

## UOA Development Berhad

(5200 | UOAD MK) Main | Property

### Visit to Komune Living and Wellness

#### KEY INVESTMENT HIGHLIGHTS

- **Visit to Komune Living and Wellness**
- **Occupancy rate of KLW at 40%-50%**
- **Co-living hotel provides hassle-free co-living experience**
- **Senior care facilities for ILU and ALU**
- **Earnings forecast unchanged**
- **Maintain NEUTRAL with unchanged TP of RM1.65**

We visited UOA Development' Komune Living and Wellness (KLW) in Cheras which is an integrated co-living and wellness hub. We came away the visit feeling reaffirmed on the positive prospect of its investment properties. Key takeaways from the visit as below:

**Occupancy rate of KLW at 40%-50%.** Investment properties of UOA Development contributed to steady recurring income to UOA Development. In 1QFY23, income from hospitality was at RM24.3m while rental income was at RM38.2m. KLW is one of the investment properties of UOA Development. KLW was launched in May 2022. Total construction cost for KLW is RM250m. Key features of the development include a wellness hub, a co-living hotel and senior care facilities. There are total of 753 units at KLW with 555 units for hotel/ Independent Living Units (ILU) and 198 units for Assisted Living Units (ALU). Occupancy rate of KLW is at around 40%-50% and management targets to improve occupancy rate to 60%.

**Co-living hotel.** There are more than 500 private studios for community-focused living. Guests may stay short-term (daily) or subscribe to long stay with monthly stay package. We gather that the long stay package could go up to one year. Room rate for long stay is ranging from RM2100++ to RM5200++ per month for room size ranging from 173sf to 573sf. For long stay, there is complimentary housekeeping (2 times a week) and free WIFI access within the building. Besides, guests are also entitled complimentary use of all recreation & leisure facilities such as swimming pool, communal kitchen, co-working space, entertainment room, karaoke room and gym. The services mentioned above provide hassle-free co-living experience for guests and attract guests for long-stay in KLW.

**Senior care facilities.** KLW offers senior care facilities that cater for Independent Living Units (ILU) and Assisted Living Units (ALU). For ALU package, it includes 24-hour access to care service, doctor consultation, meals and hospital grade beds. Besides, KLW offers care-integrated lifestyle with 6000sf senior day care facility. For guests who subscribe for ILU packages, they are also entitled to use of all recreation & leisure facilities in KLW.

### Maintain NEUTRAL

### Unchanged Target Price: RM1.65

#### RETURN STATISTICS

Price @ 6 Sept 2023 (RM)	1.77
Expected share price return (%)	-6.8
Expected dividend yield (%)	5.7
Expected total return (%)	-1.1

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-7.3	-8.3
3 months	13.5	-1.7
12 months	2.3	4.5

#### 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	16.95%	5.65%	5.65%


#### KEY STATISTICS

FBM KLCI	1,460.62
Issue shares (m)	2,406.32
Estimated free float (%)	11.51
Market Capitalisation (RM'm)	4,302
52-wk price range	RM1.52-RM1.92
3-mth average daily volume (m)	0.42
3-mth average daily value (RM'm)	0.73
Top Shareholders (%)	
UOA Holdings Sdn Bhd	71.45
EPF	10.92

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**Wellness hub.** There are 65,000 sf of space are for wellness hub in KLW. Wellness facilities in KLW include TCM centre, clinic, dental clinic, physiotherapy and rehabilitation centre, pharmacy, beauty & massage services, fitness centre, convenience store and F&B. The wellness hub helps build community living and provide convenience to guests in KLW with various facilities available in the building.

**Maintain NEUTRAL an unchanged TP of RM1.65.** Post visit, we make no changes to our earnings forecast for FY23F/24F/25F. We maintain our **TP** for UOA Development at **RM1.65**, based on 40% discount to RNAV. We expect income from investment properties to remain stable going forward following reopening of economy and country borders. Meanwhile, balance sheet of UOA Development should remain healthy at net cash position with cash flow generated from its investment properties. However, we maintain our **NEUTRAL** call on UOA Development due to limited upside. 

**Figure 1: Gym room**



*Source: MIDF Research, Company*

**Figure 2: Swimming pool**



*Source: MIDF Research, Company*

**Figure 3: Communal kitchen**



*Source: MIDF Research, Company*

**Figure 4: Laundry**



*Source: MIDF Research, Company*

## UOADEV RNAV

Landbank	Est.GDV (RM m)	Location	Stake		Value (RM m)
<b>Ongoing Projects and unbilled sales</b>					
Laurel Residence	250	Bangsar South, KL	100%	DCF @ WACC 10%	18.13
Aster Hill	412	Sri Petaling, KL	100%	DCF @ WACC 10%	28.57
Desa 3	18	Taman Desa, KL	70%	DCF @ WACC 10%	0.91
Duo Tower	1300	Bangsar South, KL	100%	DCF @ WACC 10%	90.14
Unbilled sales	285.2		100%	DCF @ WACC 10%	20.69
<b>Future Projects</b>					
Jalan Ipoh Land	6000	Jalan Ipoh	100%	DCF @ WACC 10%	365.13
UOA Business Park (Phase 2)	140	Shah Alam	100%	DCF @ WACC 10%	140.00
Bangsar South land (commercial)	2300	Bangsar South, KL	100%	DCF @ WACC 10%	152.58
Bangsar South land (residential)	1850	Bangsar South, KL	100%	DCF @ WACC 10%	122.73
Land around Bangsar South	900	Bangsar South, KL	100%	DCF @ WACC 10%	59.70
Cyberjaya land	265	Bangsar South, KL	100%	DCF @ WACC 10%	17.58
<b>Total landbank value</b>					<b>1016.2</b>
Equity					5609.53
<b>Total RNAV</b>					<b>6625.7</b>
Fully Diluted No of shares (m)					2407
RNAV per share (RM)					2.75
Discount					40%
<b>Target Price (RM)</b>					<b>1.65</b>

## 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)	21.1	19.3	20.3	20.0	20.5
NTA/share	2.42	2.38	2.43	2.46	2.48
P/NTA	0.73	0.74	0.73	0.72	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
<b>Total Assets</b>	<b>6,409</b>	<b>6,454</b>	<b>6,536</b>	<b>6,616</b>	<b>6,776</b>
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
<b>Equity + Liability</b>	<b>6,409</b>	<b>6,454</b>	<b>6,536</b>	<b>6,616</b>	<b>6,776</b>

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