

28 November 2018 | 3QFY18 Results Review

UOA Development Berhad

Stable new property sales

Maintain BUY

Revised Target Price (TP): RM2.50
(Previously RM2.80)

INVESTMENT HIGHLIGHTS

- **9MFY18 earnings slightly below expectations**
- **Earnings dragged by higher expenses**
- **9MFY18 new property sales at RM1.14b**
- **Maintain BUY with a revised TP of RM2.50**

9MFY18 earnings slightly below expectations. UOA Development (UOA DEV) 9MFY18 core net income of RM242.5m came in slight below our and consensus expectations, making up 68% of our and consensus full year estimates respectively. The negative deviation could be mainly attributed to the higher-than-expected cost and expenses in 3QFY18.

Earnings dragged by higher expenses. UOADEV recorded marginally lower core net income of RM92.2m (-1.1%yoy) in 3QFY18 despite revenue grew by 15%yoy as earnings were dragged by higher expenses (+22%yoy) and higher cost of sales (+71%yoy). Note that earnings in 3QFY18 were mainly driven by progressive recognition of the on-going projects (Sentul Point, United Point Residence and South Link) and sales of completed office and residential units. That brought cumulative earnings in 9MFY18 to RM242.5m, declining by 21.2%yoy. Earnings were lower in 9MFY18 as last year earnings were boosted by cost adjustment arising from completion of South View Serviced Apartments. Meanwhile, unbilled sales were flattish at RM1.63b in 3QFY18, providing earnings visibility of 1.6 years.

9MFY18 new property sales at RM1.14b. UOADEV recorded new property sales of RM333m in 3QFY18, bringing cumulative new property sales to RM1.14b in 9MFY18. The new sales in 9MFY18 were higher than new sales of RM924m in 9MFY17. South Link Lifestyle Apartment in Bangsar South is the biggest new sales contributor by contributing 48% of total new sales followed by United Point Residence (17%) and Sentul Point (13%). Meanwhile, key launches in FY19 include Goodwood Residence (formerly known as The Park Residence II) in Bangsar South and project in Sri Petaling with GDV of RM1b.

Maintain BUY with a revised TP of RM2.50. We revise downwards our FY18/19 earnings forecast by 7.2%/8.7% to factor in the higher expenses. We revise our TP to RM2.50 from RM2.80 as we widen our RNAV discount to 15% from 10%. We like UOADEV as we remain sanguine on its strategy of launching urban-based affordable priced properties in Klang Valley which are favoured by property purchaser. Dividend yield is attractive, estimated at 7%.

RETURN STATS	
Price (27 Nov 2018)	RM2.15
Target Price	RM2.50
Expected Share Price Return	16.3%
Expected Dividend Yield	7.0%
Expected Total Return	23.3%
STOCK INFO	
KLCI	1,684.97
Bursa / Bloomberg	5200 / UOAD MK
Board / Sector	Main / Properties
Syariah Compliant	Yes
Issued shares (mil)	1817
Market cap. (RM'm)	3,966
Price over NA	0.87
52-wk price Range	RM1.84-RM2.71
Beta (against KLCI)	0.77
3-mth Avg Daily Vol	0.35m
3-mth Avg Daily Value	RM0.76m
Major Shareholders (%)	
UOA Holdings Sdn Bhd	69.81%
EPF	7.31%

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INVESTMENT STATISTICS

FYE Dec (RM m)	FY15A	FY16A	FY17A	FY18F	FY19F
Revenue	1643.2	996.2	1081.6	1270.1	1371.3
Core EBIT	634.6	611.7	549.8	531.4	546.0
Core PBT	626.3	626.5	566.4	515.9	530.1
Net Income	417.0	676.7	491.1	336.6	345.9
Core Net Income	398.1	373.9	401.4	336.6	345.9
EPS (sen)	28.3	42.0	30.4	22.1	22.8
Core EPS (sen)	27.0	23.2	24.9	22.1	22.8
Net DPS (sen)	15.00	15.0	15.0	15.00	15.00
Net Dvd Yield	7.0%	7.0%	7.0%	7.0%	7.0%
Core PER	7.95	9.27	8.64	9.71	9.45
NTA/share (RM)	2.14	2.36	2.47	2.93	3.04
P/NTA	1.00	0.91	0.87	0.73	0.71
Core ROE	12.6%	9.8%	9.4%	7.6%	7.5%
Core ROA	9.1%	7.5%	7.3%	5.8%	5.8%
Net Gearing	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Source: Company, MIDF Research Estimate

UOADEV: 3QFY18 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	3QFY18	%YoY	%QoQ	FY18	%YoY
Revenue	300.4	15.0%	-1.5%	777.3	-11.6%
Core EBIT	111.7	4.3%	-36.6%	335.8	-0.1%
Core PBT	110.3	3.5%	-36.8%	330.4	-1.5%
Net Income	92.2	-1.1%	-21.9%	242.5	-21.5%
Core Net Income	92.2	-1.1%	-21.9%	242.5	-21.2%
EPS (sen)	5.07	-6.5%	-25.5%	13.7	-2.5%
Core EPS (sen)	5.07	-6.5%	-25.5%	13.7	-2.5%
Net DPS (sen)	0.00	NA	NA	0.0	NA
NTA/share (RM)	2.50	NA	NA	2.5	NA
Net Gearing (x)	Cash	NA	NA	Cash	NA
Core EBIT Margin	37.2%	NA	NA	43.2%	NA
Core PBT Margin	36.7%	NA	NA	42.5%	NA

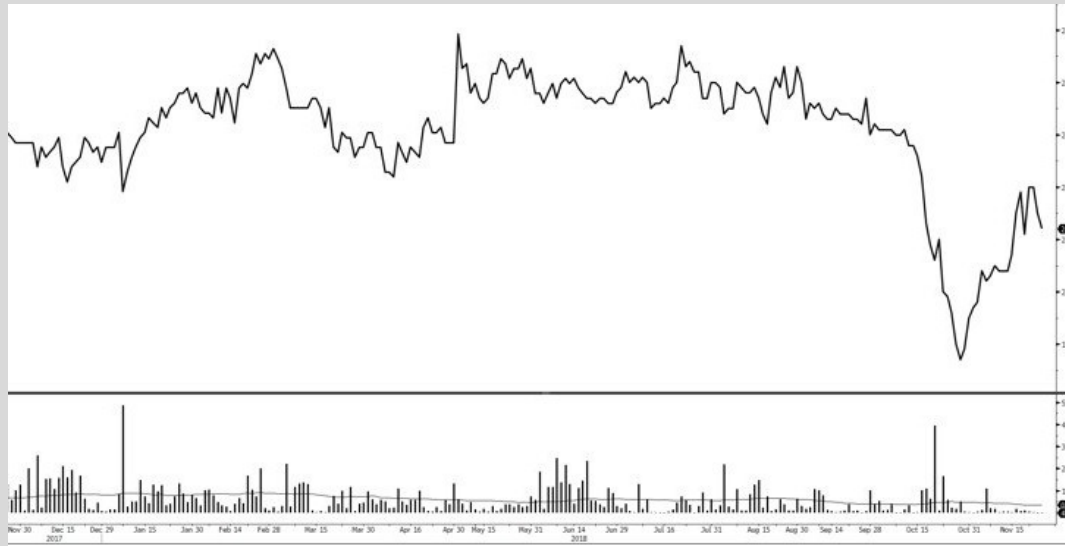
Source: Company

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					15%
Target Price (RM)					2.50

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 >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.