

UOA Development Berhad

(5200 | UOAD MK) Main | Property

Lower Earnings on Higher Expenses

KEY INVESTMENT HIGHLIGHTS

- **9MFY23 earnings within expectations**
- **Lower sequential earnings on higher expenses**
- **Lower earnings in 9MFY23**
- **Earnings forecast unchanged**
- **Maintain NEUTRAL with unchanged TP of RM1.79**

9MFY23 earnings within expectations. UOA Development 9MFY23 core net income of RM152m came in within expectations, making up 73% of our and consensus full year estimates.

Lower sequential earnings on higher expenses. Sequentially, 3QFY23 core net income was lower at RM44.9m (-26.9%qoq) despite higher topline (+9.1%qoq) mainly due to lower gross margin achieved and higher expenses. Gross profit margin declined to 38% in 3QFY23 from 42% in 2QFY23. Meanwhile, earnings were also dragged by higher administrative and general expenses which offset the higher other income which stemming mainly from rental and hospitality income. Besides, the lower earnings were also owing to higher tax rate of 36% in 3QFY23 against tax rate of 17% in 2QFY23.

Lower earnings in 9MFY23. On yearly basis, 3QFY23 core net income was lower at RM44.9m (-54.1%yoy), bringing cumulative 9MFY23 core net income to lower at RM152m (-8.5%yoy). The lower earnings were due to lower earnings recognition from ongoing projects. Besides, higher expenses also partly contributed to the lower earnings. Similarly, the higher tax rate of 24.8% in 9MFY23 against tax rate of 19.5% in 9MFY22 has dragged earnings lower. Nonetheless, other income which contributed mainly by rental and hospitality income saw improvement (+50.6%yoy), driven by reopening of economy and recovery in hospitality industry.

9MFY23 new sales at RM462m. UOA Development registered lower new property sales of RM159m in 3QFY23 from new sales of RM179m in 2QFY23. That brought total new sales to RM462m in 9MFY23. New sales in 9MFY23 were mainly contributed by Aster Hill (33.4%) and The Goodwood Residence (31.5%). Meanwhile, unbilled sales increased to RM322.8m in 3QFY23 from RM285.2m in 2QFY23, providing less than one-year earnings visibility.

Maintain Neutral an unchanged TP of RM1.79. We maintain our earnings forecast for FY23F/24F/25F. We also maintain our **TP** for UOA Development at **RM1.79**, based on 35% discount to RNAV. Earnings outlook for UOA Development is expected to be tepid in the near term. Nevertheless, dividend yield is attractive at 5.7% while its balance sheet is healthy at net cash position. Hence, we maintain our **NEUTRAL** call on UOA Development.



Maintain NEUTRAL

Unchanged Target Price: RM1.79

RETURN STATISTICS

Price @ 27 Nov 2023 (RM)	1.74
Expected share price return (%)	2.9
Expected dividend yield (%)	5.7
Expected total return (%)	8.6

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	2.4	1.9
3 months	3.0	-1.4
12 months	10.1	13.0

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	17.2%	5.7%	5.7%

KEY STATISTICS

FBM KLCI	1,448.15
Issue shares (m)	2,406.32
Estimated free float (%)	13.35
Market Capitalisation (RM'm)	4,333
52-wk price range	RM1.56-RM1.92
3-mth average daily volume (m)	0.35
3-mth average daily value (RM'm)	0.60
Top Shareholders (%)	
UOA Holdings Sdn Bhd	68.41
EPF	12.26

Analyst

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UOADEV: 3QFY23 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	3QFY23	%YoY	%QoQ	9MFY23	%YoY
Revenue	107.0	-34.5%	9.1%	290.4	-14.4%
Core EBIT	80.1	-29.9%	4.4%	213.7	-0.8%
Core PBT	80.0	-29.9%	4.4%	213.6	-0.8%
Net Income	50.9	-47.1%	-20.4%	160.8	-3.6%
Core Net Income	44.9	-54.1%	-26.9%	152.0	-8.5%
EPS (sen)	2.08	-48.2%	-21.5%	6.7	-5.8%
Core EPS (sen)	1.84	-55.0%	-28.0%	6.3	-12.0%
Net DPS (sen)	0.00	NA	NA	0.0	NA
NTA/share (RM)	2.17	NA	-7%	2.2	NA
Net Gearing (x)	Net Cash	NA	NA	Net Cash	NA
Core EBIT Margin	74.8%	NA	NA	73.6%	NA
Core PBT Margin	74.8%	NA	NA	73.5%	NA

UOADEV RNAV

Landbank	Est.GDV (RM m)	Location	Stake		Value (RM m)
Ongoing Projects and unbilled sales					
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
Future Projects					
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
Total landbank value					1,016.2
Equity					5,609.53

Landbank	Est.GDV (RM m)	Location	Stake	Value (RM m)
Total RNAV				6,625.7
Fully Diluted No of shares (m)				2407
RNAV per share (RM)				2.75
Discount				35%
Target Price (RM)				1.79

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)	20.7	18.9	20.0	19.6	20.2
NTA/share	2.42	2.38	2.43	2.46	2.48
P/NTA	0.72	0.73	0.72	0.71	0.70

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