

UOA Development Bhd

Broadly Within

By Sarah Lim | sarahlim@kenanga.com.my

1Q19 CNP of RM60m and corresponding sales RM171m are broadly within expectations. No dividend as expected. The group has lined up c.RM1.3b worth of new launches for FY19 whilst continuing its inventory clearing efforts. No changes to earnings. Maintain MARKET PERFORM with an unchanged TP of RM2.15.

Broadly within. 1Q19 CNP of RM60m is broadly within expectations at 16% of street's full-year estimate and 17% of ours, as we expect billings to pick up momentum in the coming quarters. The quarter's sales stood at RM171m or 12% of our FY19E target of RM1.32b, but we also deem this as broadly on track due to timing of the bulk of their new launches, which will commence in 2H19. No dividends, as expected.

Results' highlights. **QoQ**, 1Q19 CNP was down by 34% largely due to last quarter's high base when there was recognition of en bloc sales (combined value of RM254m). **YoY**, 1Q19 CNP grew sharply by 85% with EBIT margin at a more normalized level of 32.9% (1Q18: 27.9%) and there were also more advance project billing stages at this juncture compared to 1Q18; billings are mainly from United Point, Sentul Point, South Link and inventory clearing efforts. The group remains in a strong net cash position of 0.13x gearing.

Outlook. Upcoming new launches worth GDV of RM1.29b are; (i) Goodwood Residence@ Bangsar South (GDV RM600m) which will be launched by mid-year, pending APDL, (ii) Aspen Green Residence @ Sri Petaling (GDV of RM1b but will only be launching RM250m this year) which is slated for launch mid-year, pending APDL, (iii) Bandar Tun Razak, Cheras (GDV RM300m) targeted for 4Q19 launch, and (iv) UOA Business Park Phase II (RM140m) of which the group will start construction first. The remaining part of the year will be driven by on-going projects and inventory clearing efforts.

No changes to earnings. Unbilled sales of RM1.40b provide slightly more than 1-year's visibility.

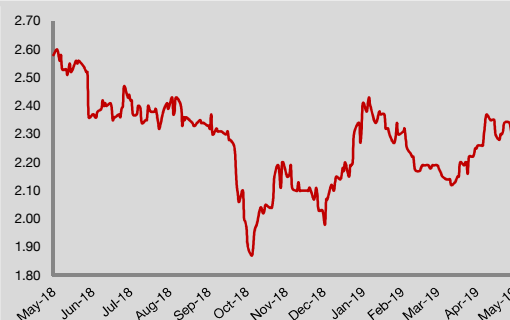
Maintain MARKET PERFORM with an unchanged TP of RM2.15 based on RNAV discount of 50% @ -1.0SD to its FD RNAV of RM4.31. The applied discount level is at the better end of our universe's range (-2.0SD to -1.0SD). We think our valuation level is fair after considering the challenging sector landscape and its defensive attributes such as: (i) pure KL exposure with connectivity plays, (ii) high margins, (iii) net cash position, and (iv) more prominent recurring income streams from its hospitality and property investment assets. The group has more defensive attributes than other developers but is still considered slightly riskier than MREITs and thus, our TP implies 6.5% yield which we believe offers a fair premium over sizeable MREITs (net yield of 5.2%).

Risks include weaker/stronger-than-expected property sales, margin fluctuations, and changes in real estate policies and/or lending environments.

MARKET PERFORM ↔

Price : **RM2.30**
Target Price : **RM2.15** ↔

Share Price Performance



KLCI	1,623.67
YTD KLCI chg	-4.0%
YTD stock price chg	8.5%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	UOAD MK Equity
Market Cap (RM m)	4,240.6
Shares Outstanding	1,843.7
52-week range (H)	2.63
52-week range (L)	1.84
3-mth avg daily vol:	355,282
Free Float	19%
Beta	0.8

Major Shareholders

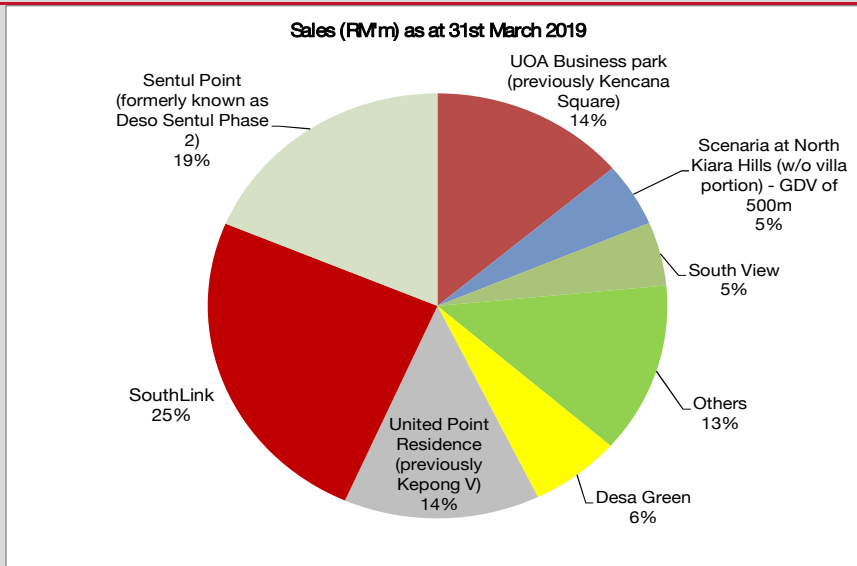
UOA Holdings Sdn Bhd	69.8%
Employees Provident Fund Board	7.6%
Edgbaston Asian Equity Trust	3.3%

Summary Earnings Table

FYE Dec (RM m)	2018A	2019E	2020E
Turnover	1,264	1,271	1,265
EBIT	502	498	492
PBT	506	491	483
Net Profit (NP)	379	348	351
Core NP	333	348	351
Consensus (CNP)	n.a.	370	398
Earnings Revision	n.a.	n.a.	n.a.
Core EPS (sen)	18.1	18.9	19.1
Core EPS growth (%)	-17%	5%	1%
NDPS (sen)	14.0	14.0	14.0
BV/Share (RM)	2.54	2.59	2.64
Core PER (x)	12.7	12.2	12.1
Price/BV (x)	0.9	0.9	0.9
Net Gearing (x)	(0.1)	(0.1)	(0.1)
Dividend Yield (%)	6.1%	6.1%	6.1%

OTHER POINTS

1Q19 Sales Composition



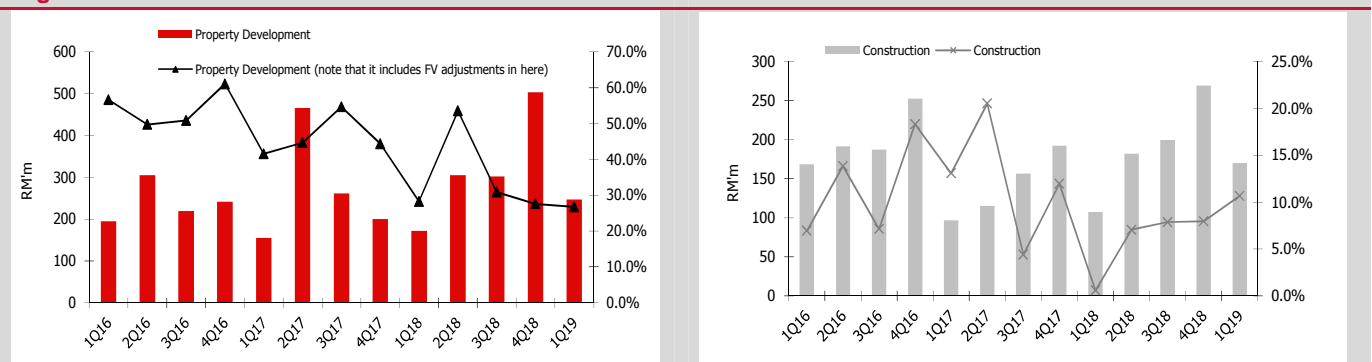
Source: Company, Kenanga Research

Result Highlight

FYE: 31st Dec (RMm)	1Q19	4Q18	QoQ	1Q18	YoY	1Q18	1Q19	YoY
Revenue	244.7	486.4	-50%	172.0	42%	172.0	244.7	42%
Op costs w/o depn/amort	(217.4)	(377.6)	-42%	(177.6)	22%	(177.6)	(217.4)	22%
Other Op Income	58.5	62.7	-7%	55.4	6%	55.4	58.5	6%
EBITDA	85.8	171.5	-50%	49.8	72%	49.8	85.8	72%
EBIT	80.6	166.2	-52%	48.0	68%	48.0	80.6	68%
Net interest	3.1	(1.2)	157%	(2.6)	21%	(2.6)	3.1	21%
Associate	0.0	0.0	n.a.	0.0	n.a.	0.0	0.0	n.a.
FV / Other non-core	0.0	10.5	-100%	0.0	n.a.	0.0	0.0	n.a.
Pretax profit	83.7	175.5	-52%	45.4	84%	45.4	83.7	84%
Taxation	(21.2)	(24.8)	-15%	(11.6)	82%	(11.6)	(21.2)	82%
Minority Interests	(2.7)	(14.3)	-81%	(1.5)	76%	(1.5)	(2.7)	76%
Net profit	59.9	136.4	-56%	32.3	85%	32.3	59.9	85%
Core net profit	59.9	90.5	-34%	32.3	85%	32.3	59.9	85%
EPS (sen)	3.3	7.4	-56%	1.9	75%	1.9	3.3	75%
DPS (sen)	0.0	14.0		0.0		0.0	0.0	
NTA/share (RM)	2.57	2.54		2.52		2.52	2.57	
Net gearing/(cash) (x)	(0.13)	(0.11)		(0.07)		(0.07)	(0.13)	
EBIT Margin	32.9%	34.2%		27.9%		27.9%	32.9%	
Pretax margin	34.2%	36.1%		26.4%		26.4%	34.2%	
Pretax margin (ex FV)	34.2%	33.9%		26.4%		26.4%	34.2%	
Effective tax rate	-25.3%	-14.1%		-25.6%		-25.6%	-25.3%	

Source: Company, Kenanga Research

Segment Trends

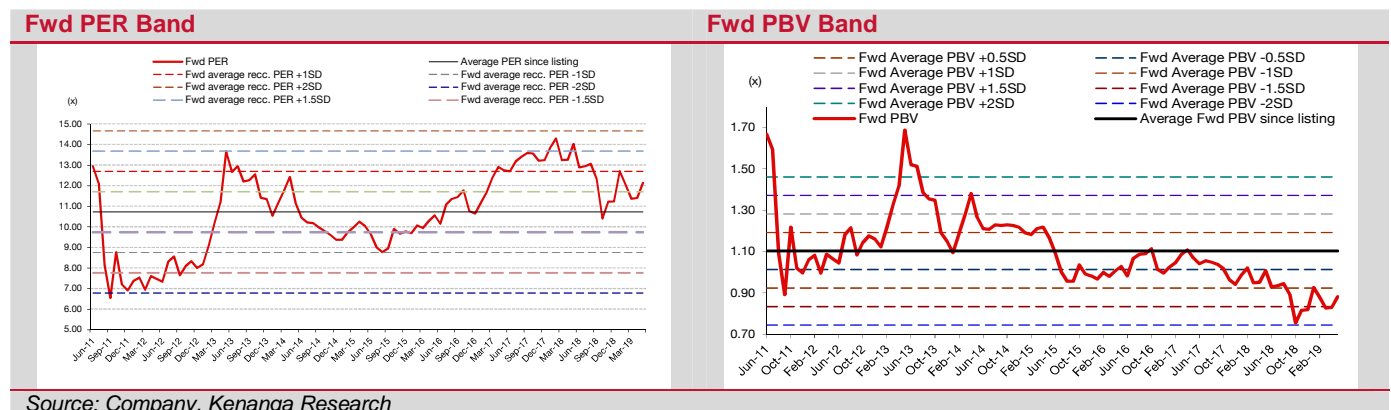


Source: Company, Kenanga Research

30 May 2019

FD RNAV						
On-going projects and unbilled sales	Stake	Assumed Duration (Yrs)	Remaining GDV + Unbilled Sales (RM'm)	Remaining Net Profit *** (RM'm)	WACC (%)	DCF Value (RM m)***
Inventory	100%	5	1,657	401	11%	300
Unbilled sales	100%	3	1,390	336	11%	276
Southbank @ Jln Klang Lama	60%	2	95	14	11%	12
South View Residence	100%	4	531	134	11%	105
Desa Sentul Ph I	100%	2	57	13	11%	11
Suria North Kiara	100%	2	51	13	11%	11
Danau Kota	100%	4	99	22	11%	18
United Point	100%	4	798	180	11%	141
Sentul Point	100%	4	1,145	258	11%	202
<u>Future Projects</u>	Stake	Assumed Duration (Yrs)	GDV (RM'm)	Remaining Net Profit *** (RM'm)	WACC (%)	DCF Value (RM m)***
Bandar Tun Razak land	100%	5	300	68	11%	42
Desa Commercial Centre	100%	2	300	76	11%	59
Selayang	100%	3	90	23	11%	19
South Link	100%	6	550	124	11%	80
South Point	100%	4	220	50	11%	35
Jalan Ipoh (Total GDV)	100%	10	6,000	1,350	11%	735
Desa III <-- en blco sale - did not factor into earnings	70%	2	14	2	11%	2
The Park Residences II, BSC	100%	4	600	149	11%	105
BSC (Commercial)	100%	7	2,300	569	11%	289
BSC (Residential)	100%	5	2,400	594	11%	330
Land around Bangsar South	100%	5	900	218	11%	99
Sri Petaling Land	100%	6	1,000	248	11%	145
Sepang land	100%	4	200	39	11%	23
			BV (RM'm)	Fwd Net Income	Target Yield	IP Revaluation Surplus / (Deficit)
Investment Properties (IP)	100%		1,669	156	9%	158
***Effective						
Revised Asset Value						3,197
Shareholder's Funds (at 31/12/16)						3813.1
RNAV						7,010
RNAV per share (RM)						MYR 4.31
No of paid-up shares ('m)						1,632
Applied Discount						-50%
Target Price (RM)*						MYR 2.15
<i>*TP has been rounded-up</i>						

Source: Kenanga Research



30 May 2019

Peer Comparison

Name	Last Price	Market	Shariah	Current	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div.Yld. (%)	Target	Rating
	(RM)	Cap (RM'm)	Compliant	FYE	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	Price (RM)	
PROPERTY DEVELOPERS UNDER COVERAGE																	
AMVERTON BHD	1.08	394.3	Y	12/2019	-0.7%	3.4%	-58.8%	7.3%	16.5	40.0	37.3	0.6	0.5	1.4%	0.0%	1.00	UP
ECO WORLD DEVELOPMENT GROUP	0.865	2,546.9	Y	10/2019	-4.4%	-18.3%	23.4%	23.9%	15.4	12.5	10.1	0.7	0.7	4.5%	1.2%	1.15	OP
HUA YANG BHD	0.330	116.2	Y	03/2020	-11.0%	-1.2%	153.2%	-11.8%	N.A.	14.1	16.0	0.2	0.2	1.4%	0.0%	0.335	MP
IOI PROPERTIES GROUP BHD	1.32	7,268.1	Y	06/2019	-15.0%	-6.0%	5.3%	0.7%	11.0	10.4	10.4	0.4	0.4	3.8%	3.8%	1.65	OP
LBS BINA GROUP BHD	0.515	802.9	Y	12/2019	31.3%	0.9%	7.9%	3.4%	9.4	8.7	8.5	0.6	0.5	6.6%	3.4%	0.675	MP
MAGNA PRIMA BHD	0.880	292.7	Y	12/2019	40.0%	11.1%	9637.5 %	338.9%	N.A.	1,168.2	266.2	0.8	0.8	0.1%	0.0%	0.740	UP
MAH SING GROUP BHD	0.910	2,209.2	Y	12/2019	4.5%	7.0%	-2.5%	1.0%	13.5	13.8	13.7	0.6	0.6	5.2%	4.4%	1.05	OP
MALAYSIAN RESOURCES CORP BHD	0.920	4,047.9	Y	12/2019	5.0%	5.0%	26.9%	19.5%	53.5	42.2	35.3	0.8	0.8	2.0%	1.9%	0.750	UP
SIME DARBY PROPERTY BHD	1.02	6,936.9	Y	12/2019	13.6%	12.5%	7.8%	16.9%	18.9	17.5	15.0	0.7	0.7	4.1%	2.3%	1.10	OP
SP SETIA BHD	2.13	8,589.2	Y	12/2019	7.8%	29.7%	71.3%	50.5%	39.1	22.8	15.2	0.6	0.6	2.5%	3.3%	2.45	OP
SUNSURIA BHD	0.650	578.4	Y	09/2019	-36.0%	25.2%	-31.8%	26.6%	4.2	6.3	4.9	0.6	0.6	10.4%	0.0%	0.760	OP
SUNWAY BHD	1.70	8,302.8	Y	12/2019	-2.7%	12.5%	-8.5%	22.5%	14.2	15.5	12.6	1.0	1.0	6.3%	3.5%	1.60	MP
UEM SUNRISE BHD	0.865	3,924.9	Y	12/2019	37.0%	-14.3%	9.0%	-11.7%	12.0	11.0	12.5	0.6	0.6	4.9%	1.2%	0.850	MP
UOA DEVELOPMENT BHD	2.30	4,240.6	Y	12/2019	0.6%	-0.4%	4.6%	0.9%	12.7	12.2	12.1	0.9	0.9	7.4%	6.1%	2.15	MP
Simple Average					5.0%	4.8%	703.2%	34.9%	18.4	99.7	33.5	0.6	0.6	4.3%	2.2%		
*SIMEPROP change of FY-end from 30-Jun to 31-Dec. Out historical numbers are based on FY18A while 1-Yr and 2-Yr Fwd are based on FY19E and FY20E figures																	
CONSENSUS NUMBERS																	
GLOMAC BHD	0.360	280.9	Y	04/2019	-37.9%	22.4%	-81.8%	179.8%	9.0	49.3	17.6	0.3	N.A.	0.6%	1.1%	0.390	SELL
MATRIX CONCEPTS HOLDINGS BHD	1.93	1,518.5	Y	03/2019	25.1%	12.1%	-2.3%	11.5%	7.1	7.3	6.5	1.1	1.1	16.2%	6.2%	2.33	BUY
PARAMOUNT CORP BHD	2.09	905.7	Y	12/2019	-1.4%	8.4%	2.4%	5.3%	9.9	9.6	9.1	0.8	N.A.	7.2%	4.3%	2.56	BUY
TAMBUN INDAH LAND BHD	0.760	329.4	Y	12/2019	-14.3%	10.6%	-22.4%	10.1%	5.9	7.7	7.0	0.5	N.A.	7.1%	5.7%	0.897	BUY
TITIJAYA LAND BHD	0.295	375.6	Y	06/2019	-14.3%	13.9%	-28.4%	17.1%	5.2	7.2	6.2	0.3	0.3	3.9%	1.7%	0.360	BUY
YONG TAI BHD	0.330	176.3	Y	06/2019	28.1%	108.6%	-168.0%	66.5%	11.4	N.A.	11.1	0.4	0.5	-4.5%	0.0%	0.343	NEUTRAL

Source: Kenanga Research

30 May 2019

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%
 MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
 UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%
 NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
 UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies.

Published and printed by:

KENANGA INVESTMENT BANK BERHAD (15678-H)
 Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
 Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my



Chan Ken Yew
 Head of Research