

30 June 2020

UOA Development Bhd

1QFY20 Broadly Within

By Marie Vaz / msvaz@kenanga.com.my

1QFY20 CNP of RM126.8m is broadly within our (38%) and consensus (37%) expectations on strong 1Q recognitions and as we expect a weaker 2Q. 1QFY20 sales of RM114.8m came in below at 12%. The Group is focussing on increasing take-up rates and continuing its inventory clearing efforts. Maintain FY20E CNP but lower FY21E CNP by 7% on lower FY20 sales target of RM814m (from RM963m). Downgrade to MARKET PERFORM (from OP) on an unchanged TP of RM1.79 (based on -1.5SD PBV of 0.78x) given share price run-up since our 2QCY20 strategy report (+16%).

1QFY20 broadly within expectations. 1QFY20 CNP of RM126.8m (38% of our FY20E CNP) is deemed broadly within our and consensus estimates (37%) as the strong 1Q was due to strong recognitions from the completion of United Point Residence allowing top-line to come in at 32% of our estimate on higher margins. However, we deem this as broadly within expectations as we expect a weaker 2Q from halted work progress due to the MCO and margins to ease closer to our expectation of 28% (vs. 34% currently) given challenges due to Covid-19. 1QFY20 sales of RM114.8m came in below our expectation of RM963m (12%), driven by sales at United Point Residence and The Goodwood Residence. No dividends, as expected.

Results' highlights. YoY, top-line was up by 53% on strong recognitions from United Point Residence which was completed in 1QFY20 and South Link Lifestyle Apartments while operating cost only increased by 17%. All in, CNP was up by 112% to RM126.8m despite the higher effective tax rate of 30% (vs. 25% in 1QFY19). QoQ, top-line was up by 65% due to contributions from United Point Residence and Aster Green Residence. As a result, bottom-line was up by 63% despite the higher effective tax rate of 30% (vs. 15% in 4Q19). The group remained in a strong net cash position of RM737m (or 50 sen per share).

Outlook. The Group has RM4.4b worth of projects currently under development. The Group had launched Goodwood Residence@ Bangsar South (GDV RM600m) in Sept 2019 (end 3Q19) and Aster Green Residence @ Sri Petaling (GDV RM250m) in Nov 2019 which is expected to contribute positively to FY20 sales on top of on-going projects and inventory clearing efforts.

Maintain FY20E CNP of RM333m but lower FY21E by 7% to RM350m as we lower FY20 sales target to RM814m (from RM963m) and FY21 sales to RM900m. FY20-21 will be driven by recognitions from previous launches mostly Sentul Point, Goodwood Residence, South Link, and Aster Green Residence. Unbilled sales of RM640m provide <1-year visibility.

Downgrade to MARKET PERFORM (from OP) with an unchanged TP of RM1.79. Our TP remains unchanged despite an adjusted BV/share of RM2.45 (from RM2.36) and P/BV of 0.78x (from 0.76x) at 1.5SD below mean of its 3-year historical band given our concerns that property developers will find it challenging to clear their inventory of completed stocks and achieve forward sales targets given the Covid-19 impact. That said, we believe the group would be able to maintain dividend payment of 14.0 sen in FY20-21 in light of its strong cash position, implying 7.7% net yield which is a premium over sizeable MREITs with net yield of only 4.8%.

MARKET PERFORM

Price : **RM1.81**
Target Price : **RM1.79**

Share Price Performance



KLCI 1,494.43
YTD KLCI chg -5.9%
YTD stock price chg -10.8%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	UOAD MK EQUITY
Market Cap (RM m)	3,558.5
Shares Outstanding	1,966.0
52-week range (H)	2.35
52-week range (L)	1.38
3-mth avg daily vol:	432,840
Free Float	13%
Beta	0.8

Major Shareholders

UOA Holdings Sdn Bhd	70.1%
Employees Provident Fund Board	9.6%
Edgbaston Asian Equity Trust	2.9%

Summary Earnings Table

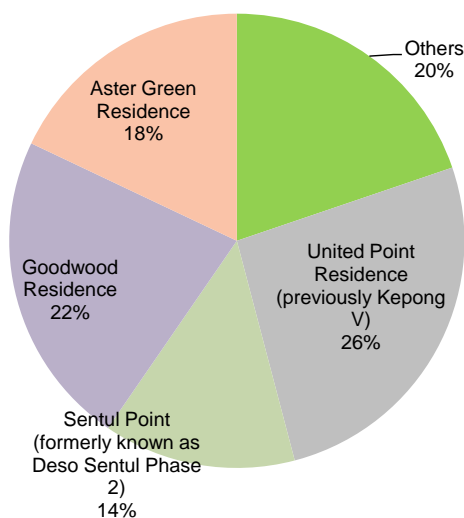
FYE Dec (RM m)	2019A	2020E	2021E
Turnover	1,104	1,175	1,269
EBIT	459	452	485
PBT	510	459	491
Net Profit (NP)	399	333	350
Core NP	365	333	350
Consensus (CNP)	N.A.	339	339
Earnings Revision	N.A.	0	-7%
Core EPS (sen)	18.5	18.0	19.0
Core EPS growth (%)	-6	-3	5
NDPS (sen)	14.0	14.0	14.0
BV/Share (RM)	2.58	2.64	2.69
Core PER (x)	9.8	10.0	9.5
Price/BV (x)	0.7	0.7	0.7
Net Gearing (x)	(0.2)	(0.1)	(0.1)
Dividend Yield (%)	7.7	7.7	7.7



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OTHER POINTS

Risks to our call include: weaker-than-expected property sales, margin fluctuations, and changes in real estate policies and/or lending environment.

1Q20 Sales Composition
Sales (RM'm) as at 31 Mar 2020


Source: Company, Kenanga Research

Result Highlight

FYE: Dec (RM m)	1Q20	4Q19	QoQ	YoY	1Q19
Revenue	375.3	227.0	65%	53%	244.7
Op costs w/o depn/amort	(254.1)	(214.3)	19%	17%	(217.4)
Other Op Income	58.8	70.4	-17%	1%	58.5
EBIT	174.6	77.5	125%	117%	80.6
Net interest	7.8	7.2	8%	150%	3.1
Associate	0.0	0.0	n.a.	n.a.	0.0
FV adjustment/ Other non-core	0.0	34.2	-100%	n.a.	0.0
Pretax profit	182.4	118.9	53%	118%	83.7
Taxation	(55.1)	(17.6)	214%	160%	(21.2)
Minority Interests	(3.2)	11.2	-128%	16%	(2.7)
Net profit	124.2	112.6	10%	108%	59.9
Core net profit	126.8	77.7	63%	112%	59.9
EPS (sen)	6.3	5.7	10%	94%	3.3
DPS (sen)	0.0	14.0			0.0
NTA/share (RM)	2.64	2.58			2.57
Net gearing/(cash) (x)	(0.18)	(0.18)			(0.13)
EBIT margin	46.5%	34.1%			32.9%
Pretax margin	48.6%	52.4%			34.2%
Effective tax rate	30.2%	14.8%			25.3%
Pretax margin (ex FV)	48.6%	37.3%			34.2%

Source: Company, Kenanga Research

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Peer Comparison

Name	Last Price	Market	Shariah	Current	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)		Net Div.Yld. (%)	Target Price	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.	1-Yr. Fwd.	Price (RM)	
PROPERTY DEVELOPERS UNDER COVERAGE																		
ECO WORLD DEVELOPMENT GROUP	0.410	1,207.2	Y	10/2020	-26.6%	2.1%	-22.0%	17.6%	6.0	7.7	6.6	0.3	0.3	3.4%	2.0%	0.395	MP	
IOI PROPERTIES GROUP BHD	0.990	5,451.1	Y	06/2020	-20.0%	18.6%	-19.1%	28.7%	8.3	10.2	7.9	0.3	0.3	2.9%	3.0%	1.21	OP	
LBS BINA GROUP BHD	0.345	522.3	Y	12/2020	15.2%	2.5%	8.5%	5.2%	6.3	7.7	7.0	0.4	0.4	5.6%	4.3%	0.330	MP	
MAGNA PRIMA BHD	0.740	246.1	Y	12/2020	-13.0%	33.9%	-115.9%	-126.8%	N.A.	N.A.	N.A.	0.5	0.5	-5.2%	0.0%	0.520	UP	
MAH SING GROUP BHD	0.535	1,298.8	Y	12/2020	-20.6%	49.0%	-45.9%	108.5%	11.9	22.3	10.5	0.4	0.4	1.7%	5.6%	0.450	MP	
MALAYSIAN RESOURCES CORP BHD	0.475	2,095.7	Y	12/2020	-36.4%	42.7%	174.3%	70.8%	88.0	80.5	32.1	0.4	0.4	1.4%	0.0%	0.750	OP	
SIME DARBY PROPERTY BHD	0.680	4,624.6	Y	12/2019	-49.3%	6.6%	-42.1%	21.1%	6.5	11.3	9.3	0.5	0.5	4.3%	2.6%	0.880	OP	
SP SETIA BHD	0.855	3,456.3	Y	12/2020	-9.2%	19.0%	13.8%	81.4%	13.6	11.8	6.5	0.2	0.2	2.0%	2.6%	0.860	OP	
SUNWAY BHD	1.36	6,665.9	Y	12/2020	-14.9%	32.5%	-34.1%	43.5%	10.5	15.9	11.1	0.7	0.7	4.4%	3.2%	1.68	OP	
UEM SUNRISE BHD	0.430	1,951.1	Y	12/2020	-39.6%	6.7%	-70.2%	25.9%	6.3	6.9	8.0	0.3	0.3	1.4%	0.0%	0.565	OP	
UOA DEVELOPMENT BHD	1.81	3,558.5	Y	12/2020	6.6%	7.8%	-9.0%	5.4%	9.8	10.0	9.5	0.7	0.7	7.0%	7.7%	1.79	MP	
Simple Average					-18.9%	20.1%	-14.7%	25.6%	16.7	18.4	10.8	0.4	0.4	2.6%	2.8%			
CONSENSUS NUMBERS																		
GLOMAC BHD	0.280	216.6	Y	04/2020	33.2%	-0.8%	43.7%	-0.7%	14.7	10.2	10.3	0.2	n.a.	2.0%	3.2%	0.300	N.A	
MATRIX CONCEPTS HOLDINGS BHD	1.77	1,476.6	Y	03/2020	5.3%	1.2%	2.9%	-0.6%	6.8	6.6	6.6	0.9	1.0	15.7%	6.8%	1.98	BUY	
PARAMOUNT CORP BHD	0.910	559.1	Y	12/2020	-3.4%	11.6%	n.a.	n.a.	5.4	n.a.	10.2	0.3	0.4	38.9%	2.2%	0.900	N.A	
TAMBUN INDAH LAND BHD	0.500	216.7	Y	12/2020	-28.0%	26.8%	-49.6%	40.3%	4.5	8.8	6.3	0.3	0.3	3.6%	4.2%	0.597	BUY	
TITIJAYA LAND BHD	0.260	331.3	Y	06/2020	-52.0%	8.0%	-73.3%	51.7%	9.9	37.2	24.5	0.3	0.3	0.7%	96.2%	0.280	N.A	
YONG TAI BHD	0.070	67.0	Y	06/2020	53.9%	18.4%	-686.7%	-140.0%	N.A.	N.A.	N.A.	0.1	0.1	-5.0%	0.0%	0.110	N.A	

Source: Kenanga Research

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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.**

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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

