

UOA Development Berhad

(5200 | UOAD MK) Main | Property

Bumper Dividend of 20sen per Share

KEY INVESTMENT HIGHLIGHTS

- **Bumper dividend of 20sen per share**
- **Dividend yield of 12%**
- **Minimal impact to balance sheet**
- **Raised FY23 dividend forecast to 30sen per share**
- **Upgrade to Trading Buy with a revised TP of RM1.91**

Bumper dividend of 20sen per share. UOA Development announced that the Board of Directors of the company has on 18th July 2023 proposed first interim dividend in respect of FY23 of 20sen per share. Shareholders will be given an option to elect to reinvest the entire dividend into new ordinary shares in UOA Development.

Dividend yield of 12%. We are positively surprised by the bumper dividend pay-out as UOA Development typically declares dividend in the final quarter of financial year. Historically, UOA Development has been paying dividend of 10sen to 15sen in the past 10 years. We opine that the surprise dividend pay-out could be due to the rising cash pile of UOA Development. Note that total cash and short-term investments of UOA Development stood at RM2.2b as of 1QFY23, increasing from RM1.8b as of FY21. As most of the money is sitting as cash, management of UOA Development decided to make the distribution to the shareholders. Meanwhile, the bumper first interim dividend of 20sen per share translates into whopping dividend yield of 12% based on last closing price of RM1.61.

Minimal impact to balance sheet. Impact to balance sheet from the bumper dividend pay-out is expected to be minimal. As shareholders will be given to option to elect to reinvest the entire dividend into new ordinary shares in UOA Development, impact to cash flow is expected to be minimal. Meanwhile, we estimate balance sheet of UOA Development to remain healthy at net cash position in the event that all dividend is paid in cash. Corresponding the announcement of the first interim dividend, we raised our dividend forecast per share for FY23 from 10sen to 30sen which translates into whopping dividend yield of 18.6% for FY23.

Upgrade to TRADING BUY with a revised TP of RM1.91. We raised our **TP** for UOA Development to **RM1.91** from RM1.65 as we narrow RNAV discount to 30% from 44% to reflect the high dividend yield of UOA Development. We upgrade our call on UOA Development to **TRADING BUY** from NEUTRAL as we expect the bumper dividend to serve as catalyst to UOA Development. Meanwhile, balance sheet is expected to remain healthy at net cash position with cash flow coming in from ongoing development and its investment properties.

Upgrade to TRADING BUY

Previously NEUTRAL

Revised Target Price: RM1.91

Previously RM1.65

RETURN STATISTICS

Price @ 18th July 2023 (RM)	1.61
Expected share price return (%)	18.6
Expected dividend yield (%)	18.6
Expected total return (%)	37.2

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	2.5	1.4
3 months	3.2	-4.9
1.9	1.9	3.8

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	30.00	10.00	10.00
Dividend Yield	18.63%	6.21%	6.21%

KEY STATISTICS

FBM KLCI	1,403.03
Issue shares (m)	2,406.32
Estimated free float (%)	12.21
Market Capitalisation (RM'm)	3,913.59
52-wk price range	RM1.56-RM1.77
3-mth average daily volume (m)	0.20
3-mth average daily value (RM'm)	0.35
Top Shareholders (%)	
UOA Holdings Sdn Bhd	71.45
EPF	10.22

Analyst

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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

Landbank/Buildings	Location	Stake	Size (sq ft)	Price (RM/sqft)	Value (RM m)
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					2213
Total Liabilities (excl. deferred tax & construction related payables)					294
Total RNAV					6564
Fully Diluted No of shares (m)					2406
RNAV per share (RM)					2.73
Discount					30%
Target Price (RM)					1.91

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)	19.2	17.5	18.5	18.2	18.7
NTA/share	2.42	2.38	2.43	2.46	2.48
P/NTA	0.67	0.68	0.66	0.66	0.65

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 <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.

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