UOA Development Berhad

(5200 | UOAD MK) Property| Property

Lower earnings

Maintain **NEUTRAL**

Unchanged **Target Price: RM1.62**

KEY INVESTMENT HIGHLIGHTS

- **1HFY22 earnings within our expectations**
- **Lower earnings in 1HFY22**
- **1HFY22 new property sales at RM251m**
- **Earnings estimates maintained**
- **Maintain Neutral with an unchanged TP of RM1.62**

1HFY22 earnings within our expectations. UOA Development (UOADEV) 1HFY22 core net income of RM72.9m came in slightly below consensus expectations but within ours, making up 43% and 47% of consensus and our full year estimates respectively.

Lower earnings in 1HFY22. Sequentially, 2QFY22 core net earnings jumped to RM46.3m (+87.4%qoq) mainly due to higher progress billing from The Goodwood Residence which was completed during 2QFY22. That brought cumulative earnings in 1HFY22 to RM72.9m (-21.8%yoy). The lower earnings were in line with lower revenue (-50.7%yoy), mainly due to lower sales and progress billing from its ongoing projects while earnings in 1HFY21 were helped by higher progress billing from South Link Lifestyle Apartments. Besides, the earnings decline in 1HFY22 was also owing to higher administrative and general expenses (+17.3%yoy). Nevertheless, the higher rental income from its investment properties had partly cushioned the earnings decline. Meanwhile, unbilled sales were flattish at RM123.9m in 2QFY22 against unbilled sales of RM122.9m in 1QFY22, providing less than one-year earnings visibility.

1HFY22 new property sales at RM251m. UOADEV recorded higher new property sales of RM148.m in 2QFY22 from RM102.9m in 1QFY22, bringing total new sales to RM251m in 1HFY22. New property sales in 1HFY22 were mainly contributed by Laurel Residence as it makes up 50% of total new sales in 1HFY22. Meanwhile, Goodwood Residence contributed to 28% to total new sales. Looking ahead, new sales are expected to support by Laurel Residence, Goodwood Residence and upcoming new launch of Sri Petaling phase 2 project (GDV: RM480m).

Maintain Neutral with an unchanged TP of RM1.62. We make no changes to our earnings forecast for FY22/23F. We maintain our **TP** for UOADEV at **RM1.62**, based on 45% discount to RNAV. We continue to see tepid earnings outlook for UOADEV due to subdued new property sales and few new projects launches. Nevertheless, estimated dividend yield for UOADEV is attractive at 5.9%. Hence, we maintain our **NEUTRAL** call on UOADEV.

RETURN STATISTICS	
Price @ 23 Aug 2022 (RM)	1.70
Expected share price return (%)	-4.7
Expected dividend yield (%)	5.9
Expected total return (%)	**1.2**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	5.6	4.4
3 months	0.6	-5.4
12 months	6.9	9.8

KEY STATISTICS	
FBM KLCI	1,482.57
Syariah compliant	Yes
F4BGM Index	N/A
ESG Grading Band (Star rating)	N/A
Issue shares (m)	2,325.33
Estimated free float (%)	8.54
Market Capitalisation (RM'm)	4,092.66
52-wk price range (RM)	RM1.52– RM1.92
Beta vs FBM KLCI (x)	0.78
Monthly velocity (%)	4.32
Monthly volatility (%)	10.50
3-mth average daily volume (m)	0.31
3-mth average daily value (RM'm)	0.54
Top Shareholders (%)	
UOA Holdings Sdn Bhd	72.33
Employees Provident Fund Board	10.28

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INVESTMENT STATISTICS

FYE Dec (RM m)	FY19A	FY20A	FY21A	FY22F	FY23F
Revenue	1104.5	844.6	547.5	607.9	718.0
Core EBIT	475.9	389.7	290.3	234.6	288.2
Core PBT	483.2	388.7	289.8	216.1	269.1
Net Income	399.5	391.3	222.4	158.6	197.9
Core Net Income	365.2	300.0	195.5	156.6	194.9
EPS (sen)	20.3	18.4	9.6	8.6	10.7
Core EPS (sen)	18.6	14.1	8.4	8.5	10.6
Net DPS (sen)	14.00	15.00	10.00	10.00	10.00
Net Dvd Yield	8.2%	8.8%	5.9%	5.9%	5.9%
Core PER	9.15	12.03	20.23	20.03	16.11
NTA/share (RM)	2.58	2.55	2.42	3.07	3.10
P/NTA	0.66	0.67	0.70	0.55	0.55
Core ROE	7.2%	5.5%	3.5%	2.8%	3.4%
Core ROA	6.1%	4.9%	3.0%	2.34%	2.9%
Net Gearing	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Source: Company, MIDF Research Estimate

UOADEV: 2QFY22 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	2QFY22	%YoY	%QoQ	FY22	%YoY
Revenue	121.1	-44.0%	121.9%	175.7	-50.7%
Core EBIT	63.6	-22.8%	69.3%	101.2	-25.8%
Core PBT	63.6	-22.8%	69.4%	101.1	-25.8%
Net Income	45.3	-16.6%	78.5%	70.7	-21.8%
Core Net Income	46.3	-17.7%	87.4%	72.9	-21.8%
EPS (sen)	1.95	-23.9%	78.5%	3.0	-28.7%
Core EPS (sen)	1.99	-24.8%	87.4%	3.1	-30.4%
Net DPS (sen)	0.00	NA	NA	0.0	NA
NTA/share (RM)	2.35	NA	-3%	2.3	NA
Net Gearing (x)	Net Cash	NA	NA	Net Cash	NA
Core EBIT Margin	52.5%	NA	NA	57.6%	NA
Core PBT Margin	52.5%	NA	NA	57.6%	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	Kerinchi	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					45%
Target Price (RM)					**1.62**

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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 *rise* 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 *fall* 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.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology