

BUY

TP: PHP 2.88

▲ 20.5%

Sta. Lucia Land

SLI PM

Slated for Lift-off

9M20 PATMI +21% YoY to PHP1.28bn mainly due to improved GPM (+20.8pps YoY to 70.1%). 9M20 Real Estate Sales -17% YoY on limited selling activities, while Rental Income -48% YoY on rental waivers – inline with industry peers. We are seeing signs of recovery in 3Q20, backed by resilient product offerings, and expect SLI to deliver 14% EPS CAGR in FY21-24E as it monetizes 3.43m sqm inventories amidst rising housing demand and low interest rate environment. Reiterate BUY with a revised TP of PHP2.88/share.

- Signs of recovery in 3Q20 to extend into FY21E:** 9M20 PATMI +21.1% YoY to PHP1.28bn despite temporary suspension of operations due to COVID-19. 9M20 Real Estate Sales -16.7% YoY to PHP3.63bn on limited sales and marketing activities. On the other hand, Rental Income -47.7% YoY to PHP348.2m as SLI offers rental waivers during the temporary lockdown. Both business segments rebounded strongly in 3Q20, particularly in residential sales which has returned to near pre-Covid level. Management attributed this to its resilient lots-only product offerings. We believe further reopening would support continuous recovery in both businesses.
- Positive macro tailwinds:** (i) Residential property values increased 12.5% YoY in 9M20, with average housing prices outside NCR up by 10.9% in the same period. Sustained positive price trend in provincial areas would benefit SLI; (ii) Record low interest rate to drive market recovery, lower financing costs and prop up investment properties values; (iii) OFWs remittance have recovered since Jun20. For 10M20, total OFWs remittance dipped by only 0.9% YoY. The steady trend provide support to SLI's take-up rate, as OFWs account for ~70% of its sales.
- Reiterate BUY with a revised TP of PHP2.88/shr:** We have assumed a 25% NAV discount, in line with the long-term mean. Our end-FY21E RNAV of PHP3.84/shr values residential properties using DCF, commercial properties using a 7% cap rate, and the 3.36m sqm land bank at its costs. **We expect a steady take-up rate for SLI's 3.43m sqm inventories and new projects to underpin PATMI CAGR of 13.7% in FY21-24E.** A faster recovery in rental income and mall foot traffic could provide an upside risk to our RNAV. **Potential catalysts:** (i) Monetization of commercial lots, which would increase recurring rental revenue base and margin; (ii) Potential spin-off listing of its investment properties into a REIT; (iii) Completion of government's infrastructure projects to boost its estate values; and (iv) Growing its development revenue stream.

Updated Financial Highlights

Y/E 31 Dec (PHP'm)	FY19A	FY20E	FY21E	FY22E	FY23E
Core Revenue	6,770	5,820	7,100	7,627	8,369
Revenue	7,810	6,838	8,198	8,724	9,572
PATMI	1,736	1,284	1,628	1,725	1,944
Outstanding shares (mn)	8,196.5	8,196.5	8,196.5	8,196.5	8,196.5
EPS (PHP)	0.21	0.16	0.20	0.21	0.24
EPS Growth	77.9%	-26.0%	26.8%	5.9%	12.8%
NPM (%)	22.2%	18.8%	19.9%	19.8%	20.3%
Net Debt to Equity	0.87	0.87	0.85	0.81	0.78
BV per share	1.97	2.12	2.32	2.53	2.77
P/B (x)	0.97	1.13	1.03	0.94	0.86

Source: Company, SCCM Research, as of 21 Jan 2021



21 January 2021

REPORT AUTHOR

Soh Lin Sin
 +65 6671 8112
 linsin.soh@sccmasia.com

PRICE CLOSE (21 Jan 2021)

PHP 2.39

MARKET CAP

PHP 19.6 bn

USD 407.8 m

SHARES O/S

8,196.5 m

FREE FLOAT

18.2%

3M AVG DAILY VALUE

PHP 2.076 m / USD 43.20 m

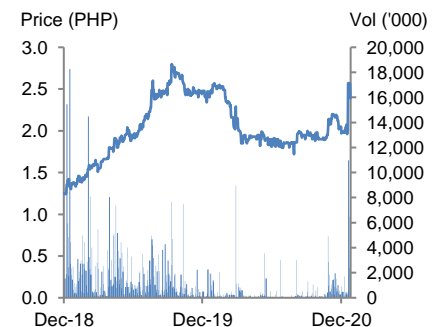
52 WK HIGH

PHP 2.68

52 WK LOW

PHP 1.70

Target Price PHP 2.88



9M20 Result Review

Commendable performance despite temporary suspension of operations during 2Q20

- SLI chalked up total Core Revenue of PHP3.975bn in 9M20. While it was down by 20.8% YoY, SLI fared relatively better compared to its peers within the same industry segments. Including other income, 9M20 Revenue contracted 21.0% YoY to PHP4.536bn. Boosted by higher gross profit margin from its Real Estate Sales and lower SG&A expenses, 9M20 NPAT was 21.1% YoY higher at PHP1.280bn.
- Real Estate Sales remains well afloat with only 16.7% YoY contraction to PHP3.627bn in 9M20, despite the limited selling activities during the quarantine periods. Gross Profit Margin increased by 24.0 percentage points (pps) YoY to 74.3% in 9M20. The sturdy contract bookings reflect resilient demand for its unique lots-only offerings.
- Meanwhile, Rental Income was down 47.7% YoY to PHP348.2m in 9M20, largely in tandem with large mall operators, such as SM Prime (-53.6% YoY) and Robinsons Land (-50.7% YoY) during the same period. Most of shopping mall operators, including SLI, have waived the rental payment for tenants and retail partners during the Luzon-wide lockdown. 9M20 Gross Profit Margin shed 16.3pps YoY to 26.7%.

Fig 1 - 9M20 Results Highlights

In PHP'm	9M20	9M19	YoY(%)	FY20E	%FY20E
Core Revenue	3,975	5,022	-20.8%	5,820	68.3%
Revenue	4,536	5,742	-21.0%	6,838	66.3%
Core Gross Profit	2,787	2,476	12.6%	2,819	98.9%
Gross Profit Margin	70.1%	49.3%		48.4%	
Core EBITDA	2,098	1,574	33.3%	1,913	109.7%
Core EBITDA Margin	52.8%	31.4%		32.9%	
Core EBIT	1,996	1,465	36.3%	1,776	112.4%
Core EBIT Margin	50.2%	29.2%		30.5%	
PATMI	1,280	1,057	21.1%	1,375	93.1%
PATMI Margin	32.2%	21.1%		23.6%	

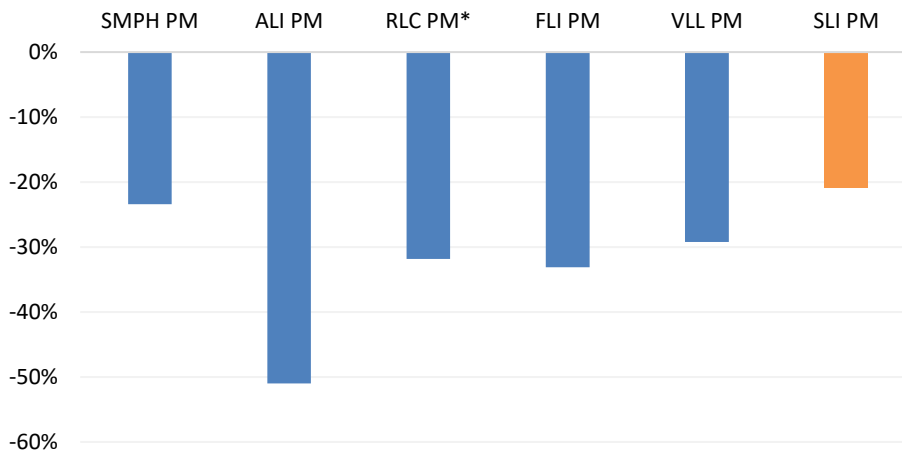
Source: Company, SCCM Research

Fig 2 - 9M20 Segment Performance

In PHP'm	9M20	9M19	YoY(%)	FY20E	%FY20E
Revenue					
Rental income	348.2	665.1	-47.7%	432.8	80.5%
Real estate sales	3,627.2	4,356.9	-16.7%	5,387.5	67.3%
Gross Profit					
Rental income	92.9	285.9	-67.5%	125.4	74.1%
Real estate sales	2,694.3	2,190.5	23.0%	2,693.7	100.0%

Source: Company, SCCM Research

Fig 3 - %YoY 9M20 Leasing Income and Real Estate Sales



* RLC 9M20 Real Estate Sales exclude one-off adjustment of PHP5.35bn

Source: Companies, Bloomberg, SCCM Research

- Further reopening to bump up sales activities.** Core Revenue doubled QoQ to PHP1.756bn with both business segments rebounded as restrictions gradually eased. Real Estate Sales recovered strongly with 102.2% QoQ surge to PHP1.633bn in 3Q20 buoyed by pent up demand after the lockdown.
- Rental Income jumped 155.5% QoQ PHP123.0m in 3Q20, as more businesses are allowed to reopen, albeit at reduced capacity. SLI has recently turned over the recently completed Sta. Lucia Business Center (SLBC) to a POGO (Philippine Offshore Gaming Operator) in Oct20. SLBC added 19,418sqm to its leasing portfolio NLA. However, due to COVID-19 pandemic and competitive pressure, the portfolio registered 82.4% occupancy rate as at 3Q20, down from the 88.2% in 4Q19. While we believe that its leasing business should improve with higher foot traffic alongside greater restrictions easing, we expect competition pressure to persist in near term. Nonetheless, the completion of LRT-2 extension could introduce additional foot traffic to SLEGM and SLBC, driving better rental and occupancy rates over the long term.

SLBC is directly connected to the ongoing LRT-2 extension project and its Sta. Lucia East Grand Mall (SLEGM)

Fig 4 - 3Q20 Results Highlights

In PHP'm	3Q20	3Q19	YoY(%)	2Q20	QoQ(%)
Core Revenue	1,756	2,022	-13.2%	855	105.2%
Revenue	2,108	2,246	-6.1%	938	124.7%
Core Gross Profit	1,085	622	74.4%	643	68.9%
Gross Profit Margin	61.81%	30.77%		75.11%	
Core EBITDA	641	306	109.7%	540	18.6%
Core EBITDA Margin	36.51%	15.11%		63.17%	
Core EBIT	644	264	143.5%	536	20.1%
Core EBIT Margin	36.68%	13.08%		62.71%	
PATMI	523	173	201.4%	259	101.7%
PATMI Margin	29.78%	8.58%		30.30%	

Source: Company, SCCM Research

BUY

TP: PHP2.88

▲ 20.5%

Sta. Lucia Land

SLI PM

Company Update

Philippines

Property

Fig 5 - 3Q20 Segment Performance

In PHP'm	3Q20	3Q19	YoY(%)	2Q20	QoQ(%)
Revenue					
Rental income	123.0	248.7	-50.5%	48.1	155.5%
Real estate sales	1,632.6	1,832.7	-10.9%	807.3	102.2%
Gross Profit					
Rental income	40.5	141.6	-71.4%	-11.9	-440.6%
Real estate sales	1,044.6	539.9	93.5%	654.4	59.6%

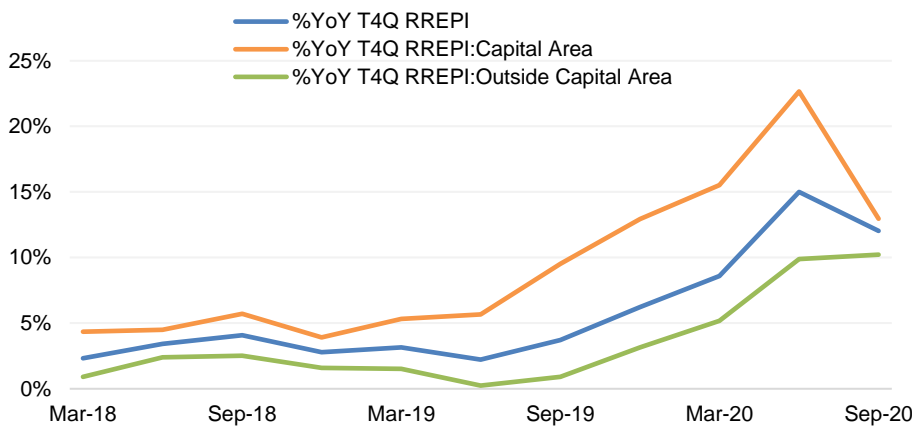
Source: Company, SCCM Research

Road map to recovery in 2021

Favorable macro environment sets stage for market rebound

- Sentiment remains buoyant with residential price index growing at high single-digit to mid-teens.** Based on data from the Bangko Sentral ng Pilipinas (BSP), average prices for residential properties in the National Capital Region and outside the NCR have increased by 12.3% and 10.9% YoY in 9M20, respectively. Continued price increase for house and lot offerings in provincial areas would benefit the Company.

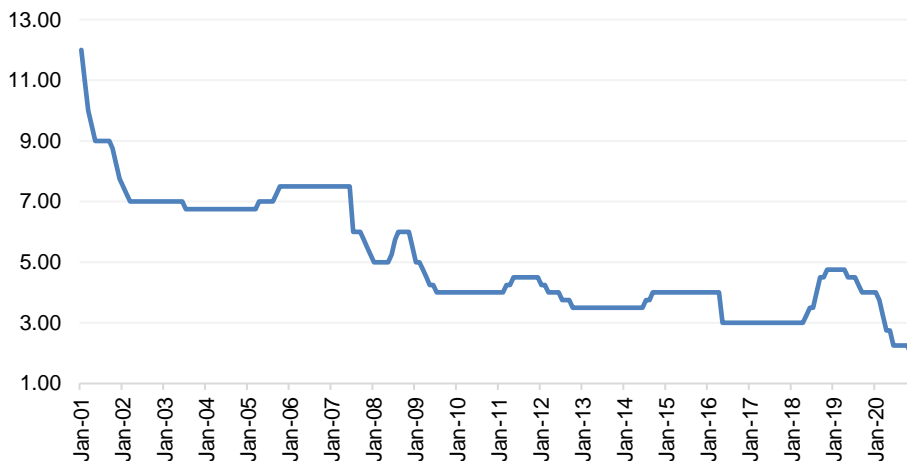
Fig 6 - Residential Real Estate Price Index



Source: Bloomberg, SCCM Research

- Benefitting from record low interest rate:**
 - Low interest rate environment could spur borrowing and investment, thus bolstering residential demand recovery and absorb new projects launch.** Leasable properties, such as the condotel concept that SLI offers, could also appeal to investors who are looking to hedge against potential inflation.

Fig 7 - Central Bank of Philippines Rate



Source: Bloomberg, SCCM Research

- (ii) **Tapping into debt financing at lower interest expense.** The Company currently has a gearing ratio of 0.99x. With a gearing ceiling of 1.5x, this implies that it has a PHP8.73bn debt headroom to fund its ongoing and new projects, as well as strategic land banking for continuous growth.

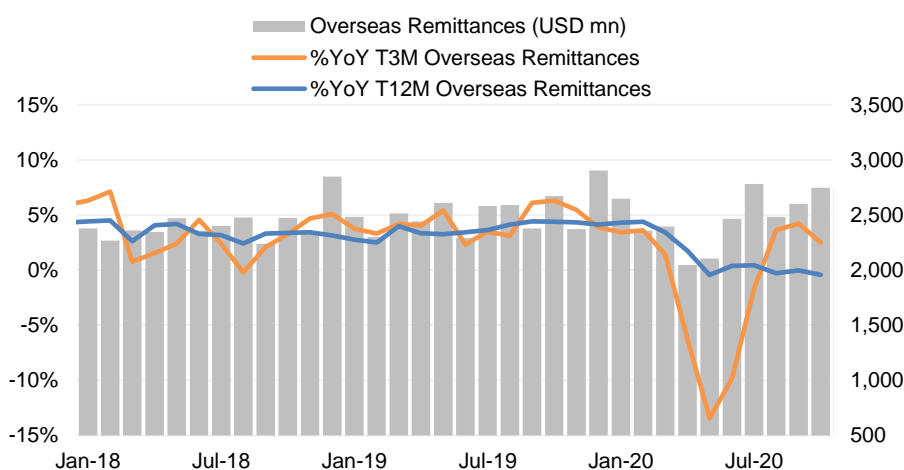
In Dec20, its board of directors has recently authorized the purchase of a total of 294,671sqm of land parcels in Bulacan, Batangas, San Pablo City, Laguna and Rizal. SLI was also authorized to enter into joint ventures to develop projects in Rizal, Pampanga and Pangasinan with land areas of 5,745 sqm, 180,719 sqm, and 67,620 sqm, respectively.

In addition, its PHP2bn Series B Corporate Bond that will be maturing on 22Mar21 could be refinanced at lower interest rate (estimated to be at 200-300bps lower), which could potentially save PHP40-60m finance expenses (or adding ~0.5-0.7 cents per share).

- (iii) **Low interest rate environment set stage for REIT listings and M&A transactions, which could help to re-rate property developers with heavy investment properties.** The Philippine Stock Exchange (PSE) targets at least four REITs IPO listing this year. Companies which have expressed interest in REIT offering include Megaworld Corp., Robinsons Land Corp., SM Prime Holdings, Inc., Century Properties Group, Inc., and DoubleDragon Properties Corp.

- **Resiliency of inbound remittance from Overseas Filipino Workers (OFW) supported the sales rebound.** In 10M20, remittances from OFW amounted to US\$24.6bn, down by only 0.9% YoY. Recall that SLI's main target markets are OFWs and middle class. ~70% of SLI's number of units sold are from OFWs and their families, and ~15% each from SME business owners and middle class employees. Resiliency of inbound remittance supported the sales rebound for SLI in 3Q20.

Fig 8 - Overseas Remittances



Source: Bloomberg, SCCM Research

Monetizing land bank and potential catalysts

- Unlocking land values and building recurring income base.** SLI has 71 ongoing residential and commercial projects across the Philippines and over 80 hectares of developed commercial lots adjacent to its residential developments. These commercial lots are monetized via 3 main options: (i) outright sale, (ii) leasing to retailers, and (iii) developing the Company's own commercial properties (offices, malls and/or hotels) and leasing them. The latter two options will add into its recurring income base.
- Currently, SLEGM and SLBC are the two key contributors to its rental income. Other commercial projects include ongoing construction of Ponte Verde Mall in Davao City (expected to complete by 2024) and a proposed mall in Iloilo.
- On the other hand, management also plans to increase its hotel portfolio to about 2,000 rooms, in view of the burgeoning tourism industry. SLI currently has 13 hotels, condotel and resort projects on its sleeves, which are equivalent to 1,600 rooms, spanning across Philippines in Quezon City, Zambales, Batangas, Cavite, Cebu, Iloilo, Davao City and Palawan. The completion of 3 new projects (namely Sotogrande Palawan in Puerto Princesa, Sotogrande Baguio in Baguio City and Sta. Lucia Residence Tower 3 in Cainta Rizal) over the medium term will add ~400 new rooms into its portfolio.
- Exploring the possibility of a REIT listing.** A potential REIT IPO could unlock shareholder's value and enhance SLI's cashflows. Note that its investment properties are recorded as costs on book, which is at 26.0% discount to its independently appraised Fair Value as at end-FY2019.
- Rising property prices in emerging cities.** SLI's developments are located in emerging cities such as Davao, Cebu, Iloilo, Batangas, Cavite, Laguna and Rizal. Properties outside Metro Manila has been increasing at a 3-year CAGR of 5.1%.
- We expect the price growth in areas outside NCR to sustain, benefitting from a shift in residential real estate preferences for suburban locations against the backdrop of the new "work-from-home" paradigm, as well as increasing investments and business activities in emerging cities.
- As property prices increases with limited land supply within Metro Manila, office demand will gravitate towards emerging cities such as Metro Cebu, Davao, and Iloilo. Companies could open satellite offices closer to their employees while averting expensive office rent in the CBDs. Provinces such as Cavite, Laguna and Rizal have untapped areas to accommodate the fast growing Business Process Outsourcing (BPO) industry.
- Massive infrastructure development also increases accessibility and connectivity, thus boosting attractiveness to urban areas outside the NCR. SLI should benefit from the government's infrastructure rollout as their land bank is located near the existing or future infrastructure network.
- Expand on new income stream via Sta. Lucia Homes.** Management also expects more lot owners to start building their houses in their previously acquired lots from the SLI. Sta Lucia Homes, its complementary housing developer subsidiary, will cater such construction needs to lot owners in subdivisions and estates.

As SLI's forte is developing residential lots and the intensive capital requirement for commercial development, management is open to strategic partnerships for commercial asset management or development

The Duterte administration's "Build, Build Build" plan for 2017 to 2022 has earmarked PHP8-9tn for around 20,000 infrastructure projects nationwide

Valuation – Reiterate BUY with TP PHP2.88/shr

- We derive our TP of PHP2.88/share by using sum-of-the-parts (SOTP) methodology. We adopted different valuation approaches for different business segments: investment properties based on capitalization rate, real estate sales using surplus profit (DCF, WACC of 6.8%), and land bank at cost prices.

Fig 9 - SLI RNAV Breakdown

Segment	Market Value (PHP'm)	Basis	Per share (PHP)	%RNAV
Leasing	5,312	7% cap rate	0.65	17%
Real Estate Sales	33,058	DCF; WACC of 6.8%	4.60	120%
Land Bank	2,650	Cost prices	0.32	8%
Financial Assets	948	NAV	0.12	3%
Gross Asset Value	56,779		5.69	148%
Add: Cash	1,842		0.22	6%
Less: Debt	(16,986)		(2.07)	-54%
RNAV	31,463		3.84	100%
No. of shares o/s (m)	8,196.5			
Discount to RNAV	25.0%			
Target Price (PHP)			2.88	

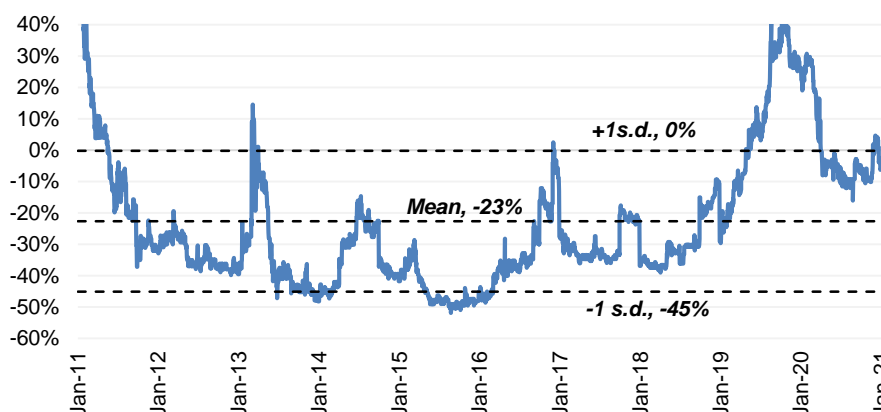
Source: Bloomberg, SCCM Research

- Our TP of PHP2.88 is based on a 25% discount to our PHP3.84 end-FY21E RNAV. This discount reflects the stock's average discount for the past 10 years.
- Our valuation for its investment properties is ~30% lower than its appraised fair value of PHP7.563bn as at end-FY19 due to the pressure in its leasing business. A faster than expected recovery in foot traffic, occupancy rate and rental rate would provide a positive upside risk. Notwithstanding that, the completion of LRT-2 extension could further lift valuations of SLEGM and SLBC.
- We have adopted cost prices for its land bank as these remain as raw land. Value-adding efforts such as project planning and construction, coupled with land appreciation, could eventually see 5-6x value increase in these estates.

SLI currently trades at 14% above its NAV and above its historical average of -24%, returning to pre-Covid level

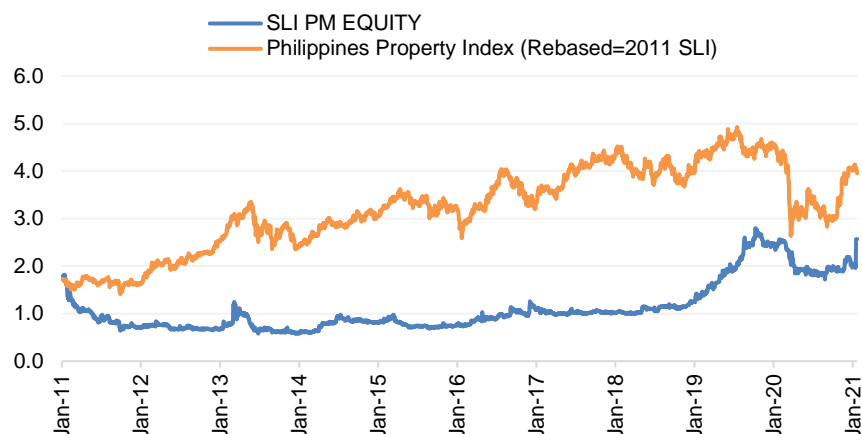
SLI estimates the 3.36m sqm land bank to worth PHP17.46bn in market value (which is equivalent to PHP2.13 per share)

Fig 10 - Premium/(Discount) to NAV



Source: Bloomberg, SCCM Research

Fig 11 - SLI Share Price vs PH Property Index



SLI share price catching up the recent industry price run

Source: Bloomberg, SCCM Research

Fig 12 - Peer Comparison

Company	Market Cap (PHP'm)	EV (PHP'm)	FY19 Gross Margin	FY19 Net Margin	P/B (x)			ROE	D/E (%)
					FY19	FY20E	FY21E		
Sta. Lucia Land	19,590	35,121	54.9	24.3	1.3	1.1	1.0	11.4	93.0%
SM Prime Holdings Inc	1,111,850	1,353,711	82.4	32.2	4.0	3.6	3.3	13.2	82.8%
Ayala Land Inc	587,006	833,925	40.0	21.0	3.2	2.7	2.5	16.7	109.0%
Megaworld Corp	131,989	205,625	60.0	28.9	0.7	0.7	0.7	10.5	43.2%
Robinsons Land Corp	109,590	145,226	53.6	28.4	1.4	1.1	1.0	9.0	45.4%
Vista Land & Lifescapes Inc	58,284	193,242	61.1	27.8	0.9	0.5	0.5	12.0	150.5%
DoubleDragon Properties Corp	33,856	101,961	78.9	157.5	2.2	n.a.	n.a.	50.4	229.9%
Filinvest Land Inc	27,887	95,852	54.3	26.2	0.5	0.4	0.4	9.1	96.4%
Empire East Land Holdings Inc	4,696	6,629	49.0	14.5	0.2	n.a.	n.a.	2.4	6.1%
Average			59.9	42.1	1.7	1.5	1.4	15.4	95.4%
Median			57.2	28.1	1.2	0.9	0.8	11.2	89.6%
Min			40.0	14.5	0.2	0.4	0.4	2.4	6.1%
Max			82.4	157.5	4.0	3.6	3.3	50.4	229.9%

Source: Bloomberg, SCCM Research, as of 21 Jan21

Updated Financial Statements

Income statement

- Revenue to grow at a CAGR of 8.4% p.a. from FY21-24E, mainly driven by its Core Revenue, which is expected to grow by 8.8% p.a. within the same period. SLI is expected to deliver an EPS CAGR of 13.7% for the period, supported by our projected revenue growth and lower interest expenses.

Fig 13 - SLI Revenue and Core Gross Profit Breakdown

Y/E 31 Dec (PHP'm)	FY19A	FY20E	FY21E	FY22E	FY23E	FY24E
Rental income	898	433	886	933	972	1,001
Real estate sales	5,871	5,387	6,214	6,694	7,397	8,132
Core Revenue	6,770	5,820	7,100	7,627	8,369	9,134
Other Revenue	1,040	1,018	1,099	1,096	1,203	1,314
Revenue	7,810	6,838	8,198	8,724	9,572	10,447
Rental income	348	125	366	392	413	429
Real estate sales	3,191	2,694	3,107	3,347	3,698	4,066
Core Gross Profit	3,539	2,819	3,473	3,739	4,111	4,495

Source: Company, SCCM Research

- Our FY20E Rental Income has factored in the one-off rental waiver, lower occupancy rate as well as a lower rental rate due the pandemic. Nonetheless, we expect occupancy rental rates to gradually recover close to its pre-pandemic rate in FY21E following further reopening. We expect SLI to continue to improve its occupancy rate and achieve a 3% rental reversion p.a. subsequently, delivering top-line CAGR of 4.2% in FY21-24E. Opening of the LRT-2 extension would provide upside risks to both occupancy and rental rates.
- Meanwhile, we believe SLI can deliver a 9.4% CAGR in Real Estate Sales in FY21-24E, supported by improving sales take-up given a low interest rate environment, robust housing market and resumption of sales and marketing efforts. Currently, it has 3.43m sqm of unsold lots from its launched projects. Separately, in our view, SLI can also sustain project launches at an annual level of PHP4bn, which should start contributing to real estate sales in FY23E and onwards.

Fig 14 - Key Assumptions

	FY19A	FY20E	FY21E	FY22E	FY23E	FY24E
Rental Income						
NLA ('000 sqm)	111,817	111,817	111,817	111,817	111,817	111,817
Occupancy rate (%)	88.2%	85.0%	87.0%	89.0%	90.0%	90.0%
Average monthly rental (PHP psqm pm)	759	379	759	782	805	829
%YoY Average monthly rental (%)	-10.5%	-50.0%	100.0%	3.0%	3.0%	3.0%
Segment Gross Profit Margin (%)	38.8%	29.0%	41.3%	42.0%	42.5%	42.8%
Real estate sales						
Sales take-up (% of NSA)		6.2%	7.7%	7.8%	8.3%	7.8%
%YoY ASP			3%	3%	3%	3%
Segment Gross Profit Margin (%)	54.3%	50.0%	50.0%	50.0%	50.0%	50.0%

Source: Company, SCCM Research

Fig 15 - Consolidated P&L

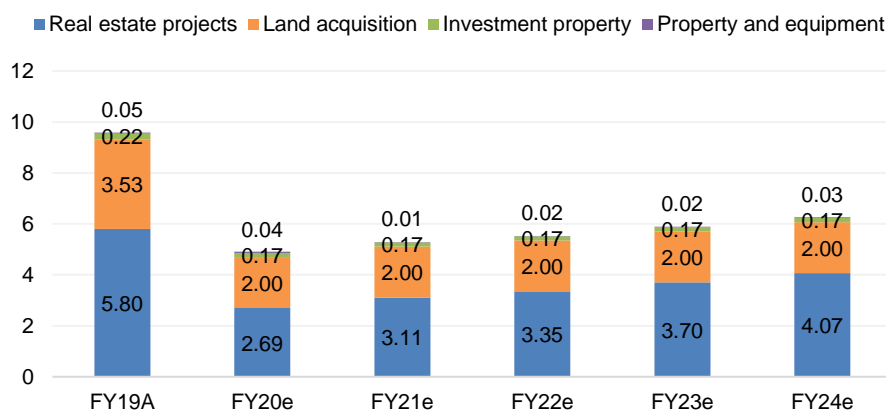
Y/E 31 Dec (PHP'm)	FY19A	FY20E	FY21E	FY22E	FY23E	FY24E
Core Revenue	6,770	5,820	7,100	7,627	8,369	9,134
<i>Core Revenue Growth</i>	106.0%	-14.0%	22.0%	7.4%	9.7%	9.1%
Other Revenue	1,040	1,018	1,099	1,096	1,203	1,314
Net Revenue	7,810	6,838	8,198	8,724	9,572	10,447
<i>Net Revenue Growth</i>	93.7%	-12.4%	19.9%	6.4%	9.7%	9.1%
COGS	(3,231)	(3,001)	(3,627)	(3,889)	(4,258)	(4,639)
Core Gross Profit	3,539	2,819	3,473	3,739	4,111	4,495
<i>Core Gross Margin</i>	52.3%	48.4%	48.9%	49.0%	49.1%	49.2%
Operating Expenses	(1,263)	(1,043)	(1,298)	(1,359)	(1,459)	(1,595)
Core EBITDA	2,429	1,913	2,316	2,526	2,770	3,021
<i>Core EBITDA Margin</i>	35.9%	32.9%	32.6%	33.1%	33.1%	33.1%
Depreciation Expense	(153)	(137)	(141)	(146)	(118)	(122)
Core EBIT	2,276	1,776	2,175	2,380	2,652	2,900
<i>Core EBIT Margin</i>	33.6%	30.5%	30.6%	31.2%	31.7%	31.7%
EBIT	3,317	2,794	3,273	3,476	3,855	4,213
<i>EBIT Margin</i>	42.5%	40.9%	39.9%	39.8%	40.3%	40.3%
Interest Expense	(886)	(959)	(947)	(1,012)	(1,077)	(1,142)
EBT	2,431	1,834	2,326	2,464	2,778	3,071
Tax	(695)	(550)	(698)	(739)	(833)	(921)
Net Income	1,736	1,284	1,628	1,725	1,944	2,149
Minority Interests	-	-	-	-	-	-
PATMI	1,736	1,284	1,628	1,725	1,944	2,149
<i>PATMI Margin</i>	22.2%	18.8%	19.9%	19.8%	20.3%	20.6%
Shares Outstanding in millions	8,196.5	8,196.5	8,196.5	8,196.5	8,196.5	8,196.5
EPS (PHP)	0.21	0.16	0.20	0.21	0.24	0.26
<i>EPS Growth</i>	77.9%	-26.0%	26.8%	5.9%	12.8%	10.5%

Source: SCCM Research

Balance sheet and cash flow

- We expect total CapEx of PHP23bn over FY21-24E, mainly for its ongoing projects and land acquisitions. We assumed SLI to spend PHP2bn p.a. for land acquisitions, which will be mainly financed through bonds and credit facilities. SLI can tap into the recently approved PHP8.0bn retail bonds issuance and new loans and credit facilities of up to PHP5m.

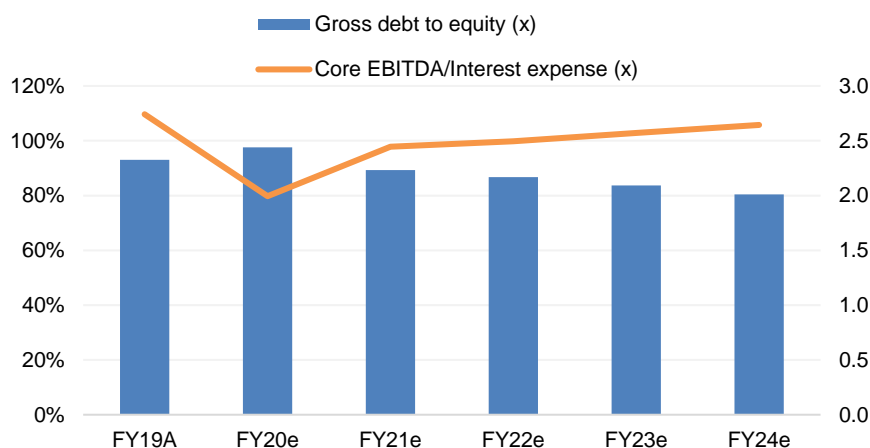
Fig 16 - SLI CapEx (PHP'bn)



Source: Company, SCCM Research

- We expect SLI to improve its gearing ratio to 80% over the next 3 years, while interest coverage ratio to hold up above 2.0x.

Fig 17 - Credit Profile



Source: Company, SCCM Research

Fig 18 - Consolidated Balance Sheet

Y/E 31 Dec (USD'm)	FY19A	FY20E	FY21E	FY22E	FY23E	FY24E
Cash	903	1,842	763	1,075	1,277	1,631
Receivables	2,369	2,910	2,840	2,670	2,929	3,197
Contract Assets	1,619	2,037	1,775	1,525	1,674	1,827
Real Estate Inventories	21,870	24,139	26,450	28,785	31,155	33,561
Other Current Assets	4,836	5,238	5,325	5,339	5,858	6,393
Current Assets	31,597	36,166	37,153	39,394	42,893	46,609
Installment contracts receivables – LT	547	582	568	610	669	731
Contract assets – LT	1,242	1,455	1,420	1,373	1,506	1,644
Investment Properties	5,597	5,663	5,730	5,797	5,864	5,932
Property and Equipment	59	66	43	15	16	24
AFS/FVOCI	948	948	948	948	948	948
Other Non-Current Assets	362	407	390	381	418	457
Total Assets	40,352	45,289	46,252	48,519	52,316	56,345
Accounts & Other Payables	4,784	5,238	5,325	5,339	5,858	6,393
ST Debt	3,521	3,521	3,521	3,521	3,521	3,521
LT Debt – Current	467	2,467	2,467	2,467	2,467	2,467
Contract Liabilities	3,039	1,164	3,195	3,051	3,347	3,653
Customers' Deposits	-	-	-	-	-	-
Income Tax Payable	50	50	50	50	50	50
Current Liabilities	11,861	12,440	14,557	14,428	15,243	16,085
LT Debt	10,998	10,998	10,998	11,998	12,998	13,998
Contract Liabilities – LT	418	3,492	710	381	418	457
Other LT Liabilities	961	961	961	961	961	961
Total Liabilities	24,238	27,891	27,226	27,768	29,620	31,500
Shareholder's Capital	10,796	10,796	10,796	10,796	10,796	10,796
APIC	330	330	330	330	330	330
Retained Earnings	6,139	7,423	9,051	10,775	12,720	14,869
Others	(1,151)	(1,151)	(1,151)	(1,151)	(1,151)	(1,151)
Total Equity	16,114	17,398	19,026	20,751	22,695	24,845
Total Liabilities and Equity	40,352	45,289	46,252	48,519	52,316	56,345

Source: SCCM Research

BUY

TP: PHP2.88

▲ 20.5%

Sta. Lucia Land

SLI PM

Company Update**Philippines**

Property

Fig 19 - Consolidated Cash Flow Statement

Y/E 31 Dec (USD'm)	FY19A	FY20E	FY21E	FY22E	FY23E	FY24E
PBT	2,431	1,834	2,326	2,464	2,778	3,071
Depreciation	153	137	141	146	118	122
Other expenses/(income)	233	220	226	322	320	316
Other non-cash adjustments	(28)	-	-	-	-	-
Changes in WC	(2,890)	(2,227)	(2,680)	(2,383)	(2,637)	(2,682)
Net finance expenses	324	730	712	681	748	817
Income tax expense	(286)	(550)	(698)	(739)	(833)	(921)
Net CFs frm operating activities	(63)	145	27	491	494	722
Net changes in Property and Equipment	(48)	(41)	(14)	(15)	(17)	(27)
Net changes in Investment Properties	(199)	(170)	(170)	(170)	(170)	(170)
Net changes in AFS/FVOCI	(40)	-	-	-	-	-
Net changes in Other non-current assets	(145)	(46)	17	9	(37)	(38)
Others	7	9	9	9	9	9
Net CFs from investing activities	(425)	(247)	(158)	(167)	(214)	(226)
Net proceeds from loans	1,340	2,000	-	1,000	1,000	1,000
Payment of interest	(1,012)	(959)	(947)	(1,012)	(1,077)	(1,142)
Net changes in payable to related parties	(0)	-	-	-	-	-
Proceeds from sale of treasury shares	-	-	-	-	-	-
Net CFs from financing activities	327	1,041	(947)	(12)	(77)	(142)
Net increase/(decrease) in cash	(161)	938	(1,078)	312	202	354
Cash, beginning	1,065	903	1,842	763	1,075	1,277
Cash, end	903	1,842	763	1,075	1,277	1,631

Source: SCCM Research

RESEARCH DISCLAIMER

Important Disclosures

This report was prepared, approved, published and distributed by SooChow CSSD Capital Markets (Asia) Pte. Ltd. (Company Registration number: 201726618K) ("SCCM") which is a company located outside of the United States.

Subject to any applicable laws and regulations at any given time, SCCM, its affiliates or companies or individuals connected with SCCM (together, "Connected Companies") may make investment decisions that are inconsistent with the recommendations or views expressed in this report and may have long or short positions in, may from time to time purchase or sell (as principal or agent) or have a material interest in any of the securities mentioned or related securities or may have or have had a business or financial relationship with, or may provide or have provided investment banking, capital markets and/or other services to, the entities referred to herein, their advisors and/or any other connected parties. As a result, recipients of this report should be aware that Connected Companies may have a conflict of interest that could affect the objectivity of this report.

See "Special Disclosures" for certain additional disclosure statements, if applicable.

This report is only for distribution to investment professionals and institutional investors.

Analyst Certification

Each of the analysts identified in this report certifies, with respect to the companies or securities that the individual analyses, that (1) the views expressed in this report reflect his or her personal views about all of the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly dependent on the specific recommendations or views expressed in this report.

Analysts and strategists are paid in part by reference to the profitability of SCCM.

Stock Ratings are defined as follows

Recommendation Interpretation

Recommendation	Expected absolute returns (%) over 12 months
Buy	More than 15%
Hold	Between 15% and -5%
Sell	Less than -5%

Expected absolute returns are based on the share price at market close unless otherwise stated. Stock recommendations are based on absolute upside (downside) and have a 12-month horizon. Our target price represents the fair value of the stock based upon the analyst's discretion. We note that future price fluctuations could lead to a temporary mismatch between upside/downside for a stock and our recommendation.

Research Conflict Management Policy

SCCM research has been published in accordance with our conflict management policy, which is available upon request.

Disclaimers

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject SCCM to any registration or licensing requirement within such jurisdiction(s). This report is strictly confidential and is being furnished to you solely for your information. All material presented in this report, unless specifically indicated otherwise, is under copyright to SCCM. None of the material, its content, or any copy of such material or content, may be altered in any way, transmitted, copied or reproduced (in whole or in part) or redistributed in any form to any other party, without the prior express written permission of SCCM. All trademarks, service marks and logos used in this report are trademarks or service marks or registered trademarks or service marks of SCCM or its affiliates, unless specifically mentioned otherwise.

The information, tools and material presented in this report are provided to you for information purposes only and are not to be used or considered as an offer or the solicitation of an offer to sell or to buy or subscribe for securities or other financial instruments. SCCM has not taken any steps to ensure that the securities referred to in this report are suitable for any particular investor. SCCM will not treat recipients as its customers by virtue of their receiving the report. The investments or services contained or referred to in this report may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about such investments or investment services. In addition, nothing in this report constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable or appropriate to your individual circumstances or otherwise constitutes a personal recommendation to you.

Information and opinions presented in this report were obtained or derived from sources that SCCM believes to be reliable, but SCCM makes no representations or warranty, express or implied, as to their accuracy or completeness or correctness. SCCM accepts no liability for loss arising from the use of the material presented in this report, except that this exclusion of liability does not apply to the extent that liability arises under specific statutes or regulations applicable to SCCM. This report is not to be relied upon in substitution for the exercise of independent judgment. SCCM may have issued, and may in the future issue, a trading call regarding this security. Trading calls are short term trading opportunities based on market events and catalysts, while stock ratings reflect investment recommendations based on expected absolute return over a 12-month period as defined in the disclosure section. Because trading calls and stock ratings reflect different assumptions and analytical methods, trading calls may differ directionally from the stock rating.

Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions and estimates contained in this report reflect a judgment of its original date of publication by SCCM and are subject to change without notice. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. The value of securities and financial instruments is subject to exchange rate fluctuation that may have a positive or adverse effect on the price or income of such securities or financial instruments. Investors in securities such as ADRs, the values of which are influenced by currency volatility, effectively assume this risk.

This report is distributed in Singapore by SCCM which is a holder of a capital markets services licence and an exempt financial adviser in Singapore and (ii) solely to persons who qualify as "institutional investors" or "accredited investors" as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"). Pursuant to regulations 33, 34, 35 and 36 of the Financial Advisers Regulations (the "FAR"), sections 25, 27 and 36 of the Financial Advisers Act, Chapter 110 of Singapore shall not apply to SCCM when providing any financial advisory service to an accredited investor, or "overseas investor" (as defined in regulation 36 of the FAR). Persons in Singapore should contact SCCM in respect of any matters arising from, or in connection with, this publication/communication. If you wish to enter into a transaction, please contact the relevant Connected Company in your home jurisdiction unless governing law provides otherwise. If jurisdictions where the Connected Companies are not registered or licensed to trade in securities, transactions will only be effected in accordance with applicable securities legislation which may vary from one jurisdiction to another and may require that the trade be made in accordance with applicable exemptions from registration or licensing requirements.

SCCM and the Connected Companies may do or seek to do business with companies covered in our research report. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of research produced by SCCM. Investors should consider our research as only a single factor in making their investment decision.

Any reference to a third party research material or any other report contained in this report represents the respective research organization's or publisher's estimates and views and does not represent the views of SCCM; and SCCM, its officers, employees do not accept any liability or responsibility whatsoever with respect to its accuracy or correctness. This report may provide the addresses of, or contain hyperlinks to websites. Except to the extent to which the report refers to material on SCCM's own website, SCCM takes no responsibility whatsoever for the contents therein. Such addresses or hyperlinks (including addresses or hyperlinks to SCCM's own website material) is provided solely for your convenience and information and the content of the linked site does not in any way form part of this report. Accessing such website or following such link through this report or SCCM's website shall be at your own risk.

For U.S. persons only

This research report is a product of SCCM, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is not intended for distribution by SCCM into the U.S.

Special Disclosures (if applicable)

Not Applicable