

SLI

Sta. Lucia Land, Inc. (SLI) Defying the odds

Company Statistics

Company	Sta. Lucia Land, Inc.
Target Price	Under review
Current Price	2.00
Shares Outstanding	8,196
Market Cap (Php M)	15,983
Free Float (%)	17
52-Week High (Php)	2.58
52-Week Low (Php)	1.70
YTD Performance (%)	-19

Company Background

SLI through its subsidiaries, develops real estate. The Company's projects include residential condominium units and office buildings development within Metro Manila.

Top Shareholders

Name	%
Sta. Lucia Realty & Dev.	83.3
Robles, Exequiel	Nil
Santos, Vicente	Nil

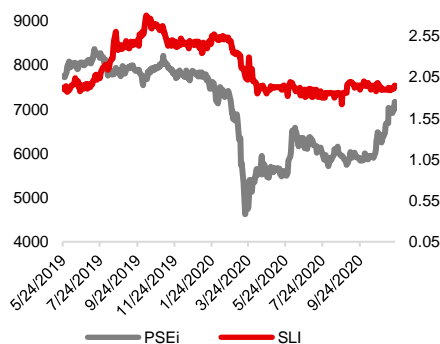
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12-Month Performance vs. PSEi



Cost reduction measures fuel earnings in 3Q

Net income surged 3x to PhP523M in the 3Q, and brought the YTD income to PhP1.3B (+21%). This is equivalent to 70% of our FY target of PhP1.9B. Significant reduction in operating expenses were seen during 9M2020, with opex declining 22% to PhP791M. SLI has defied the odds this year despite the impact of COVID to the property sector. SLI remains to be underappreciated, trading below book (PhP2.30/sh) and 8.6x PER 2020E.

Pandemic has resulted to a shift in buyer behavior

Due to the pandemic, real estate buyers have shifted their interest to look for properties outside the city. Demand for real estate outside CBDs should benefit property prices outside Metro Manila, where SLI is concentrated. The WFH set-up has likewise forced buyers to look for properties outside CBD with good connectivity for a decent WFH set-up. Meanwhile, telco companies have ramped up their investments to improve their internet services outside NCR and this should benefit property prices. The combination of stay and home and renewed / increased accessibility due to the completed BBB projects will increase property values in the suburbs. According to a recent report, properties outside Metro Manila has been increasing at a steady annual rate of just under 11% pre-COVID, and trend will likely to continue

Strong presence across the country

SLI is in a unique position to further expand in these areas due to its already established footprints all over the country. Its local knowledge and vast network of sales agents and JV partners will allow SLI access to more landbank opportunities.

SLI has over 80 hectares of developed commercial lots adjacent to its residential developments nationwide. We expect retailers to consider developing commercial establishments in these areas to reach out more to the suburbs. Increased revenues and margins from lease /sale of this commercial lots are all incremental to the bottom line as these properties are already in the balance sheet

Elevated property prices outside CBD to be beneficial

SLI's properties are expected to increase with strong demand from real estate outside NCR. SLI envisions more lot owners to start building their houses in their previously acquired lots from the Sta Lucia group, again increasing property values. SLI's Sta Lucia Homes, a housing developer subsidiary, will assist existing Sta Lucia lot owners in their construction needs.

Financial and Valuation Summary

FY Ending 12/31	2016A	2017A	2018A	2019A	2020E
Revenue (Php M)	3,293	3,316	5,000	6,200	7,604
Net Income (Php M)	730	800	1,000	1,450	1,860
EPS (Php)	0.08	0.08	0.11	0.16	0.20
P/E ratio (x)	21.9	19.9	15.9	11.0	8.6
Profit Margin (%)	22.1	25.2	20.6	23.3	24.5
Book value (Php)	1.50	1.59	1.70	2.14	2.30
P/B ratio (x)	1.3	1.3	1.2	0.9	0.9
Return on Equity (%)	5.2	5.4	5.8	6.7	7.4

Source: ABCSI Estimates, Bloomberg, Company Data