UOA Development Berhad

(5200 | UOAD MK) Main | Property

Higher Progress Billing

Maintain **NEUTRAL**

Unchanged **Target Price: RM1.65**

KEY INVESTMENT HIGHLIGHTS

- **1QFY23 earnings within expectations**
- **Higher earnings on yearly basis**
- **Flattish new sales**
- **Earnings forecast unchanged**
- **Maintain NEUTRAL with unchanged TP of RM1.65**

RETURN STATISTICS	
Price @ 22nd May 2023 (RM)	1.75
Expected share price return (%)	-5.7
Expected dividend yield (%)	+5.7
Expected total return (%)	**0.0**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	1.7	2.0
3 months	5.4	8.3
12 months	-4.9	3.4

INVESTMENT STATISTICS

FYE Dec	2023E	2024F	2025F
Revenue	594	654	647
Operating Profit	306	312	305
Profit Before Tax	287	292	284
Core PATAMI	208	212	206
Core EPS	8.70	8.87	8.62
DPS	10.00	10.00	10.00
Dividend Yield	5.71%	5.71%	5.71%

KEY STATISTICS	
FBM KLCI	1,419.00
Issue shares (m)	2,406.32
Estimated free float (%)	11.36
Market Capitalisation (RM'm)	4,213.04
52-wk price range	RM1.52-RM1.92
3-mth average daily volume (m)	0.15
3-mth average daily value (RM'm)	0.25
Top Shareholders (%)	
UOA Holdings Sdn Bhd	72.14
EPF	10.32

1QFY23 earnings within expectations. UOA Development 1QFY23 core net income of RM45.6m came in within expectations, making up 22% of our and consensus full year estimates. Note that we have excluded forex loss and impairment in our core net income calculations.

Higher earnings on yearly basis. Sequentially, 1QFY23 core net income eased to RM45.6m (-21%qoq), in line with lower topline (-24.3%qoq). The lower sequential earnings were mainly due to lower progress billing in 1QFY23. Besides, the earnings decline could also attribute to higher expenses in 1QFY23. On yearly basis, 1QFY23 core net income was higher at RM45.6m (+84.4%yoy), in tandem with higher revenue (+56.2%yoy). The earnings growth was underpinned by higher progress billing of its on-going development projects namely Laurel Residence and Aster Hill. Besides, higher sales of completed projects namely The Goodwood Residence and United Point Residence also contributed to earnings growth. Similarly, higher rental and hospitality income from investment properties supported earnings growth.

Flattish new sales. UOA Development recorded new property sales of RM124.1m in 1QFY23, slightly lower than new sales of RM158.2m in 4QFY22. New sales in 1QFY23 were mainly contributed by Goodwood Residence at 45% followed by Aster Hill at 27%. Meanwhile, unbilled sales increased to RM226.3m in 1QFY23 from RM203.4m in 4QFY22, providing less than one-year earnings visibility. Looking ahead, new sales momentum is expected to support by Aster Hill which was launched in 1QFY23. Besides, UOA Development plans to launch three new projects in FY23 namely Desa 3, Bamboo Hill Residential and two blocks of office towers within The Vertical in Bangsar South.

Maintain NEUTRAL with unchanged TP of RM1.65. We make no changes to our earnings forecast for FY23F/24F/25F. We maintain our **TP** for UOADEV at **RM1.65** based on 44% discount to RNAV. We maintain our **NEUTRAL** call on UOA Development as we see tepid new sales outlook for UOA Development and limited upsides. Nevertheless, balance sheet of UOA Development is healthy at net cash position while dividend yield is attractive at 5.7%.

Analyst
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UOADEV: 1QFY23 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	1QFY23	%YoY	%QoQ	FY23	%YoY
Revenue	85.2	56.2%	-24.3%	85.2	56.2%
Core EBIT	56.9	51.5%	-27.5%	56.9	51.5%
Core PBT	56.9	51.6%	-27.5%	56.9	51.6%
Net Income	46.1	81.6%	-13.1%	46.1	81.6%
Core Net Income	45.6	84.4%	-21.0%	45.6	84.4%
EPS (sen)	1.92	75.5%	-13.1%	1.9	75.5%
Core EPS (sen)	1.89	78.2%	-21.0%	1.9	78.2%
Net DPS (sen)	0.00	NA	NA	0.0	NA
NTA/share (RM)	2.40	NA	1%	2.4	NA
Net Gearing (x)	Net Cash	NA	NA	Net Cash	NA
Core EBIT Margin	66.8%	NA	NA	66.8%	NA
Core PBT Margin	66.7%	NA	NA	66.7%	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

Landbank/Buildings	Location	Stake	Size (sq ft)	Price (RM/sqft)	Value (RM m)
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					44%
Target Price (RM)					**1.65**

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023E	2024F	2025F
Revenue	547	452	594	654	647
EBIT	290	294	306	312	305
PBT	290	289	287	292	284
Net Income	222	135	211	215	209
Core Net Income	195	221	208	212	206
Core EPS (sen)	8.4	9.2	8.7	8.9	8.6
Core PER (x)	20.8	19.0	20.1	19.7	20.3
NTA/share	2.42	2.38	2.43	2.46	2.48
P/NTA	0.72	0.73	0.72	0.71	0.71

Balance Sheet (RM'm)	2021A	2022A	2023E	2024F	2025F
Investment properties	1,608	1,624	1,648	1,665	1,673
Total non-current assets	2,683	2,526	2,554	2,582	2,611
Inventories	1,316	1,422	1,208	1,184	1,014
Short term investments	835	1,316	1,309	1,757	1,978
Fixed deposits	390	232	518	380	377
Cash and bank balances	569	615	635	606	619
Other assets	616	342	312	106	178
Total Assets	**6,409**	**6,454**	**6,536**	**6,616**	**6,776**
LT Borrowings	0	0	0	0	0
ST Borrowings	0	0	0	0	0
Other Liabilities	604	536	552	564	657
Total Liability	605	537	553	564	657
Share capital	2,822	2,954	2,954	2,954	2,954
Other Equity	2,983	2,963	3,029	3,098	3,166
Total Equity	5,805	5,917	5,983	6,052	6,119
Equity + Liability	**6,409**	**6,454**	**6,536**	**6,616**	**6,776**

Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
Cash flows from operating activities					
Net income before taxation	317	287	290	295	287
Net cash from operating activities	196	489	426	404	386
Cash flows from investing activities					
Addition to investment properties	-161	-18	-18	-14	-17
Net cash used in investing activities	-128	-16	-16	-15	-11
Cash flows from financing activities					
Net cash from/(used in) financing activities	-35	-104	-111	-107	-145
Net increase/(decrease) in cash and cash equivalents	34	369	298	282	230
Cash and cash equivalent at 1 January	1760	1794	2163	2461	2744
Cash and cash equivalent at 1 December	1794	2163	2461	2744	2974

Profitability Margins	2021A	2022A	2023E	2024F	2025F
EBIT margin	53.0%	65.1%	51.5%	47.7%	47.1%
PBT margin	52.9%	63.9%	48.3%	44.7%	44.0%
PAT margin	40.6%	29.8%	35.5%	32.9%	32.3%
Core PATAMI margin	35.7%	49.0%	35.0%	32.4%	31.9%
ROE	3.5%	3.9%	3.6%	3.6%	3.5%
ROA	3.0%	3.4%	3.2%	3.2%	3.0%

Source: Bloomberg, MIDFR

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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