

UOA Development Berhad

(5200 | UOAD MK) Property | Property

Maintain BUY

Attractive dividend yield

Revised Target Price: RM2.20

(Previously RM2.45)

KEY INVESTMENT HIGHLIGHTS

- **FY19 earnings within expectations**
- **Lower earnings due to high base effect**
- **New property sales at RM786.5m**
- **Earnings estimate reduced**
- **Maintain BUY with a revised TP of RM2.20**

FY19 earnings within expectations. UOA Development (UOADEV) FY19 core net income of RM365.2 m came in within expectations, making up 102% of ours and 95% of consensus' full year forecast. Dividend of 14sen per share was proposed, which is within our expectation. This translates into dividend yield of 7.1%.

Lower earnings due to high base effect. UOADEV reported lower core net income of RM78.4m (-40.4%yoy) in 4QFY19 due to high base earnings in 4QFY18. Note that 4QFY18 earnings were boosted by sale of one office tower at UOA Business Park. Meanwhile, full year earnings for FY19 was marginally weaker at RM365.2m (-3.5%yoy) despite revenue fell by 12.6%yoy as earnings were partially helped by higher other income (+27.8%yoy). FY19 earnings were mainly derived from earnings recognition from on-going projects in Klang Valley and sale of completed units. On the other hand, unbilled sales decreased to RM989.8m in 4QFY19 from RM1.05b in 3QFY19, providing earnings visibility for less than one year.

New property sales at RM786.5m. UOADEV recorded new property sales of RM203.5m in 4QFY19, lower than new sales of RM265m in 3QFY19. That brought total new sales to RM786.5m in FY19, which is lower than new sales of RM1.48b in FY18 due to lesser project launches in FY19. Goodwood Residence in Bangsar South is the biggest sales contributor, contributing 16% of new sales followed by Sentul Point (14%) and South Link (13%).

Maintain BUY with a revised TP of RM2.20. We cut our earnings forecast for FY20 by -21% to factor in lower new sales achieved in FY19. We also introduce our earnings forecast for FY21F. Corresponding to the earnings downward revision, we lower our TP to RM2.20 from RM2.45 as we widen our RNAV discount to 25% from 17%. Despite new sales of UOADEV took a breather amid lesser launches in FY19, we remain positive on UOADEV's strategy of focusing on urban based properties within Klang Valley. Dividend yield of UOADEV is also attractive at 7.1%. Hence, we maintain our Buy call on UOADEV.



RETURN STATISTICS

Price @ 26 February 2020 (RM)	1.98
Expected share price return (%)	11.1
Expected dividend yield (%)	7.1
Expected total return (%)	18.2

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-4.4	0.5
3 months	-3.0	10.3
12 months	-14.7	-2.1

KEY STATISTICS

FBM KLCI	1,495.19
Syariah compliant	Yes
Issue shares (m)	1843.74
Estimated free float (%)	17.40
Market Capitalisation (RM'm)	3,893
52-wk price range (RM)	RM1.87 - RM2.42
Beta vs FBM KLCI (x)	0.73
Monthly velocity (%)	11.02
Monthly volatility (%)	20.12
3-mth average daily volume (m)	0.93
3-mth average daily value (RM'm)	1.86
Top Shareholders (%)	
UOA Holdings Sdn Bhd	70.07
Employees Provident Fund Board	8.51

Analyst(s)

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INVESTMENT STATISTICS

FYE Dec (RM m)	FY17A	FY18A	FY19A	FY20F	FY21F
Revenue	1081.6	1263.7	1104.5	1191.3	1215.0
Core EBIT	549.8	507.6	475.9	468.3	482.4
Core PBT	566.4	501.0	483.2	452.0	464.4
Net Income	491.1	378.9	399.5	294.9	303.7
Core Net Income	401.4	378.6	365.2	294.9	302.7
EPS (sen)	30.4	21.1	20.3	16.0	16.5
Core EPS (sen)	24.9	20.9	18.6	16.0	16.4
Net DPS (sen)	15.0	14.00	14.00	14.00	14.00
Net Dvd Yield	7.6%	7.1%	7.1%	7.1%	7.1%
Core PER	7.92	9.44	10.60	12.32	12.01
NTA/share (RM)	2.47	2.54	2.58	2.81	2.88
P/NTA	0.80	0.78	0.76	0.70	0.69
Core ROE	9.4%	8.1%	7.2%	5.7%	5.7%
Core ROA	7.3%	6.5%	6.1%	4.5%	4.5%
Net Gearing	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Source: Company, MIDF Research Estimate

UOADEV: 4QFY19 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	4QFY19	%YoY	%QoQ	FY19	%YoY
Revenue	227.0	-53.3%	-21.3%	1,104.5	-12.6%
Core EBIT	85.9	-50.0%	-38.4%	483.2	-4.8%
Core PBT	84.7	-50.4%	-38.6%	475.9	-5.0%
Net Income	112.6	-17.5%	10.5%	399.5	5.4%
Core Net Income	78.4	-40.4%	-23.1%	365.2	-3.5%
EPS (sen)	5.73	-22.6%	8.4%	20.9	-1.2%
Core EPS (sen)	3.99	-44.1%	-24.6%	19.3	-7.5%
Net DPS (sen)	14.00	0%	NA	14.0	0%
NTA/share (RM)	2.58	NA	0%	2.6	NA
Net Gearing (x)	Net Cash	NA	NA	Net Cash	NA
Core EBIT Margin	37.8%	NA	NA	43.8%	NA
Core PBT Margin	37.3%	NA	NA	43.1%	NA

Source: Company

UOADEV RNAV

Landbank/Buildings	Location	Stake	Size (sq ft)	Price (RM/sqft)	Value (RM m)
Completed Buildings					
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
Ongoing Projects and unbilled sales					
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
Future Projects					
			Assumed Duration (Yrs)		
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
Total landbank value					4483.0
Fixed Assets					162
Cash					988.166
Total Liabilities (excl. deferred tax & construction related payables)					294
Total RNAV					5339.2
Fully Diluted No of shares (m)					1817
RNAV per share (RM)					2.94
Discount					25%
Target Price (RM)					2.20

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	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.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <10% over the next 12 months.
TRADING SELL	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

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