

BUY

TP: PHP1.40

▲ 28.4%

Sta. Lucia Land

SLI.PM

Prequel to Growth

Sta. Lucia Land (SLI) reported its FY17 results, which slightly missed our initial estimates but still managed to deliver respectable top line growth of 8.5% and EPS growth of 11.0% YoY. We think that the company continues to have a strong pipeline that stands to benefit from the nationwide infrastructure expansion roll-out. We maintain BUY with TP of PHP1.40 based on a 50% discount to our end-2018 RNAV estimates.

- ➔ **Tangible growth story:** FY17 revenues grew to PHP3,105m (+8.5% YoY), while net profit grew to PHP817m (+11.9% YoY). In terms of operational performance, EBIT margin improved from 39.2% in FY16 to 52.1% in FY17, while net profit margin improved from 25.5% in FY16 to 26.3% in FY17. We expect net profit to rise by 8.5% in FY18. We continue to expect operating metrics to improve significantly as its balance sheet progressively levers up, signifying stronger capital efficiency.
- ➔ **Asset revaluation as a catalyst:** The Company is in the process of performing independent valuation of their assets, in conjunction with government's PHP9.0tn infrastructure nationwide roll-out. Given the company currently values its assets at book, we could see a significant value uplift to our estimated RNAV, which could trigger an upgrade.
- ➔ **Visible launch target:** SLI is slated to launch 32 projects with GDV of PHP25.8bn, of which PHP17.0bn is attributable to SLI, in FY18 and has guided that reservation sales growth of 15% over FY18, inline with our assumptions. The gearing for SLI is currently 1.1x due to recent debt issuance of PHP5.0bn. We still think that there is a comfortable debt headroom given covenant limit of 1.5x for further expansion.
- ➔ **Maintain BUY:** We continue to expect EPS to grow by a robust 23% CAGR from FY18-21E. SLI currently trades at a 45% discount to our estimated end-2018 RNAV, applying a discount rate of 7.3%. We continue to like SLI for its attractive valuation and robust growth trajectory.

Financial highlights

Y/E 31 Dec (PHP'm)	FY17	FY18E	FY19E	FY20E	FY21E
Revenue	3,105	4,957	6,212	7,675	8,440
Revenue Growth	8.5%	49.6%	25.3%	23.5%	10.0%
Net profit	818	887	1,236	1,574	1,879
Outstanding shares (M)	8,946	8,946	8,946	8,946	8,946
EPS (PHP)	0.091	0.099	0.114	0.174	0.205
EPS growth (%)	11.0%	8.5%	39.3%	27.3%	19.4%
NPM (%)	26.3%	17.9%*	19.9%	20.5%	22.3%
ROE (%)	5.7%	5.8%	6.5%	7.6%	8.4%
ROA (%)	2.7%	2.9%	3.6%	4.4%	5.3%

Source: Company, SCCM Research; as of 02 May 2018, *Increased interest burden from PHP5.0bn note

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PRICE CLOSE (02 May 2018)

PHP1.09

MARKET CAP

PHP 9.6 Bln

USD 0.2 Bln

SHARES O/S

8,946 mln

FREE FLOAT

17%

3M AVG DAILY VOLUME/VALUE

PHP 0.697 mln / USD 0.01 mln

52 WK HIGH

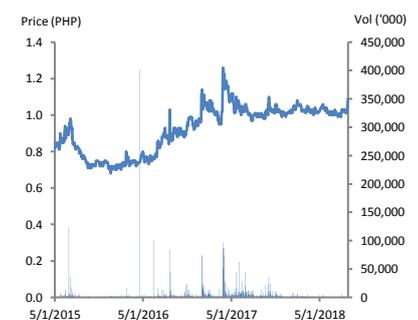
PHP1.23

52 WK LOW

PHP0.96

Target Price

PHP1.40



Schedule of New Projects in 2018

Project Name	Type	Location	Land Area (sqm.)	Saleable Area	No. of Units	Ave. Selling Price/Sqm
Las Colinas Davao	Horizontal	Eden Toril, Davao City	970,000	582,000	1,164	5,000
Greenmeadows Iloilo Ph.2	Horizontal	Jaro, Iloilo City	811,733	616,274	1774	7,500
Centro Polis Davao	Horizontal	Panacan, Davao City	1,000,000	600,000	4000	5,000
Soller Cuidades Davao	Horizontal	Mandug, Davao City	392,375	245,393	1500	5,500
Lakewood Los Banos Ph.4	Horizontal	Los Banos, Laguna	204,853	122,912	544	8,500
La Alegria Residential Estate	Horizontal	Barangay Rizal, Silay City, Negros Occidental	619,837	398,817	1101	5,000
South Spring Expansion	Horizontal	Binangonan, Rizal	330,040	198,024	1320	5,000
St. Charbel Dasmaringas	Horizontal	Dasmaringas, Cavite	285,000	171,000	1140	9,000
Summit Point Lipa Expansion Ph. 3-3E	Horizontal	Sto. Tomas, Batangas	351,528	224,944	1327	4,500
Los Rayos Lake Residences	Horizontal	Tagum, Davao	370,000	222,000	1480	5,000
Catalina Lake Residences Palawan	Horizontal	Puerto Princesa, Palawan	330,040	216,244	661	5,000
Monte Verde Royale Expansion Ph 3G, Ph 4A, 4B & 4C	Horizontal	Taytay, Rizal	54,677	35,540	235	6,200
Valle Verde Cebu	Horizontal	Lapu-Lapu City, Cebu	53,574	34,762	191	10,000
Costa Verde Alangilan	Horizontal	Brgy. Bolbok & Alangilan, Batangas City, Batangas	32,559	20,094	86	10,000
Ponte Verde Davao Expansion	Horizontal	Davao City, Davao	38,592	23,155	115	13,000
Summer Hills Ph.4A and 4B	Horizontal	Antipolo, Rizal	55,312	36,320	223	6,500
Metropolis Iloilo Ph.2	Horizontal	Jaro, Iloilo	65,152	41,288	269	6,000
Monte Verde Digos	Horizontal	Digos, Davao	90,000	54,000	360	4,500
Metropolis East Expansion Ph. 1B, 1C & 2	Horizontal	Binangonan, Rizal	50,633	33,862	228	6,800
Greenridge Rizal Ph.4A	Horizontal	Binangonan, Rizal	29,170	18,311	124	6,000
Marbella Residences Palawan	Horizontal	Puerto Princesa, Palawan	40,000	26,000	100	5,000
Golden Meadows Binan Ph.2D	Horizontal	Binan, Laguna	27,500	17,046	120	7,200
Vermont Park Ph.1E	Horizontal	Antipolo, Rizal	11,812	7,847	54	13,000
Greenmeadows Ph.2A at the Orchard	Horizontal	Dasmaringas, Cavite	19,419	14,227	67	6,200
Rizal Techno Park Ph.2D1	Horizontal	Taytay, Rizal	7,544	5,636	38	8,000
Golden Meadows Binan Ph.2D	Horizontal	Sta Rosa, Laguna	27,500	17,046	120	5,000
Cambridge Place Ph.1A	Horizontal	Tanauan, Batangas	7,374	4,793	32	5,000
Rockville Cavite	Horizontal	Alfonso, Cavite	10,588	7,169	54	5,000
Nottingham Villas Iloilo	Vertical	Jaro, Iloilo City	5,314	30,128	300	46,000
Crown Residence at Harbor Springs Resort	Vertical	Puerto Princesa, Palawan	12,000	4,406	82	93,000
Nottingham Villas Palawan	Vertical	Puerto Princesa, Palawan	2,000	11,335	126	30,000
Greenmeadows Condominium	Vertical	Iloilo City, Iloilo	1,049	4,381	118	60,000
Total		20,363	6,307,175	4,044,954	18,845	

Results Table

(PHP' m)	FY17	FY16	% Change	FY17E	% of FY17E
Gross Revenue	3,105	2,862	8.5%	3,316	94%
Gross Profit	2,243	1,916	17.1%	2,223	101%
Gross Profit Margin	72.2%	66.9%			
EBIT	1,619	1,122	44.3%	1,561	104%
EBIT Margin	52.1%	39.2%			
Net Profit	817.65	730.38	11.9%	805	102%
Net Profit Margin	26.3%	25.5%			
EPS	0.091	0.082	11.9%	0.093	98%
ROE	5.7%	5.4%			
ROA	2.7%	3.0%			

Income Statement

Y/E 31 Dec (PHP'm)	FY17A	FY18E	FY19E	FY20E	FY21E
Total revenue	3,105	4,957	6,212	7,675	8,440
COGS	862	1,921	2,462	3,162	3,511
Gross Margin	2,243	3,036	3,750	4,513	4,929
EBIT	1,619	2,001	2,452	2,900	3,159
Interest Expense	(488)	(733)	(729)	(696)	(523)
EBT	1,131	1,268	1,723	2,203	2,636
Income taxes	313	380	487	630	758
Net Profit	818	887	1,236	1,574	1,879
EPS	0.091	0.099	0.114	0.146	0.174

Balance Sheet

Y/E 31 Dec (PHP'm)	FY17A	FY18E	FY19E	FY20E	FY21E
Cash & cash equivalents	637	1,873	3,777	3,120	1,790
Inventory	16,028	13,770	14,008	13,546	12,736
Accounts receivable	2,687	4,438	6,457	8,948	11,110
Other current assets	2,840	2,840	2,820	2,800	2,780
Total current assets	22,191	22,921	27,062	28,414	28,416
Investment properties	5,158	5,653	5,482	5,312	5,142
Investment in associates and JV	878	878	878	878	878
Other assets	97	76	75	74	73
Total non current assets	6,132	6,606	6,435	6,264	6,093
Total assets	29,823	31,027	34,997	36,178	36,008
Short term debt	5,475	660	660	660	1,460
Accounts payable	2,992	2,992	2,992	2,992	2,992
Total current liabilities	8,467	3,652	3,652	3,652	4,452
Long term debt	5,040	10,100	10,038	9,571	6,636
Other long term liabilities	767	767	767	767	767
Total non current liabilities	7,030	12,090	12,028	11,561	8,626
Total liabilities	15,497	15,742	15,680	15,213	13,078
Shareholders' equity	10,386	10,386	13,161	13,161	13,161
Retained Earnings	3,472	4,430	5,687	7,335	9,300
Other Equity Accounts	468	468	468	468	468
Total equity and minority interests	14,326	15,285	19,316	20,964	22,930
Total liabilities and equity	29,823	31,027	34,997	36,178	36,008

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