

# UOA Development Berhad

(5200 | UOAD MK) Property| Property

**Maintain BUY**

## Earnings boosted by completion of project

**Revised Target Price: RM2.06**

(Previously RM2.20)

### KEY INVESTMENT HIGHLIGHTS

- **1QFY20 earnings deemed within expectations**
- **Earnings boosted by completion of property projects**
- **Earnings doubled on yearly basis**
- **New property sales at RM115m**
- **Earnings estimates reduced due to lower new sales**
- **Maintain BUY with a revised TP of RM2.06**

**1QFY20 earnings deemed within expectations.** UOA Development (UOADEV) 1QFY20 core net income of RM126.9m is deemed within expectations despite meeting 43% and 37% of our and consensus full year estimates as 1QFY20 earnings were boosted by completion of property projects while we anticipate earnings in 2QFY20 to be weaker due to delayed construction progress.

**Earnings boosted by completion of property projects.** On sequential basis, UOADEV 1QFY20 core net income is higher at RM126.9m (+61.9%qoq) as earnings were supported by completion of United Point Residence and decline in administrative expenses (-26%qoq). That has more than offset the decline in other income (-16.5%qoq) which were mainly dragged by lower income from investment properties.

**Earnings doubled on yearly basis.** 1QFY20 core net earnings doubled to RM126.9m from RM63.2m in 1QFY19 as earnings were driven by completion of United Point Residence and earnings recognition of its on-going development projects. Nevertheless, we expect earnings in 2QFY20 to be weaker as enforcement of Movement Control Order (MCO) in March has led to delayed construction progress. Meanwhile, unbilled sales decreased to RM640.9m in 1QFY20 from RM989.8m in 4QFY19, providing earnings visibility for less than one year.

**New property sales at RM115m.** UOADEV recorded new property sales of RM115m in 1QFY20, lower than new sales of RM203.5m in 4QFY19. United Point Residence is the biggest sales contributor, contributing 26% of new sales followed by Goodwood Residence (22%) and Aster Green Residence (18%). Looking forward, we expect new sales to be weaker in FY20 in the range of RM400m-RM500m due to absence of launches and disruption to business activity due to MCO.

### RETURN STATISTICS

Price @ 29 June 2020 (RM)	1.81
Expected share price return (%)	13.8
Expected dividend yield (%)	7.7
<b>Expected total return (%)</b>	<b>21.5</b>

### SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-1.7	-5.1
3 months	9.4	6.7
12 months	-27.5	-18.4

### KEY STATISTICS

FBM KLCI	1,494.43
Syariah compliant	Yes
Issue shares (m)	1843.74
Estimated free float (%)	12.65
Market Capitalisation (RM'm)	3,561
52-wk price range (RM)	RM1.38 - RM2.42
Beta vs FBM KLCI (x)	0.79
Monthly velocity (%)	11.02
Monthly volatility (%)	20.12
3-mth average daily volume (m)	0.44
3-mth average daily value (RM'm)	0.77
Top Shareholders (%)	
UOA Holdings Sdn Bhd	70.07
Employees Provident Fund Board	9.61

### Analyst(s)

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**Maintain BUY with a revised TP of RM2.06.** We cut our earnings forecast for FY20/21F by 6.3%/18.6% to factor in lower new sales in FY20. Corresponding to the earnings downward revision, we lower our TP to RM2.06 from RM2.20 as we widen our RNAV discount to 30% from 25%. Despite new sales outlook for UOADEV is subdued in the near-term, we like UOADEV for its sturdy balance sheet with net cash position and its strategy of focusing on urban based properties within Klang Valley. Besides, its upcoming dividend of 14sen per share would serve as catalyst as it translates into attractive dividend yield of 7.8%. Hence, we maintain our Buy call on UOADEV.

## INVESTMENT STATISTICS

FYE Dec (RM m)	FY17A	FY18A	FY19A	FY20F	FY21F
Revenue	1081.6	1263.7	1104.5	1131.3	1035.0
Core EBIT	549.8	507.6	475.9	439.5	396.0
Core PBT	566.4	501.0	483.2	423.2	378.0
Net Income	491.1	378.9	399.5	276.1	247.3
Core Net Income	401.4	378.6	365.2	276.1	246.3
EPS (sen)	30.4	21.1	20.3	15.0	13.4
Core EPS (sen)	24.9	20.9	18.6	15.0	13.4
Net DPS (sen)	15.0	14.00	14.00	11.00	11.00
Net Dvd Yield	8.3%	7.7%	7.7%	6.1%	6.1%
Core PER	7.27	8.67	9.74	12.09	13.56
NTA/share (RM)	2.47	2.54	2.58	2.81	2.86
P/NTA	0.73	0.71	0.70	0.64	0.63
Core ROE	9.4%	8.1%	7.2%	5.3%	4.7%
Core ROA	7.3%	6.5%	6.1%	4.2%	3.7%
Net Gearing	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Source: Company, MIDF Research Estimate

## UOADEV: 1QFY20 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	1QFY20	%YoY	%QoQ	FY20	%YoY
Revenue	375.3	53.4%	65.3%	375.3	53.4%
Core EBIT	185.4	110.4%	115.8%	185.4	110.4%
Core PBT	185.1	112.6%	118.6%	185.1	112.6%
Net Income	124.2	107.5%	10.3%	124.2	107.5%
Core Net Income	126.9	100.8%	61.9%	126.9	100.8%
EPS (sen)	6.32	94.6%	10.3%	6.3	104.9%
Core EPS (sen)	6.45	88.4%	61.9%	6.5	97.7%
Net DPS (sen)	14.00	NA	NA	14.0	NA
NTA/share (RM)	2.64	NA	2%	2.6	NA
Net Gearing (x)	Net Cash	NA	NA	Net Cash	NA
Core EBIT Margin	49.4%	NA	NA	49.4%	NA
Core PBT Margin	49.3%	NA	NA	49.3%	NA

Source: Company

**UOADEV RNAV**

Landbank/Buildings	Location	Stake	Size (sq ft)	Price (RM/sqft)	Value (RM m)
<b>Completed Buildings</b>					
Nexus Bangsar South	Bangsar South, KL	100%	768,252	250	192.0
The Vertical Bangsar South	Bangsar South, KL	100%	124,700	1,330	165.8
Camelia Service Apartments	Bangsar South, KL	100%	249,884	511	127.8
Bangsar South	Bangsar South, KL	100%	44,692	1,865	83.4
The Vertical Bangsar South Car Park	Bangsar South, KL	100%	32,367	1,858	60.1
Vertical Corporate Tower A	Bangsar South, KL				550.0
<b>Ongoing Projects and unbilled sales</b>					
Desa Green	Taman Desa, KL	85%		DCF @ WACC 10%	56.02
UOA Business Park	Selangor	74%		DCF @ WACC 10%	51.86
South View Serviced Apartments	Bangsar South, KL	100%		DCF @ WACC 10%	96.52
SouthBank Residence	Old Klang Road	60%		DCF @ WACC 10%	29.68
Desa Sentul (Phase 1)	Sentul	100%		DCF @ WACC 10%	33.19
Vertical Corporate Tower	Bangsar South, KL	100%		DCF @ WACC 10%	53.89
Suria @ North Kiara	KL	100%		DCF @ WACC 10%	15.04
United Point	Kepong	100%		DCF @ WACC 10%	188.42
Danau Kota Suite	KL	100%		DCF @ WACC 10%	41.95
Sentul Point	Sentul	100%		DCF @ WACC 10%	207.79
The Sphere	Bangsar South, KL	100%		DCF @ WACC 10%	134.25
South Link	Bangsar South, KL	100%		DCF @ WACC 10%	80.19
Desa Center	Taman Desa, KL	100%		DCF @ WACC 10%	46.53
<b>Future Projects</b>					
			<b>Assumed Duration (Yrs)</b>		
Jalan Ipoh Land	Jalan Ipoh	100%	6	DCF @ WACC 10%	1,115.14
Desa Business Suites	Taman Desa	100%	4	DCF @ WACC 10%	63.39
Bandar Tun Razak Land	Cheras	100%	3	DCF @ WACC 10%	46.15
Desa III	Taman Desa	70%	2	DCF @ WACC 10%	1.66
Bangsar South Land (Commercial)	Bangsar South, KL	100%	6	DCF @ WACC 10%	410.36
Bangsar South Land (Residential)	Bangsar South, KL	100%	6	DCF @ WACC 10%	351.74

Sri Petaling land	Sri Petaling	100%	5	DCF @ WACC 10%	117.96
Land around Bangsar South	Kerinci	100%	5	DCF @ WACC 10%	143.23
UOA Business Park II	Selangor	74%	3	DCF @ WACC 10%	18.98
<b>Total landbank value</b>					<b>4483.0</b>
Fixed Assets					162
Cash					988.166
Total Liabilities (excl. deferred tax & construction related payables)					294
<b>Total RNAV</b>					<b>5339.2</b>
Fully Diluted No of shares (m)					1817
RNAV per share (RM)					2.94
Discount					30%
<b>Target Price (RM)</b>					<b>2.06</b>

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#### STOCK RECOMMENDATIONS

<b>BUY</b>	Total return is expected to be >10% over the next 12 months.
<b>TRADING BUY</b>	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
<b>NEUTRAL</b>	Total return is expected to be between -10% and +10% over the next 12 months.
<b>SELL</b>	Total return is expected to be <10% over the next 12 months.
<b>TRADING SELL</b>	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

#### SECTOR RECOMMENDATIONS

<b>POSITIVE</b>	The sector is expected to outperform the overall market over the next 12 months.
<b>NEUTRAL</b>	The sector is to perform in line with the overall market over the next 12 months.
<b>NEGATIVE</b>	The sector is expected to underperform the overall market over the next 12 months.