

UOA Development Berhad

(5200 | UOAD MK) Main | Property

Weaker Earnings

KEY INVESTMENT HIGHLIGHTS

- **FY23 earnings within expectations**
- **Weaker earnings in FY23**
- **FY23 new sales at RM827m**
- **Earnings forecast maintained**
- **Maintain NEUTRAL with unchanged TP of RM1.82**

FY23 earnings within expectations. UOA Development FY23 core net income of RM210.2m came in within expectations, making up 101% and 99% of our and consensus estimates. Meanwhile, UOA Development proposed a dividend of 10sen per share for FY23 which translates into a dividend yield of 5.4%.

Weaker earnings in FY23. Sequentially, 4QFY23 core net income was higher at RM58.2m (+29.7%qoq) despite topline was flattish (+1.8%qoq). The better sequential earnings were mainly due to improved gross profit margin achieved. Gross profit margin expanded to 49% in 4QFY23 from 38% in 3QFY23. On yearly basis, 4QFY23 core net income was flattish (+0.9%yoy), bringing full year earnings in FY23 to RM210.2m (-5%yoy). The marginally lower earnings were in line with lower topline (-11.6%yoy) as a result of lower earnings recognition from its ongoing projects. Besides, the earnings decline was also partly attributed to higher expenses. Nevertheless, higher income from its hospitality and investment assets partly cushioned the earnings decline.

FY23 new sales at RM827m. UOA Development registered higher new property sales of RM365m in 4QFY23 as compared to new property sales of RM159m in 3QFY23. That brought total new sales to RM827m in FY23, higher than new sales of RM638m achieved in FY22. New sales in FY23 contributed by Laurel Residence and Aster Hill. Meanwhile, unbilled sales eased to RM308.4m in 4QFY23 from RM322.8m in 3QFY23 providing less than one-year earnings visibility. Looking ahead, UOA Development targets to launch projects with total GDV of RM2.6b in FY24. Projects that will be launched are Duo Tower (GDV: RM1.3b) which is 2-blocks office towers in Bangsar South and Bamboo Hills Residence (GDV: RM1.3b).

Maintain Neutral with an unchanged TP of RM1.82. We make no changes to our earnings forecast for FY24F/25F. We also introduce our earnings forecast for FY26F. We maintain our **TP** for UOA Development at **RM1.82**, based on 34% discount to RNAV. We see subdued earnings outlook for UOA Development due to earnings recognition from property projects is expected to be muted. Nevertheless, balance sheet of UOA Development is healthy at net cash position which allows UOA Development to grow its investment properties. Meanwhile, dividend yield is attractive at 5.4%. Hence, we maintain our **NEUTRAL** call on UOA Development.


Maintain NEUTRAL
Unchanged Target Price: RM1.82

RETURN STATISTICS

Price @ 27 Feb 2024 (RM)	1.86
Expected share price return (%)	-2.2
Expected dividend yield (%)	+5.4
Expected total return (%)	+3.2

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	3.9	0.4
3 months	6.9	-0.1
12 months	11.4	3.9

INVESTMENT STATISTICS

FYE Dec	2024E	2025F	2026F
Revenue	654	647	661
Operating Profit	312	305	315
Profit Before Tax	292	284	293
Core PATAMI	212	206	213
Core EPS	8.51	8.28	8.54
DPS	10.00	10.00	10.00
Dividend Yield	5.4%	5.4%	5.4%

KEY STATISTICS

FBM KLCI	1,558.80
Issue shares (m)	2,406.32
Estimated free float (%)	13.28
Market Capitalisation (RM'm)	4,632
52-wk price range	RM1.56-RM1.92
3-mth average daily volume (m)	0.28
3-mth average daily value (RM'm)	0.50
Top Shareholders (%)	
UOA Holdings Sdn Bhd	68.41
EPF	12.33

Analyst

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UOADEV: 4QFY23 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	4QFY23	%YoY	%QoQ	FY23	%YoY
Revenue	109.0	-3.1%	1.8%	399.4	-11.6%
Core EBIT	85.5	8.9%	6.8%	299.2	1.8%
Core PBT	85.5	8.9%	6.8%	299.1	3.6%
Net Income	118.7	123.8%	133.4%	279.6	27.1%
Core Net Income	58.2	0.9%	29.7%	210.2	-5.0%
EPS (sen)	4.77	116.3%	128.8%	11.4	23.2%
Core EPS (sen)	2.34	-2.5%	27.2%	8.6	-9.6%
Net DPS (sen)	10.00	NA	NA	10.0	0.0%
NTA/share (RM)	2.17	NA	0%	2.2	NA
Net Gearing (x)	Net Cash	NA	NA	Net Cash	NA
Core EBIT Margin	78.5%	NA	NA	74.9%	NA
Core PBT Margin	78.4%	NA	NA	74.9%	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					1016.2
Equity					5609.53

Landbank	Est.GDV (RM m)	Location	Stake	Value (RM m)
Total RNAV				6625.7
Fully Diluted No of shares (m)				2407
RNAV per share (RM)				2.75
Discount				34%
Target Price (RM)				1.82

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024F	2025F	2026F
Revenue	294	299	312	305	315
EBIT	289	299	292	284	293
PBT	135	280	215	209	216
Net Income	221	210	212	206	213
Core Net Income	9.2	8.4	8.5	8.3	8.5
Core EPS (sen)	20.2	22.0	21.9	22.5	21.8
Core PER (x)	2.38	2.17	2.20	2.22	2.25
NTA/share	0.78	0.86	0.85	0.84	0.83
P/NTA	294	299	312	305	315

Balance Sheet (RM'm)	2022A	2023A	2024F	2025F	2026F
Investment properties	1,624	1,652	1,669	1,677	1,685
Total non-current assets	2,526	2,581	2,610	2,638	2,668
Inventories	1,422	1,404	1,375	1,334	1,424
Short term investments	1,316	1,443	1,031	883	537
Fixed deposits	232	206	276	238	240
Cash and bank balances	615	196	460	424	360
Other assets	342	250	407	791	1,246
Total Assets	6,454	6,081	6,160	6,309	6,474
LT Borrowings	0	0	0	0	0
ST Borrowings	0	0	0	0	0
Other Liabilities	536	492	502	583	679
Total Liability	537	492	502	584	679
Share capital	2,954	3,071	3,071	3,071	3,071
Other Equity	2,963	2,518	2,587	2,654	2,723
Total Equity	5,917	5,589	5,658	5,725	5,795
Equity + Liability	6,454	6,081	6,160	6,309	6,474

Cash Flow (RM'm)	2022A	2023A	2024F	2025F	2026F
Cash flows from operating activities					
Net income before taxation	287	368	295	287	296
Net cash from operating activities	489	267	253	242	231
Cash flows from investing activities					
Addition to investment properties	-18	-10	-7	-9	-12
Net cash used in investing activities	-16	32	28	21	16
Cash flows from financing activities					
Net cash from/(used in) financing activities	-104	-616	-360	-486	-656

Net increase/(decrease) in cash and cash equivalents	369	-317	-78	-222	-408
Cash and cash equivalent at 1 January	1794	2163	1846	1768	1545
Cash and cash equivalent at 1 December	2163	1846	1768	1545	1137

Profitability Margins	2022A	2023A	2024F	2025F	2026F
EBIT margin	65.1%	74.9%	47.7%	47.1%	47.6%
PBT margin	63.9%	74.9%	44.7%	44.0%	44.4%
PAT margin	29.8%	70.0%	32.9%	32.3%	32.7%
Core PATAMI margin	49.0%	52.6%	32.4%	31.9%	32.2%
ROE	3.9%	3.9%	3.9%	3.7%	3.8%
ROA	3.4%	3.5%	3.4%	3.3%	3.3%

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