

UOA Development Berhad

(5200 | UOAD MK) Main | Property

Higher Earnings from Investment Properties

KEY INVESTMENT HIGHLIGHTS

- **1QFY24 earnings within expectations**
- **Higher earnings from investment properties**
- **1QFY24 new sales at RM120.9m**
- **Earnings forecast maintained**
- **Maintain NEUTRAL with a revised TP of RM1.93**

1QFY24 earnings within expectations. UOA Development 1QFY24 core net income of RM49.3m came in within expectations, making up 23% and 20% of our and consensus full year estimates respectively.

Higher earnings from investment properties. Sequentially, 1QFY24 core net income was lower at RM49.3m (-15.4%qoq), in tandem with the lower revenue (-35.6%qoq) due to seasonally lower progress billing in 1Q. On yearly basis, 1QFY24 core net income was higher (+8.1%yoy) despite lower topline (-17.6%yoy). The earnings growth in 1QFY24 was mainly due to higher income from hospitality and investment assets which mitigated lower contribution from property revenue as a result of lower sale of stocks. Meanwhile, property revenue in 1QFY24 was mainly contributed by recognition of ongoing projects namely Laurel Residence and Aster Hill.

1QFY24 new sales at RM120.9m. UOA Development recorded new property sales of RM120.9m in 1QFY24, lower than new property sales of RM365m in 4QFY23. New sales in 1QFY24 were mainly contributed by Aster Hill which made up 63% of total new sales, followed by Duo Tower which contributed 21% to total new sales. Note that Duo Tower is a new launch by UOA Development which is a 2-blocks office towers in Bangsar South with GDV of RM1.3b. Meanwhile, new sales momentum is expected to pick up due to upcoming project launch in 1HFY24 which include Bamboo Hills Residence with GDV of RM1.4b. Bamboo Hills Residence consists of 3 blocks of residences located at Jalan Ipoh. On the other hand, unbilled sales stood at RM311.7m, proving one year earnings visibility.

Maintain Neutral with a revised TP of RM1.93. We maintain our earnings forecast for FY24F/25F/26F. We revise our **TP** for UOA Development to **RM1.93** from RM1.82 as we narrow RNAV discount to 30% from 35% in view of the better new sales prospect. Nevertheless, we see near-term earnings outlook for UOA Development to be flattish as earnings from property projects remains muted. Hence, we maintain our **NEUTRAL** call on UOA Development. Meanwhile, dividend yield is estimated at 5%.

Maintain NEUTRAL
Revised Target Price: RM1.93
 (Previously RM1.82)

RETURN STATISTICS

| | |
|---------------------------------|------|
| Price @ 28 May 2024 (RM) | 1.99 |
| Expected share price return (%) | -3.0 |
| Expected dividend yield (%) | +5.0 |
| Expected total return (%) | +2.0 |

SHARE PRICE CHART



| Price performance (%) | Absolute | Relative |
|-----------------------|----------|----------|
| 1 month | 4.7 | 2.6 |
| 3 months | 6.4 | 0.0 |
| 12 months | 13.1 | -1.7 |

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 | 5.0% | 5.0% | 5.0% |

KEY STATISTICS

| | |
|----------------------------------|---------------|
| FBM KLCI | 1,615.82 |
| Issue shares (m) | 2,489.28 |
| Estimated free float (%) | 13.32 |
| Market Capitalisation (RM'm) | 4,955 |
| 52-wk price range | RM1.56-RM2.04 |
| 3-mth average daily volume (m) | 0.34 |
| 3-mth average daily value (RM'm) | 0.64 |
| Top Shareholders (%) | |
| UOA Holdings Sdn Bhd | 68.41 |
| EPF | 12.30 |

Analyst

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UOADEV: 1QFY24 RESULTS SUMMARY

| FYE Dec (RM'm, unless otherwise stated) | Quarterly Results | | | Cumulative | |
|---|-------------------|--------|--------|------------|--------|
| | 1QFY24 | %YoY | %QoQ | FY24 | %YoY |
| Revenue | 70.3 | -17.6% | -35.6% | 70.3 | -17.6% |
| Core EBIT | 61.4 | 7.9% | -28.2% | 61.4 | 7.9% |
| Core PBT | 61.3 | 7.8% | -28.3% | 61.3 | 7.8% |
| Net Income | 49.7 | 7.8% | -58.1% | 49.7 | 7.8% |
| Core Net Income | 49.3 | 8.1% | -15.4% | 49.3 | 8.1% |
| EPS (sen) | 2.00 | 4.2% | -58.1% | 2.0 | 4.2% |
| Core EPS (sen) | 1.98 | 4.5% | -15.4% | 2.0 | 4.5% |
| Net DPS (sen) | 0.00 | NA | NA | 0.0 | NA |
| NTA/share (RM) | 2.19 | NA | 1% | 2.2 | NA |
| Net Gearing (x) | Net Cash | NA | NA | Net Cash | NA |
| Core EBIT Margin | 87.4% | NA | NA | 87.4% | NA |
| Core PBT Margin | 87.3% | NA | NA | 87.3% | 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 | 1,300 | Bangsar South, KL | 100% | DCF @ WACC 10% | 90.14 |
| Unbilled sales | 285.2 | | 100% | DCF @ WACC 10% | 20.69 |
| Future Projects | | | | | |
| Jalan Ipoh Land | 6,000 | 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) | 2,300 | Bangsar South, KL | 100% | DCF @ WACC 10% | 152.58 |
| Bangsar South land (residential) | 1,850 | 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 |
| Total RNAV | | | | | 6,625.7 |
| Fully Diluted No of shares (m) | | | | | 2,407 |
| RNAV per share (RM) | | | | | 2.75 |
| Discount | | | | | 30% |
| Target Price (RM) | | | | | 1.93 |

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) | 21.7 | 23.6 | 23.4 | 24.0 | 23.3 |
| NTA/share | 2.38 | 2.17 | 2.20 | 2.22 | 2.25 |
| P/NTA | 0.83 | 0.92 | 0.90 | 0.89 | 0.88 |

| 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 on 1 January | 1794 | 2163 | 1846 | 1768 | 1545 |
| Cash and cash equivalent on 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