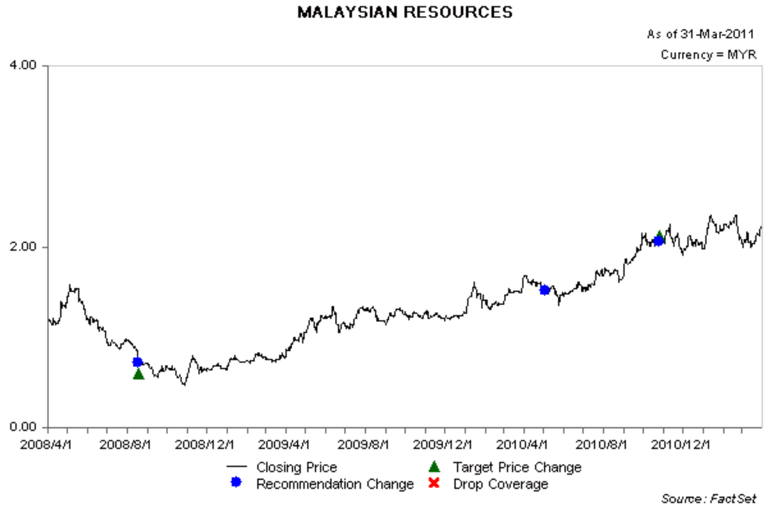


Date	Rating	Target price	Closing price
08-Feb-2011		3.08	2.63

For explanation of ratings refer to the stock rating keys located after chart(s)

Malaysian Resources (MRC MK) **2.26 MYR (06-Apr-2011)** Neutral (Sector rating: Not Rated)

Rating and target price chart (three year history)

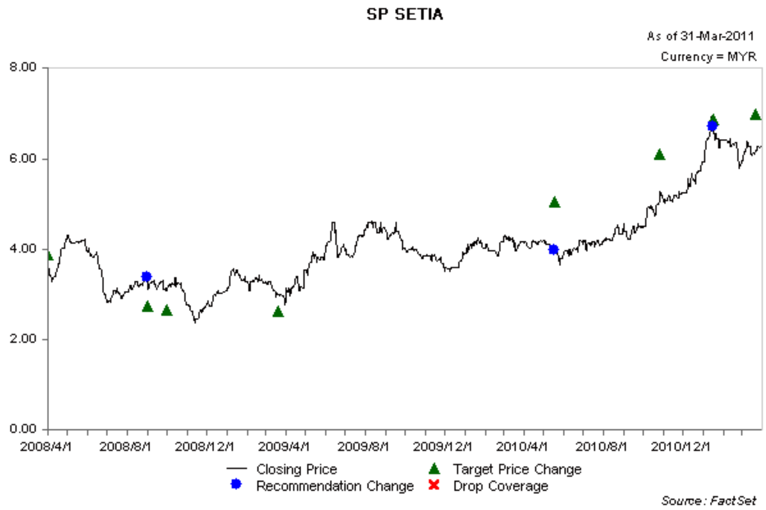


Date	Rating	Target price	Closing price
27-Oct-2010		2.13	2.05
27-Oct-2010	Neutral		2.05
04-May-2010	Not Rated		1.51
19-Aug-2008		0.60	0.71
19-Aug-2008	Sell		0.71

For explanation of ratings refer to the stock rating keys located after chart(s)

SP Setia (SPSB MK) **6.40 MYR (06-Apr-2011)** Neutral (Sector rating: Not Rated)

Rating and target price chart (three year history)

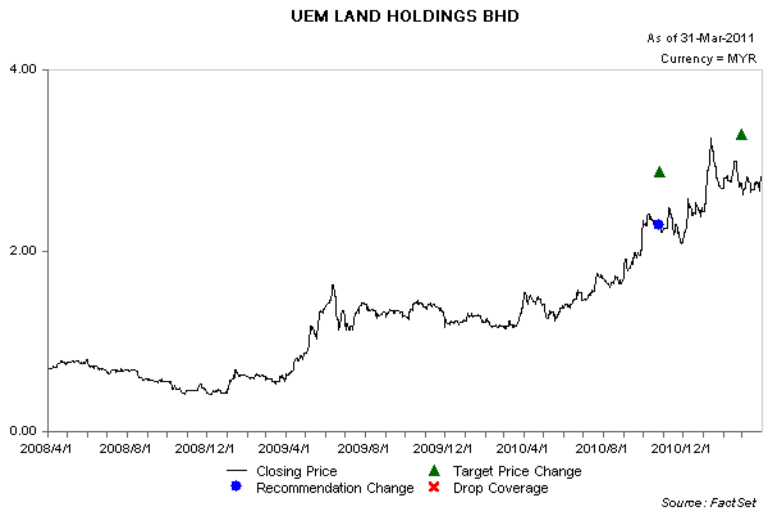


Date	Rating	Target price	Closing price
22-Mar-2011		7.00	6.15
17-Jan-2011		6.88	6.70
17-Jan-2011	Neutral		6.70
27-Oct-2010		6.11	5.27
19-May-2010		5.06	3.98
19-May-2010	Buy		3.98
20-Mar-2009		2.64	3.00
02-Oct-2008		2.66	3.10
01-Sep-2008		2.76	3.38
01-Sep-2008	Reduce		3.38
01-Apr-2008		3.90	3.74

For explanation of ratings refer to the stock rating keys located after chart(s)

Uem Land Holdings Bhd (ULHB MK) **2.86 MYR (06-Apr-2011)** Buy (Sector rating: Not Rated)

Rating and target price chart (three year history)



Date	Rating	Target price	Closing price
28-Feb-2011		3.29	2.70
27-Oct-2010		2.88	2.29
27-Oct-2010	Buy		2.29

For explanation of ratings refer to the stock rating keys located after chart(s)

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A rating of '**Reduce**', indicates that the analyst expects the stock to underperform the Benchmark over the next 12 months.
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Explanation of Nomura's equity research rating system for Asian companies under coverage ex Japan published from 30 October 2008 and in Japan from 6 January 2009

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Explanation of Nomura's equity research rating system in Japan published prior to 6 January 2009 (and ratings in Europe, Middle East and Africa, US and Latin America published prior to 27 October 2008)

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Explanation of Nomura's equity research rating system for Asian companies under coverage ex Japan published prior to 30 October 2008

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A **'Sell'** recommendation indicates that downside is more than 20%.

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