

Cebu Landmasters, Inc. (CLI)

Price (17 August 2018): P4.59/share

Rating: LONG-TERM BUY

Target Price: P7.88/share

SHARE PRICE (1-year)



MAIN STORY

**1H18 earnings +30%,
seen as an undervalued &
solid play that will ride on
provincial growth initiatives**

HIGHLIGHTS

UPDATES

- 1H earnings was at high double-digit, +30% at P826mn, in line with forecast; 2Q was more impressive at P327mn (+58%)
- Take-up stood at P4.6bn, +61% YoY, surpassing 2017's full-year take-up sales, and 65% of 2018 full year target
- Margins narrowed however (*GPM -676bps, NPM -342bps*), mainly driven by cost advancement (e.g., materials procurement), but is seen to eventually normalize to ~50% average
- 94% of IPO proceeds utilized, 70% of which was for landbanking
- Projects in the pipeline remain robust, i.e. 100ha Industrial estate in SRI, Cebu & flagship 22ha. mixed-use Davao Matina Business Park, among others
- Landbank as of end-June stood at 976k sqm, posting 4-yr CAGR of 120%

OUR CALL

- Reiterate LONG-TERM BUY on CLI, with impressive 1H sales take-up indicative of year-end beat (*already 65% of P7bn guidance*). Our NAV target is maintained at P7.88/sh.
- Sustainable growth spurts.** Recall that CLI's niche in high-demand Visayas and Mindanao has been underscored in our previous review, which manifested in 1H take-up growth of 61%; despite our tempered expectations for subsequent take-up (*on high base effect + some project catch-up*), long-run growth outpacing estimates is viable, primarily if the speed of turnover (*developed-to-purchased land ratio at 55%*) vis a vis active land banking (*4-yr CAGR 120%*) can be maintained. Note that at P4.60, CLI trades at 4.5X P/E & 1.43 P/B, at a discount to sector median (*ex-large caps*) of 13x & 1.6x, respectively.

FORECAST OVERVIEW

In PHP Millions (unless otherwise)	FY 2015	FY 2016	FY2017	2018E	2019F
Revenues	1,330	2,361	3,929	5,300	5,908
<i>Growth % YoY</i>	4%	78%	66%	35%	11%
EBITDA	503	950	1,630	2,222	2,492
<i>EBITDA Margin</i>	38%	40%	41%	42%	42%
Net Profit	426	780	1,295	1,736	1,877
<i>Growth % YoY</i>	-2%	83%	66%	34%	8%
<i>Net Profit Margin</i>	32%	33%	33%	33%	32%
Earnings per Share	0.53	0.91	0.86	1.02	1.10
Price-Earnings * (x)	--	--	5.54	4.50	4.17
Dividends per Share (in PHP)	14.22	15.09	0.15	0.15	0.15
<i>Dividend Yield *</i>	--	--	3%	3%	3%

*Note that CLI listed in the exchange in 2017.

Source: CLI, Bloomberg, F. Yap Securities estimates

IN Pmn	2Q18	2Q17	%CHG	1H18	1H17	%CHG
REVENUES	1,349	695	94%	2,613	1,807	45%
Property Rental	12	10	22%	24	19	26%
Property Sales	1,333	685	95%	2,585	1,788	45%
Cost of Sales & Rental	817	337	142%	1,463	890	64%
GROSS PROFIT	532	359	48%	1,150	918	25%
Net Operating Expenses	161	125	29%	267	230	16%
OPERATING PROFIT	372	234	59%	883	688	28%
Net Non-operating Expenses	7	22	-68%	17	35	-51%
PROFIT BEFORE TAXES	365	212	72%	866	653	33%
Income Tax Expense	37	5	636%	40	20	100%
NET INCOME	327	207	58%	826	633	30%
Gross Margin	39%	52%	-121bps	44%	51%	-67bps
Net Profit Margin	24%	30%	-57bps	32%	35%	-342bps
Earnings per share	0.19	0.13	46%	0.49	0.40	23%

Landbank Breakdown by Location (in sqm)

