

23 May 2017 | 1QFY17 Results Review

UOA Development Berhad

Limited upside

Maintain NEUTRAL
Unchanged Target Price (TP): RM2.75


INVESTMENT HIGHLIGHTS

- **1QFY17 earnings deemed in line**
- **Weaker earnings yoy**
- **1QFY17 new property sales at RM303m**
- **Maintain Neutral with unchanged TP of RM2.75**

1QFY17 earnings deemed in line. UOA Development Berhad (UOADEV) 1QFY17 core net income of RM43.4m is deemed within expectation despite only making up 11% of our and consensus full year estimates as we expect stronger quarters ahead due to higher progress billing from strong property sales secured in FY16.

Weaker earnings yoy. UOADEV's 1QFY17 core net income declined 55%yoy, mainly due to lower progressive earnings recognition of the weak property sales of RM800m secured in FY15 while last year earnings were boosted by strong profit margin. Looking ahead, we expect UOADEV FY17 earnings to be driven by the stellar new property sales in FY16. Recall that UOADEV new property sales surged 77% to RM1.42b in FY16 from RM800m in FY15, driven by launches of United Point project (GDV: RM1.5b) and Sentul Point project (GDV: RM1.5b). On a separate note, 1QFY17 unbilled sales stood at RM1.57b (increase from RM1.46b in 4QFY16), providing earnings visibility of 1.6 years.

1QFY17 new property sales at RM303m. UOADEV recorded new property sales of RM303m in 1QFY17 (at 19% of our full year new sales target of RM1.6b), increasing 79%yoy yet declining by 44%qoq. Bulk of the new sales in 1QFY17 was contributed by Sentul Point project (48%) and United Point project (44%). The two projects continue to drive property sales of UOADEV, thanks to the affordable offering of the two projects. Looking ahead, UOADEV will launch the remaining blocks of the two projects in addition to its new projects launches being Desa Commercial Centre (GDV: RM300m) and Bandar Tun Razak development in Cheras (GDV: RM300m). Meanwhile, residential portion of The Sphere in Bangsar South has been taken out of planned launches for FY17 due to change in redevelopment plan.

Maintain Neutral with unchanged TP of RM2.75. We maintain our earnings forecast for FY17/18. Our TP is unchanged at RM2.75, based on 10% discount to RNAV. We have recently downgraded UOADEV to Neutral from Buy due to limited upside. Nevertheless, fundamentals of UOADEV remain intact with decent property sales and healthy balance sheet with net cash position. Dividend yield remains attractive at 5.5%. 

RETURN STATS	
Price (22 May 2017)	RM2.73
Target Price	RM2.75
Expected Share Price Return	0.7%
Expected Dividend Yield	5.5%
Expected Total Return	6.2%
STOCK INFO	
KLCI	1,774.95
Bursa / Bloomberg	5200 / UOAD MK
Board / Sector	Main / Properties
Syariah Compliant	Yes
Issued shares (mil)	1520
Market cap. (RM'm)	4,453.55
Price over NA	1.17
52-wk price Range	RM2.07-RM2.77
Beta (against KLCI)	0.77
3-mth Avg Daily Vol	1.27m
3-mth Avg Daily Value	RM3.29m
Major Shareholders (%)	
UOA Holdings Sdn Bhd	69.10%
SKIM ASB	3.11%

INVESTMENT STATISTICS

FYE Dec (RM m)	FY14A	FY15A	FY16A	FY17F	FY18F
Revenue	1077.8	1643.2	996.2	1432.6	1531.6
Core EBIT	427.5	634.6	611.7	644.6	707.8
Core PBT	421.7	626.3	626.5	629.6	692.4
Net Income	316.1	417.0	676.7	410.8	451.8
Core Net Income	277.1	398.1	373.9	410.8	451.8
EPS (sen)	22.9	28.3	42.0	27.0	29.7
Core EPS (sen)	20.1	27.0	23.2	27.0	29.7
Net DPS (sen)	13.00	15.00	15.0	15.00	15.00
Net Dvd Yield	4.8%	5.5%	5.5%	5.5%	5.5%
Core PER	13.61	10.10	11.77	10.10	9.19
NTA/share (RM)	1.99	2.14	2.36	2.64	2.79
P/NTA	1.37	1.28	1.15	1.03	0.98
Core ROE	10.1%	12.6%	9.8%	10.2%	10.7%
Core ROA	8.0%	9.1%	7.5%	7.7%	8.1%
Net Gearing	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Source: Company, MIDF Research Estimate

UOADEV: 1QFY17 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	1QFY17	%YoY	%QoQ	FY17	%YoY
Revenue	155.1	-23%	-43%	155.1	-23%
Core EBIT	72.2	-39%	-68%	72.2	-39%
Core PBT	71.5	-46%	-68%	71.5	-46%
Net Income	43.4	-55%	-87%	43.4	-55%
Core Net Income	43.4	-55%	-53%	43.4	-55%
EPS (sen)	2.66	-58%	-87%	2.7	-58%
Core EPS (sen)	2.66	-58%	-53%	2.7	-58%
Net DPS (sen)	0.00	NA	NA	0.0	NA
NTA/share (RM)	2.36	11%	1%	2.4	11%
Net Gearing (x)	Cash	NA	NA	Cash	NA
Core EBIT Margin	46.5%	NA	NA	46.5%	NA
Core PBT Margin	46.1%	NA	NA	46.1%	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
The Vertical office tower	Bangsar South, KL	100%	22,927	2,105	48.3
Ongoing Projects and unbilled sales					
Desa Green	Taman Desa, KL	85%		DCF @ WACC 10%	60.22
UOA Business Park (previously: Kencana Square)	Selangor	39%		DCF @ WACC 10%	27.89
South View Serviced Apartments	Bangsar South, KL	100%		DCF @ WACC 10%	101.04
SouthBank Residence	Old Klang Road	60%		DCF @ WACC 10%	30.87
Desa Sentul (Phase 1)	Sentul	100%		DCF @ WACC 10%	34.55
Vertical Corporate Tower	Bangsar South, KL	100%		DCF @ WACC 10%	54.61
Suria @ North Kiara	KL	100%		DCF @ WACC 10%	15.60
United Point	Kepong	100%		DCF @ WACC 10%	192.53
Danau Kota Suite	KL	100%		DCF @ WACC 10%	45.09
Sentul Point	Sentul	100%		DCF @ WACC 10%	213.53
The Sphere	Bangsar South, KL	100%		DCF @ WACC 10%	135.88
Desa Center	Taman Desa, KL	100%		DCF @ WACC 10%	47.94
Future Projects					
			Assumed Duration (Yrs)		
Jalan Ipoh Land	Jalan Ipoh	100%	6	DCF @ WACC 10%	1,138.61
Desa Business Suites	Taman Desa	100%	4	DCF @ WACC 10%	64.72
Bandar Tun Razak Land	Cheras	100%	3	DCF @ WACC 10%	47.12
Desa III	Taman Desa	70%	2	DCF @ WACC 10%	1.70
Bangsar South Land (Commercial)	Bangsar South, KL	100%	6	DCF @ WACC 10%	419.00
Bangsar South Land (Residential)	Bangsar South, KL	100%	6	DCF @ WACC 10%	359.14
Land around Bangsar South	Kerinchi	100%	5	DCF @ WACC 10%	117.94
Total landbank value					3785.3
Fixed Assets					162
Cash					988.166
Total Liabilities (excl. deferred tax & construction related payables)					294
Total RNAV					4641.5
Fully Diluted No of shares (m)					1520
RNAV per share (RM)					3.05
Discount					10%
Target Price (RM)					2.75

Source: Company, MIDF Research Forecast

DAILY PRICE CHART



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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected to be <-15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% 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.