

Sta Lucia Land (SLI PM)

Nationwide expansion

SLI largely engaged in real-estate development

Sta Lucia Land (SLI PM, CP: PHP3.27, Not Rated) is the flagship property development arm of the Sta Lucia group of companies. It primarily engages in real estate development, both condominiums and houses, throughout the Philippines. The company was incorporated and registered with the SEC on 6 Dec 1966 under the name Zipporah Mining and Industrial Corp. to engage in mining. It was listed on the PSE on 14 Sep 1987. Its primary business was changed to real estate development and it was renamed to Zipporah Realty Holdings, Inc. on 14 Aug 1996.

Focusing on expansion in provincial areas

SLI has over 50 years of experience in real estate development and it has completed over 250 projects. SLI committed to continue to expand and to develop master-planned residential communities with a focus on provincial growth areas. It has continued to expand through JVs and land acquisitions in fringe growth areas of the Philippines, such as Laguna, Batangas, Rizal, Bulacan and Pampanga. Based on the latest data as of Dec 2022, SLI has a land bank of over 12,000 hectares across more than 70 cities and municipalities in the Philippines. SLI is also a landlord (mostly malls), and rental income accounts for 7% of total revenue.

SLI partners with the government for railway project

On 25 Oct 2023, SLI partnered with DOTr and the LRTA for the construction and development of certain parts of the LRT Line-2 East Extension. SLI's land was used for the extension's lay-by area, while DOTr and LRTA constructed an interconnection facility between LRT 2 Marikina-Pasig Station and Sta Lucia East Grand Mall, which is one of SLI's largest mall developments. Through this partnership, SLI is able to provide the public with convenient access to public transport, and at the same time provide a direct pathway to its mall, resulting in improved foot traffic.

9M23 earnings up 18% YoY to PHP3.3b

SLI's 3Q/9M23 net income of PHP1.1b/PHP3.3b rose 15% YoY and 18% YoY, driven by higher earnings from developments, rental income and interest gains. In 9M23, revenue rose 17% YoY to PHP8.7b, attributed to higher pre-sales and rental income, while operating expenses increased by 25% YoY to PHP1.3b. Net margin was 36% (9M22: 38%).

FYE Dec (PHP m)	FY18A	FY19A	FY20A	FY21A	FY22A
Revenue	3,724	7,660	6,766	8,371	9,883
EBITDA	1,541	3,317	3,392	4,562	5,769
Core net profit	1,065	1,736	1,708	2,840	3,433
Core EPS (PHP)	0.12	0.21	0.21	0.35	0.42
Core EPS growth (%)	(86.7)	75.0	0.0	66.7	20.0
Net DPS (PHP)	0.00	0.00	0.00	0.00	0.00
Core P/E (x)	10.4	11.8	9.4	8.2	7.7
P/BV (x)	0.1	0.2	0.2	0.2	0.2
Net dividend yield (%)	0.0	0.0	0.0	0.0	0.0
ROAA (%)	3.3	4.6	4.0	5.8	6.3
EV/EBITDA (x)	15.4	10.4	9.6	9.0	8.0
Net gearing (%) (incl perps)	86.8	87.4	91.7	86.7	84.1

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Not Rated

Share Price

PHP 3.27

Company Description

Sta. Lucia Land, Inc. is a real estate company, which engages in the development, housing construction, and marketing services.

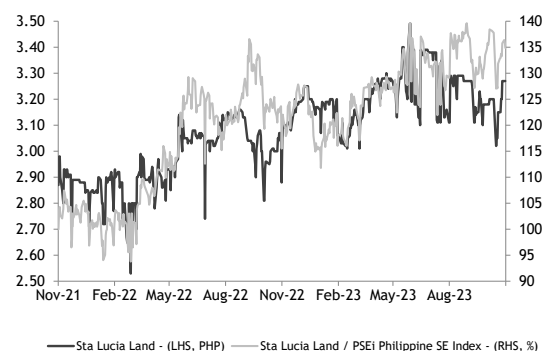
Statistics

52w high/low (PHP)	3.49/3.01
3m avg turnover (USDm)	0.0
Free float (%)	19.2
Issued shares (m)	8,296
Market capitalisation	PHP27.1B USD489M

Major shareholders:

Sta. Lucia Realty & Dev, Inc.	81.8%
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Price Performance



	-1M	-3M	-12M
Absolute (%)	3	5	14
Relative to index (%)	2	5	18

Source: FactSet

Acronyms used

SEC: Securities and Exchange Commission
PSE: Philippine Stock Exchange
DOTr: Department of Transportation
LRTA: Light Rail Transit Authority

Company Profile

Fig 1: Snapshot of SLI

Business	Company milestones
<ul style="list-style-type: none"> SLI is one of the country’s leading developers with over 12,000 hectares of land and it has completed 220 projects across the country. SLI develops and markets houses, townships and condominiums, and constructs and operates malls. 9M23 revenue mainly came from real estate developments (81%) and rental income (6%). As of 30 Sep 2023, SLI is 81.75% owned by Sta Lucia Realty and Development Inc. (SLRDI or the ultimate parent company). Meanwhile, SLI’s wholly-owned subsidiaries are Sta Lucia Homes, Inc. (SLHI) focused on property development and construction, and Sta Lucia Ventures (SVI) for marketing and advertising. 	<ul style="list-style-type: none"> In 2007, the SEC approved several changes in the company after it underwent a restructuring, including renaming the company from Zipporah Mining and Industrial Corporation to SLI. Also in 2007, SLI became a public company via a backdoor listing. In 2014, SLI opened iL Centro, an extension of its first mall, Sta Lucia East Grand Mall (SLEGM) in Cainta, Rizal, for a combined 120,000 sqm GFA and 99,076 sqm GLA. As of Dec 2022, SLI is constructing its 2nd mall, Sta Lucia Mall Davao, which will contribute an additional 40,918 sqm GFA and 24,142 sqm GLA. In 2016, the SEC approved the extension of the company’s life by another 50 years up to 5 Dec 2066. In 2020, SLI completed its six-storey Sta Lucia Business Center in Cainta, Rizal, which offers 26,011 sqm GLA.

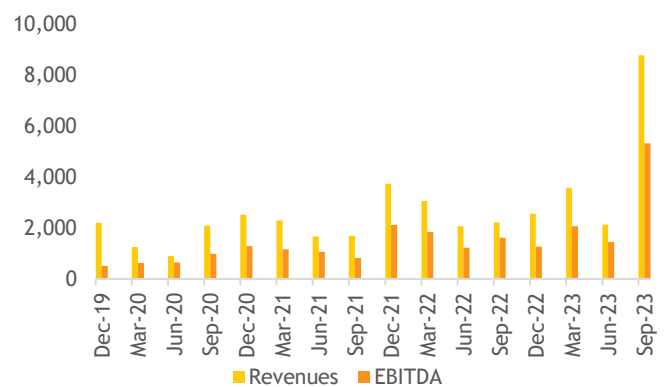
Board and senior management	Summary of quarterly results
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- SLI’s board has four executive directors and five non-executive directors, of which two are independent. An independent director chairs the audit committee, although the remuneration committee is chaired by a non-independent chairman.
- SLI has six committees for executive, audit, corporate governance, board risk oversight, related party transactions and nomination. These committees are led by Chairman and Director of the company, Mr. Santos.

Key Officers

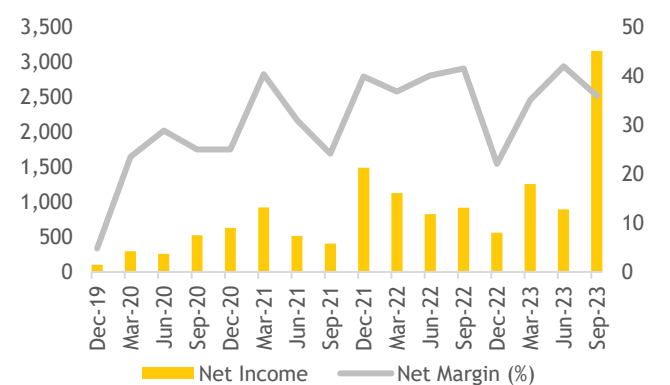
- Vicente R. Santos (Chairman)** - is also Vice President of Sta. Lucia’s five other companies, including SLRDI. He graduated from San Sebastian College with a bachelor’s degree in management.
- Exequiel D. Robles (President)** - is also the president of SLRDI, and a unit of the group that develops golf courses. He holds a bachelor’s degree in business administration/accounting from San Sebastian College.
- Mariza R. Santos-Tan (Treasurer)** - is also the Vice President for Sales of SLRDI. She has a bachelor’s degree in management from San Sebastian College, and she completed the Strategic Business Economics Programme at the University of Asia and the Pacific.

Fig 2: Revenue & EBITDA (PHPm)



Source: Bloomberg

Fig 3: Net profit and net margin (PHPm)

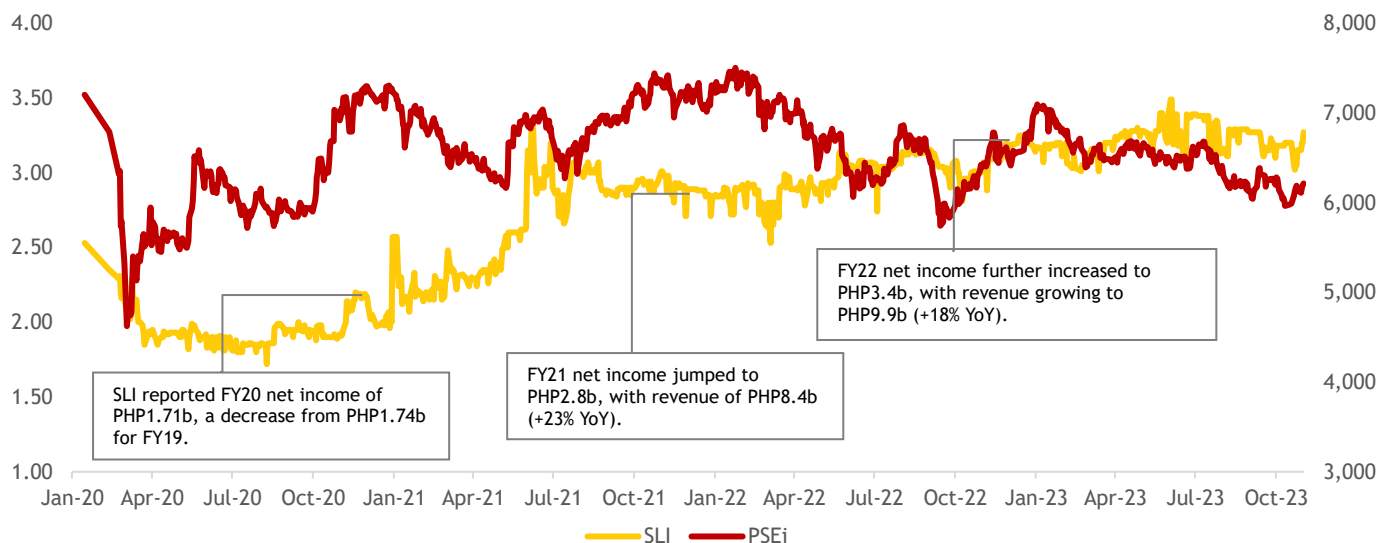


Source: Bloomberg

Source: Company data, Maybank IBG Research

Share price history

Fig 4: Share price and key events



Source: Bloomberg, Company

3Q/9M23 earnings rose 18% YoY to PHP3.3b

Fig 5: 3Q/9M23 results

PHP m	3Q23	3Q22	% YoY	2Q23	% QoQ	9M23	9M22	% YoY
Revenues	2,919	2,272	28.5%	2,269	28.6%	8,762	7,504	16.8%
Real estate developments	2,373	1,488	59.5%	1,627	45.9%	7,023	5,913	18.8%
Rental income	184	195	(5.6%)	189	(2.6%)	573	485	18.1%
Other ops revenues	362	589	(38.5%)	453	(20.1%)	1,166	1,106	5.4%
Cost of sales	(767)	(472)	62.5%	(349)	119.8%	(2,161)	(1,757)	23.0%
Gross inc	1,606	1,800	(10.8%)	1,278	25.7%	6,601	5,747	14.9%
GP margin	55.0%	79.2%		56.3%		75.3%	76.6%	
Ops expenses	(415)	(410)	1.2%	(372)	11.6%	(1,286)	(1,030)	24.9%
Inc from ops	1,191	1,390	(14.3%)	906	31.5%	5,315	4,717	12.7%
EBIT margin	40.8%	61.2%		39.9%		60.7%	62.9%	
Interest expense	(398)	(410)	(2.9%)	(380)	4.7%	(1,131)	(910)	24.3%
Inc before tax	1,339	1,204	11.2%	1,169	14.5%	4,184	3,806	9.9%
Prov for inc tax	(331)	(287)	15.3%	(276)	19.9%	(1,026)	(936)	9.6%
NI	1,008	918	9.8%	893	12.9%	3,158	2,870	10.0%
NI margin	34.5%	40.4%		39.4%		36.0%	38.2%	
Unrealized gains	53	4	1225.0%	80	0.0%	133	(81)	(264.2%)
Comprehensive net inc	1,061	922	15.1%	973	9.0%	3,291	2,789	18.0%

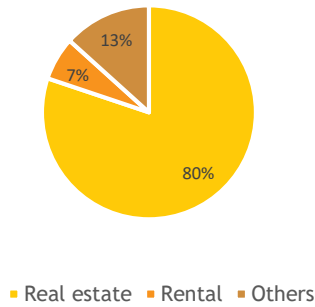
Source: Company

SLI's 3Q/9M23 net income of PHP1.1b/PHP3.3b rose 15%/18% YoY, driven by higher earnings from real estate development, rental income and interest gains.

- 9M23 revenue rose 17% YoY to PHP8.8b, primarily driven by the growth in real estate pre-sales (+19% YoY) and rental income (+18% YoY). Higher pre-sales were due to increased promotions by SLI's marketing division, while higher rental revenue was due to more foot traffic at the mall.
- 9M23 costs and expenses rose 24% YoY to PHP4.6b, as the cost of sales and services, directly linked to pre-sales and rentals, was up by 23% YoY; opex increased by 25% YoY, and interest expense rose by 25% due to more borrowing in the debt market.

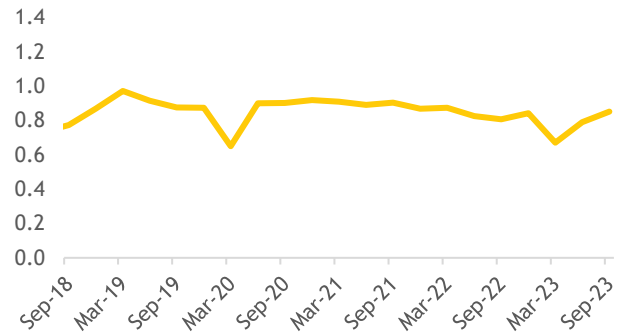
Financial snapshot

Fig 6: 9M23 revenue



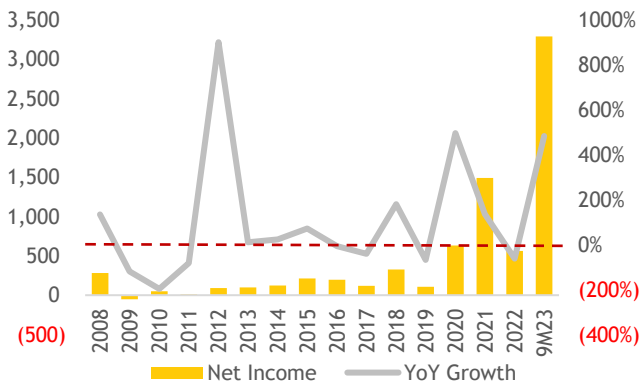
Source: Company

Fig 7: SLI's debt-to-equity ratio (%)



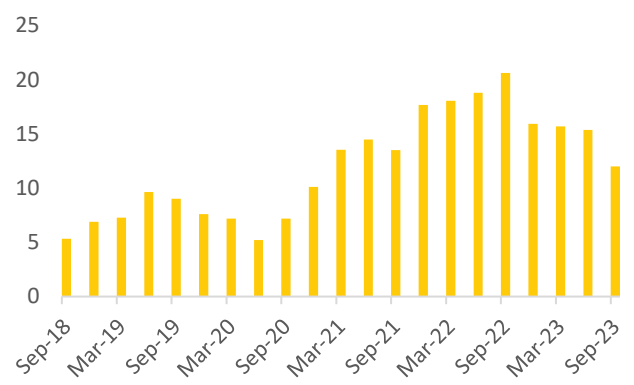
Sources: Bloomberg, Company

Fig 8: Net income and YoY growth (PHPm)



Sources: Bloomberg, Company

Fig 9: ROE (%)



Sources: Bloomberg, Company

Fig 10: SLI's presence in the country



Source: Company presentation

FYE 31 Dec	FY18A	FY19A	FY20A	FY21A	FY22A
Key Metrics					
P/E (reported) (x)	9.2	9.7	9.7	7.6	7.1
Core P/E (x)	10.4	11.8	9.4	8.2	7.7
P/BV (x)	0.1	0.2	0.2	0.2	0.2
P/NTA (x)	nm	nm	nm	nm	nm
Net dividend yield (%)	0.0	0.0	0.0	0.0	0.0
FCF yield (%)	0.0	0.0	0.0	0.0	0.0
EV/EBITDA (x)	15.4	10.4	9.6	9.0	8.0
EV/EBIT (x)	15.4	10.4	9.6	9.0	8.0

INCOME STATEMENT (PHP m)

Revenue	3,724.1	7,659.8	6,766.0	8,370.7	9,882.8
EBITDA	1,540.7	3,316.7	3,392.0	4,562.0	5,769.1
Depreciation	(128.0)	(124.1)	(136.0)	(137.8)	(137.8)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	1,540.7	3,316.7	3,392.0	4,562.0	5,769.1
Net interest income / (exp)	(301.0)	(647.0)	(479.8)	(519.7)	(582.2)
Associates & JV	0.0	0.0	0.0	0.0	0.0
Exceptionals	0.0	0.0	0.0	0.0	0.0
Other pretax income	97.6	(239.0)	513.2	(531.4)	(636.8)
Pretax profit	1,142.1	2,430.7	2,399.0	3,510.9	4,550.1
Income tax	(218.3)	(316.1)	(204.0)	(212.6)	(250.2)
Minorities	0.0	0.0	0.0	0.0	0.0
Discontinued operations	1,065.1	1,736.1	1,707.9	2,840.0	3,433.4
Reported net profit	1,065.1	1,736.1	1,707.9	2,840.0	3,433.4
Core net profit	1,065.1	1,736.1	1,707.9	2,840.0	3,433.4

BALANCE SHEET (PHP m)

Cash & Short Term Investments	1,064.5	903.4	942.8	1,947.0	3,343.7
Accounts receivable	705.2	666.2	3,494.6	3,023.7	3,990.5
Inventory	18,303.7	21,870.1	24,931.1	28,905.4	31,650.1
Property, Plant & Equip (net)	5,199.0	5,656.3	5,767.3	5,917.9	6,398.9
Intangible assets	889.6	1,603.4	1,533.1	3,408.0	4,270.9
Investment in Associates & JVs	0.0	0.0	0.0	0.0	0.0
Other assets	8,554.1	9,652.9	9,116.9	8,791.3	7,756.2
Total assets	34,716.1	40,352.3	45,785.8	51,993.3	57,410.3
ST interest bearing debt	3,608.0	3,988.2	9,176.5	10,337.4	12,957.7
Accounts payable	2,886.3	3,421.9	3,457.6	4,536.4	3,254.1
Insurance contract liabilities	0.0	0.0	0.0	0.0	0.0
LT interest bearing debt	9,998.8	10,998.0	8,002.3	9,014.8	9,776.2
Other liabilities	3,769.0	5,830.0	7,452.0	8,033.0	8,378.0
Total Liabilities	20,261.9	24,238.3	28,088.0	31,921.8	34,365.7
Shareholders Equity	14,454.3	16,114.0	17,697.8	20,071.5	23,044.6
Minority Interest	0.0	0.0	0.0	0.0	0.0
Total shareholder equity	14,454.3	16,114.0	17,697.8	20,071.5	23,044.6
Total liabilities and equity	34,716.2	40,352.3	45,785.8	51,993.3	57,410.3

CASH FLOW (PHP m)

Pretax profit	1,142.1	2,430.7	2,399.0	3,510.9	4,550.1
Depreciation & amortisation	128.0	124.1	136.0	137.8	137.8
Adj net interest (income)/exp	(76.9)	(665.6)	(681.3)	(654.2)	(1,096.8)
Change in working capital	0.0	0.0	0.0	0.0	0.0
Cash taxes paid	0.0	0.0	0.0	0.0	0.0
Other operating cash flow	(424.8)	(971.2)	(1,380.9)	(1,475.3)	(2,143.8)
Cash flow from operations	(1,636.3)	(22.4)	(604.2)	961.6	370.1
Capex	(111.4)	(243.4)	(247.5)	(295.0)	(637.6)
Free cash flow	(1,747.7)	(265.8)	(851.7)	666.6	(267.5)
Dividends paid	0.0	0.0	0.0	0.0	0.0
Equity raised / (purchased)	0.0	0.0	0.0	0.0	0.0
Change in Debt	0.0	0.0	0.0	0.0	0.0
Other invest/financing cash flow	2,185.9	104.6	891.1	337.6	832.8
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	438.2	(161.2)	39.4	1,004.2	565.3

FYE 31 Dec	FY18A	FY19A	FY20A	FY21A	FY22A
Key Ratios					
Growth ratios (%)					
Revenue growth	5.7	105.7	(11.7)	23.7	18.1
EBITDA growth	9.6	115.3	2.3	34.5	26.5
EBIT growth	9.6	115.3	2.3	34.5	26.5
Pretax growth	1.0	112.8	(1.3)	46.3	29.6
Reported net profit growth	30.3	63.0	(1.6)	66.3	20.9
Core net profit growth	30.3	63.0	(1.6)	66.3	20.9
Profitability ratios (%)					
EBITDA margin	41.4	43.3	50.1	54.5	58.4
EBIT margin	41.4	43.3	50.1	54.5	58.4
Pretax profit margin	30.7	31.7	35.5	41.9	46.0
Payout ratio	0.0	0.0	0.0	0.0	0.0
DuPont analysis					
Net profit margin (%)	28.6	22.7	25.2	33.9	34.7
Revenue/Assets (x)	0.1	0.2	0.1	0.2	0.2
Assets/Equity (x)	2.4	2.5	2.6	2.6	2.5
ROAE (%)	na	na	na	na	na
ROAA (%)	3.3	4.6	4.0	5.8	6.3
Leverage & Expense Analysis					
Asset/Liability (x)	1.7	1.7	1.6	1.6	1.7
Net gearing (%) (incl perps)	86.8	87.4	91.7	86.7	84.1
Net gearing (%) (excl. perps)	86.8	87.4	91.7	86.7	84.1
Net interest cover (x)	5.1	5.1	7.1	8.8	9.9
Debt/EBITDA (x)	8.8	4.5	5.1	4.2	3.9
Capex/revenue (%)	3.0	3.2	3.7	3.5	6.5
Net debt/ (net cash)	12,542.3	14,082.8	16,236.0	17,405.2	19,390.2

Source: Company; Maybank IBG Research

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