

25 February 2021

UOA Development Bhd

FY20 Below; On Wait and See Mode

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FY20 CNP of RM306.1m is below both our and consensus expectations at 92% and 86%, respectively. FY20 sales of RM384m is also below at 73% as we had expected stronger sales in 4Q. FY21 dividend of 15.0 sen is above (107%) given its strong net cash position. Lower FY21E CNP by 19% on lower sales to RM480m (from RM900m) on delayed launches. Downgrade to MARKET PERFORM on a lower TP of RM1.76 (from RM1.82) on PBV of 0.69x (-1.5SD). However, we continue to favor UOADEV for its healthy balance sheet and attractive dividend yield of 7.5% given its strong net cash position of 83.0 sen/share.

FY20 CNP of RM306.1m came in below our expectation at 92% and consensus' at 86% due to a weaker-than-expected top-line which only came in at 72% of our estimate. However, impact to bottom-line was cushioned by higher-than-expected CNP margin of 36% (vs. our expectation of 28%) on lower effective tax rates (21.6% vs. ours of 25%). FY20 sales of RM384m also came in below at 73% of our FY20 target of RM520m, mainly contributed by Aster Green Residence (RM109.8m), Goodwood Residence (RM90.8m), United Point Residence (RM43.3m) and Sentul Point (RM46m). FY20 dividend of 15.0 sen is slightly above our estimate of 14.0 sen (107%) given a strong net cash position.

Results' highlights. YoY-Ytd, top-line was down by 24% due to lower recognitions, and the halt on construction activities during the MCO and CMCO periods. Revenue was driven by South Link Lifestyle Apartments, Sentul Point Suite Apartments, Goodwood Residence and Aster Green Residence. CNP was down by 16% with lower operating cost (-26%) resulting in slightly better CNP margin of 44% (vs. 43%). QoQ, 4Q20 top-line was down by 14% due to slower progressive recognitions. All in, CNP was down by 25% on a higher effective tax rate of 41% (vs. 14.8%) as certain expenses were not tax deductible. The Group maintains a strong net cash position of 83.0 sen per share (which includes cash and short-term investments).

Outlook. The Group has RM2.9b worth of projects currently under development and 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 are expected to contribute positively to FY21 sales. Upcoming future launches with GDV of RM440m are from Bandar Tun Razak Development and UOA Business Park (Phase II) on top of on-going projects and inventory clearing efforts. **Unbilled sales of RM312m provide <1-year visibility.**

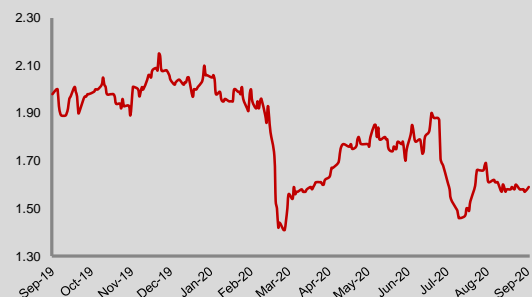
Lower FY21E CNP by 19% to RM284m (from RM350m) on lower FY21 sales of RM480m (from RM900m) as we believe new launches from Bandar Tun Razak and UOA Business Park (Phase II) would be delayed pending improving market sentiment. For now, FY21 will be driven by recognitions from Goodwood Residence, South Link, and Aster Green Residence while **we introduce a new FY22E CNP of RM307m** will include recognitions from Bandar Tun Razak and UOA Business Park (Phase II) on sales of RM600m.

Downgrade to MARKET PERFORM (from OP) on a lower TP of RM1.76 (from RM1.82). Our TP is lowered based on a lower BV/share of RM2.55 (from RM2.64) on an unchanged P/BV of 0.69x (-1.5SD) given the challenging operating environment faced by the property sector while we believe UOADEV will compromise on short-term earnings by delaying launches given its solid balance sheet. That said, we continue to like UOADEV for its attractive dividends of 8.6% in FY20A and 7.5% in FY21E which is far superior to MREITs' average of 5.1%.

MARKET PERFORM ↓

Price : RM1.74
Target Price : RM1.76 ↓

Share Price Performance



KLCI	1,557.55
YTD KLCI chg	-4.3%
YTD stock price chg	3.0%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	UOAD MK Equity
Market Cap (RM m)	3,695.4
Shares Outstanding	2,123.8
52-week range (H)	2.01
52-week range (L)	1.38
3-mth avg daily vol:	432,555
Free Float	10%
Beta	0.7

Major Shareholders

UOA Holdings Sdn Bhd	70.9%
Employees Provident Fund Board	10.1%
Edebastion Asian Equity Trust	2.7%

Summary Earnings Table

FYE Dec (RM m)	2020A	2021E	2022E
Turnover	845	858	938
EBIT	351	383	433
PBT	480	390	439
Net Profit (NP)	391	284	307
Core NP	306	284	307
Consensus (CNP)	n.a.	268	251
Earnings Revision	n.a.	-19%	n.a.
Core EPS (sen)	15.1	14.0	15.2
Core EPS growth (%)	-18	-7	8
NDPS (sen)	15.0	13.0	14.0
BV/Share (RM)	2.55	2.56	2.57
Core PER (x)	11.5	12.4	11.5
Price/BV (x)	0.7	0.7	0.7
Net Gearing (x)	N.Cash	N.Cash	N.Cash
Dividend Yield (%)	8.6	7.5	8.0

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OTHER POINTS

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

Result Highlight								
FYE: 31st Dec (RM m)	4Q20	3Q20	QoQ	4Q19	YoY	FY19	FY20	YoY-Ytd
Revenue	194.1	134.3	44%	227.0	-14%	1,104.5	844.6	-24%
Op costs w/o deprn/amort	(175.6)	(96.2)	82%	(214.3)	-18%	(898.3)	(663.4)	-26%
Other Op Income	47.3	47.5	-1%	70.4	-33%	274.2	190.8	-30%
EBIT	60.7	80.4	-24%	77.5	-22%	459.2	351.1	-24%
Net interest	3.8	3.7	4%	7.2	-47%	16.7	20.1	21%
Associate	0.0	0.0	n.a.	0.0	n.a.	0.0	0.0	n.a.
FV adjustment/ Other non-core	(5.2)	114.0	-105%	34.2	-115%	34.2	108.8	218%
Pretax profit	59.3	198.1	-70%	118.9	-50%	510.1	480.0	-6%
Taxation	(24.5)	13.7	78%	(17.6)	39%	(101.7)	(80.2)	-21%
Minority Interests	(0.1)	(2.9)	-97%	11.2	-101%	(8.9)	(8.6)	-4%
Net profit	34.8	208.9	-83%	112.6	-69%	399.5	391.1	-2%
Core net profit	58.3	95.0	-39%	77.7	-25%	364.6	306.1	-16%
EPS (sen)	1.7	10.3	-84%	5.7	-71%	21.1	18.2	-13%
DPS (sen)	15.0	0.0	n.m.	14.0	n.m.	14.0	15.0	7%
NTA/share (RM)	2.55	2.64		2.58		2.58	2.55	-1%
Net gearing/(cash) (x)	(0.32)	(0.22)		(0.18)		(0.18)	(0.32)	
EBIT margin	31.3%	59.9%		34.1%		41.6%	41.6%	
Pretax margin	30.6%	147.5%		52.4%		46.2%	56.8%	
Effective tax rate	-41.2%	6.9%		-14.8%		-19.9%	-21.6%	
<i>Pretax margin (ex FV)</i>	<i>33.3%</i>	<i>62.6%</i>		<i>37.3%</i>		<i>43.1%</i>	<i>43.9%</i>	

Source: Company, Kenanga Research

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Peer Comparison

Name	Last Price	Market Cap (RM'm)	Shariah Compliant	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)		Net Div.Yld. (%)	Target Price (RM)	Rating
	(RM)				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.			
PROPERTY DEVELOPERS UNDER COVERAGE																		
ECO WORLD DEVELOPMENT GROUP	0.495	1,457.5	Y	10/2021	15.7%	10.5%	2.2%	5.9%	6.2	6.2	5.5	0.3	0.3	5.1%	4.2%	0.490	MP	
IOI PROPERTIES GROUP BHD	1.35	7,433.3	Y	06/2021	-2.2%	-1.6%	10.3%	1.2%	12.1	10.9	10.7	0.4	0.4	3.7%	2.2%	1.32	MP	
MAH SING GROUP BHD	0.790	1,917.9	Y	12/2020	-21.5%	59.1%	-65.8%	365.0%	19.3	56.4	12.0	0.5	0.5	1.1%	0.6%	1.05	OP	
MALAYSIAN RESOURCES CORP BHD	0.405	1,786.9	Y	12/2020	-17.1%	8.9%	-80.6%	833.3%	N.A.	405.0	31.2	0.4	0.4	0.1%	0.1%	0.650	OP	
SIME DARBY PROPERTY BHD	0.595	4,046.5	Y	12/2020	-49.3%	6.6%	-89.9%	297.9%	5.7	56.1	14.2	0.4	0.4	0.8%	3.5%	0.540	UP	
SP SETIA BHD	0.910	3,691.6	Y	12/2020	-29.9%	15.3%	-93.0%	1553.4%	15.2	227.5	13.0	0.3	0.2	-2.4%	0.1%	0.680	UP	
SUNWAY BHD	1.49	7,284.5	Y	12/2020	-16.6%	32.8%	-43.5%	38.0%	11.5	20.3	14.7	0.8	0.8	3.7%	2.5%	1.54	MP	
UEM SUNRISE BHD	0.405	2,048.7	Y	12/2020	-55.1%	25.2%	-91.4%	219.9%	5.9	59.8	18.7	0.2	0.2	0.4%	0.0%	0.430	UP	
UOA DEVELOPMENT BHD	1.74	3,695.4	Y	12/2021	18.2%	11.8%	-7.3%	8.1%	11.5	12.4	11.5	0.7	0.7	7.0%	7.5%	1.76	MP	
Simple Average					-17.5%	18.7%	-51.0%	369.2%	10.9	95.0	14.6	0.4	0.4	2.2%	2.3%			

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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