

25 May 2018 | 1QFY18 Results Review

## UOA Development Berhad

### Encouraging new sales in 1QFY18

**Maintain BUY**

**Revised Target Price (TP): RM2.80**  
(Previously: RM2.84)

#### INVESTMENT HIGHLIGHTS


- **1QFY18 earnings below expectations**
- **Earnings dragged by higher expenses**
- **1QFY18 new property sales at RM451.8m**
- **Earnings forecast reduced**
- **Maintain BUY with a revised TP of RM2.80**

**1QFY18 earnings below expectations.** UOA Development Berhad (UOADEV) 1QFY18 core net income of RM32.3m came in below expectations, making up 7% and 8% of our and consensus full year estimates. The negative deviation could be attributed to the slower-than-expected progress billing and higher-than-expected expenses.

**Earnings dragged by higher expenses.** UOADEV's 1QFY18 earnings fell 31.4%yoy to RM32.3m in 1QFY18 despite revenue was higher by 11%yoy. The decline in earnings was partly attributed to higher expenses (+28%yoy) in 1QFY18. Meanwhile, earnings in 1QFY18 were mainly contributed by ongoing projects (United Point Residence, Sentul Point and South Link Lifestyle Apartments) and sale of completed projects (Desa Green Serviced Apartment). On sequential basis, core net income is lower by 68.4%qoq due to seasonally lower progress billing in first quarter. Note that we have excluded one-off gain from re-measurement in our 4QFY17 core net income calculation. Meanwhile, unbilled sales grew to RM1.64b in 1QFY18 from RM1.37b in 4QFY17, providing earnings visibility of 1.5 years.

**1QFY18 new property sales at RM451.8m.** New property sales of UOADEV are encouraging in 1QFY18. UOADEV registered new sales of RM451.8m in 1QFY18, higher than new sales of RM303.2m in 1QFY17 and new sales of RM375.8m in 4QFY17. 67.4% of new sales in 1QFY18 were contributed by South Link Lifestyle Apartment in Bangsar South, 11% by United Point Residence, 10% by Sentul Point, 5.4% by Desa Green and remaining 6.2% by other projects. Going forward, sales of UOADEV is expected to be continue driven by South Link Lifestyle Apartment (GDV: RM550m) in Bangsar, phase two of Southbank (GDV: RM130m) in Old Klang Road and The Park Residences II (GDV: RM600m) in Bangsar South.

RETURN STATS	
Price (24 May 2018)	RM2.58
Target Price	RM2.80
Expected Share Price Return	8.5%
Expected Dividend Yield	5.8%
Expected Total Return	14.3%
STOCK INFO	
KLCI	1,775.66
Bursa / Bloomberg	5200 / UOAD MK
Board / Sector	Main / Properties
Syariah Compliant	Yes
Issued shares (mil)	1520
Market cap. (RM'm)	4,471.43
Price over NA	1.02
52-wk price Range	RM2.3-RM2.74
Beta (against KLCI)	0.83
3-mth Avg Daily Vol	0.49m
3-mth Avg Daily Value	RM1.23m
Major Shareholders (%)	
UOA Holdings Sdn Bhd	69.40%
EPF	6.16%

**Maintain BUY with a revised TP of RM2.80.** We reduce our earnings FY18/19 earnings forecast by 15.9%/14% to factor in higher expenses and slower progress billing. We revise our TP for UOADEV to RM2.80 from RM2.84 as we assume slightly lower margin in our RNAV valuation. Our TP is based on unchanged 10% discount to RNAV. We continue to like UOADEV for its focus on launching urban-based affordable priced properties which should support its sales outlook. Meanwhile, dividend yield remains attractive at 5.8%. 

## INVESTMENT STATISTICS

FYE Dec (RM m)	FY15A	FY16A	FY17A	FY18F	FY19F
Revenue	1643.2	996.2	1081.6	1295.1	1371.3
Core EBIT	634.6	611.7	549.8	571.6	596.7
Core PBT	626.3	626.5	566.4	556.2	580.8
Net Income	417.0	676.7	491.1	362.9	379.0
Core Net Income	398.1	373.9	401.4	362.9	379.0
EPS (sen)	28.3	42.0	30.4	23.9	24.9
Core EPS (sen)	27.0	23.2	24.9	23.9	24.9
Net DPS (sen)	15.00	15.0	15.0	15.00	15.00
Net Dvd Yield	5.8%	5.8%	5.8%	5.8%	5.8%
Core PER	9.54	11.12	10.37	10.81	10.35
NTA/share (RM)	2.14	2.36	2.47	2.94	3.05
P/NTA	1.21	1.09	1.04	0.88	0.84
Core ROE	12.6%	9.8%	9.4%	8.1%	8.2%
Core ROA	9.1%	7.5%	7.3%	6.3%	6.3%
Net Gearing	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Source: Company, MIDF Research Estimate

## UOADEV: 1QFY18 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	1QFY18	%YoY	%QoQ	FY18	%YoY
Revenue	172.0	11.2%	-13.7%	172.0	11.2%
Core EBIT	48.0	-38.2%	-55.9%	48.0	-38.2%
Core PBT	45.4	-41.1%	-64.0%	45.4	-41.1%
Net Income	32.3	-34.1%	-83.2%	32.3	-34.1%
Core Net Income	32.3	-34.1%	-68.4%	32.3	-34.1%
EPS (sen)	1.86	-38.0%	-83.2%	1.9	-38.0%
Core EPS (sen)	1.86	-38.0%	-68.4%	1.9	-38.0%
Net DPS (sen)	0.00	NA	NA	0.0	NA
NTA/share (RM)	2.52	-5%	2%	2.5	-5%
Net Gearing (x)	Cash	NA	NA	Cash	NA
Core EBIT Margin	27.9%	NA	NA	27.9%	NA
Core PBT Margin	26.4%	NA	NA	26.4%	NA

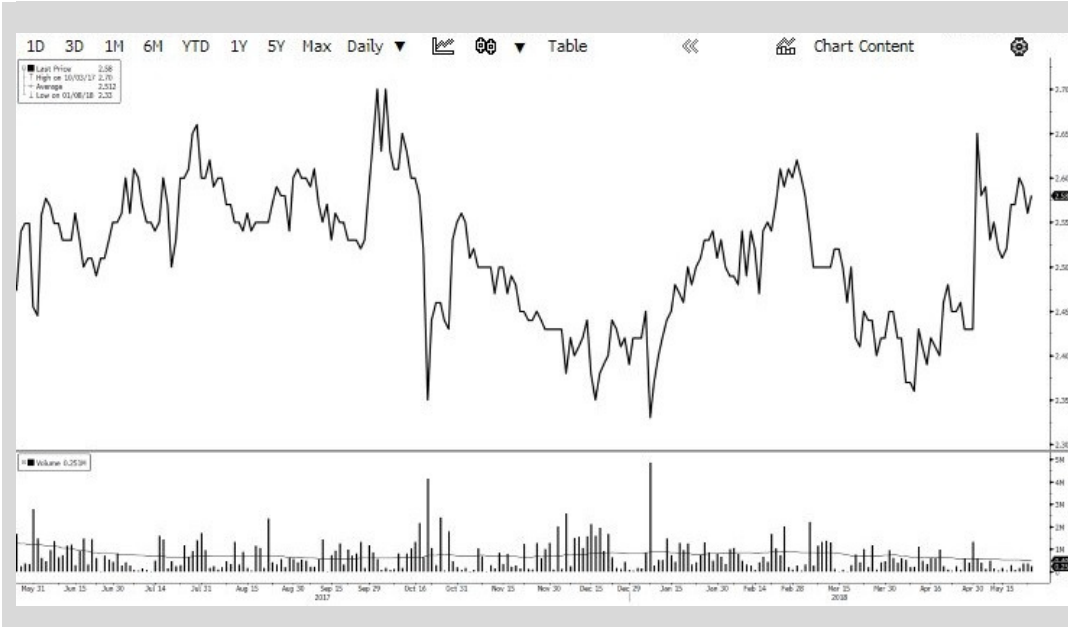
Source: Company

## 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
The Vertical office tower	Bangsar South, KL	100%	22,927	2,105	48.3
<b>Ongoing Projects and unbilled sales</b>					
Desa Green	Taman Desa, KL	85%		DCF @ WACC 10%	56.02
UOA Business Park (previously: Kencana Square)	Selangor	39%		DCF @ WACC 10%	27.33
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%	76.72
Land around Bangsar South	Kerinci	100%	5	DCF @ WACC 10%	115.51
<b>Total landbank value</b>					<b>3868.8</b>
Fixed Assets					162
Cash					988.166
Total Liabilities (excl. deferred tax & construction related payables)					294
<b>Total RNAV</b>					<b>4725.0</b>
Fully Diluted No of shares (m)					1520
RNAV per share (RM)					3.11
Discount					10%
<b>Target Price (RM)</b>					<b>2.80</b>

Source: Company, MIDF Research Forecast

## DAILY PRICE CHART



Jessica Low Jze Tieng  
Jessica.low@midf.com.my  
03-2173 8391

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (23878 - X).  
 (Bank Pelaburan)  
 (A Participating Organisation of Bursa Malaysia Securities Berhad)

## DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (23878-X). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This document may not be reproduced, distributed or published in any form or for any purpose.

### 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.