

29 November 2021

UOA Development Bhd

9MFY21 Within Expectations

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9MFY21 CNP of RM124m came within our expectation but below consensus which may had been overly optimistic given the low unbilled sales of RM134m to be carried into 4QFY21. 9MFY21 sales of RM235m are considered below our RM350m target as RM1.05b launches slated for 4QFY21 is now deferred to FY22. Consequently, we reduce FY21E sales to RM300m but increase FY22E target by an equivalent amount to RM650m (from RM600m). Earnings are maintained. Downgrade to MP with unchanged TP of RM1.76 given the rise in share price recently.

Within our but below consensus expectation. 3QFY21 CNP of RM33m brought 9MFY21 CNP to RM124m, accounting for 82%/66% of our/consensus estimates, respectively. We deem this within our expectation but below consensus' as we do not anticipate 4QFY21 earnings to come in strong on low unbilled sales of RM134m – of which only c.RM15-20m will be recognised for the last quarter of the year. The group is under such circumstance due to the absence of launches since FY20. No dividends as the group only declare dividends in the fourth quarter.

3QFY21 sales of RM37.6m led 9MFY21 sales to RM235m, accounting for 67% of our RM350m target. We deem this slightly below our target as previously planned launches of RM1.05b from three developments slated for 4QFY21 would be deferred to FY22. These launches include: (i) Desa 3 landed properties (GDV of RM18m), (ii) Laurel Residence at Bangsar South (GDV of RM550m), and (iii) Sri Petaling Phase 2 (GDV of RM480m; located beside Aster Green). That said, management indicates that should Laurel Residence gets its APDL (Advertising Permit and Developers License) in time, the launch will happen in Dec 2021. Consequent to the deferred launches, we lower our FY21E sales target by RM50m to RM300m but increase our FY22E target by an equivalent amount to RM650m (from RM600m previously)

Note, these new planned launches of RM1.05b will only have greater earnings impact starting late-FY22 once construction works enter more advanced stage.

Results' highlights. YoY, 9MFY21 CNP decreased 49% mainly due to: (i) lower revenue (-37%) as a result of the less ongoing projects from the absence of launches in FY20, and (ii) lower other income (-18%). Other income came off due to lower rental income since the disposal of UOA Corp Tower (in 3QFY20) and on weaker contributions from its hospitality division impacted by Covid-19. QoQ, 3QFY21 CNP of RM33.1m declined 39% on a lower revenue (-75%) as there were only two ongoing jobs in the quarter vs. four ongoing jobs in 2QFY21 due to the completion of two projects then (i.e. Sentul Pt and South Link Residences). Note, despite the lower revenue, 3QFY21 GP margin increased 42ppt to 77% due to cost write-backs upon accounts finalisation from its two recently completed projects

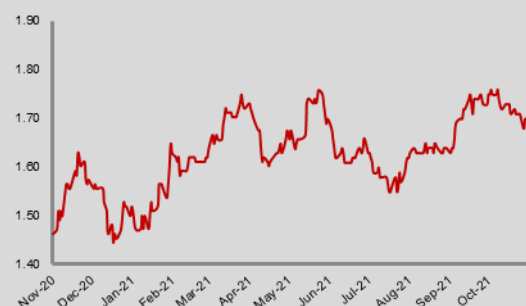
Keep FY21E/FY22E CNP at RM151m/RM185m backed by sales of RM300m/RM650m.

Downgrade to Market Perform (from OP) with unchanged TP of RM1.76 pegged to FY22E 0.7x PBV given the rise in share price recently. Due to the overall uncertainties, the group continues to remain cautious, compromising on short-term earnings by holding out on launches backed by their high cash reserves of RM1.94b (or RM0.85/share).

MARKET PERFORM ↓

Price : RM1.70
Target Price : RM1.76 ↔

Share Price Performance



KLCI	1,512.22
YTD KLCI chg	-7.1%
YTD stock price chg	1.2%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	UOAD MK Equity
Market Cap (RM m)	3,955.0
Shares Outstanding	2,326.5
52-week range (H)	1.91
52-week range (L)	1.54
3-mth avg daily vol:	348,246
Free Float	11%
Beta	0.8

Major Shareholders

UOA Holdings Sdn Bhd	71.4%
Employees Provident	10.4%
Amanah Saham Nasional	3.6%

Summary Earnings Table

FYE Dec (RM m)	2020A	2021E	2022E
Turnover	845	452	495
EBIT	351	162	233
PBT	480	215	265
Net Profit (NP)	391	151	185
Core NP	306	151	185
Consensus (CNP)	n.a.	188	204
Earnings Revision	n.a.	0%	0%
Core EPS (sen)	15.1	7.5	9.2
Core EPS growth (%)	-18%	-51%	22%
NDPS (sen)	15.0	10.0	10.0
BV/Share (RM)	2.55	2.53	2.52
Core PER (x)	10.7	21.7	17.7
Price/BV (x)	0.6	0.7	0.7
Net Gearing (x)	(0.1)	(0.2)	(0.1)
Dividend Yield (%)	9.3%	8.0%	8.6%

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 Dec (RM m)	3Q21	2Q21	QoQ	3Q20	YoY	9M21	9M20	YoY
Revenue	54.6	216.3	-75%	134.3	-59%	411.0	650.5	-37%
COGS	-12.6	-140.6	-91%	-52.2	-76%	-243.7	-361.5	-33%
GP	41.9	75.7	-45%	82.1	-49%	167.3	289.0	-42%
FV adjustments on investment properties	0.0	0.0	n.a.	114.0	-100%	0.0	114.0	-100%
Other income	39.5	39.0	1%	47.5	-17%	117.2	143.6	-18%
Impairment (losses)/reversal of financial assets	-1.8	-1.9	-7%	-0.2	872%	-4.8	-0.1	4575%
Admin and general expenses	-30.3	-27.8	9%	-34.0	-11%	-87.8	-103.8	-15%
Other expenses	-10.7	-11.6	-8%	-15.0	-29%	-32.7	-38.4	-15%
EBIT	38.7	73.4	-47%	194.4	-80%	159.1	404.3	-61%
Finance income	8.4	7.1	19%	3.9	116%	21.6	17.3	25%
Finance costs	0.0	-0.1	-22%	-0.2	-82%	-0.1	-1.0	-86%
PBT	47.1	80.4	-41%	198.1	-76%	180.6	420.6	-57%
Taxation	-12.8	-24.5	-48%	13.7	-193%	-52.7	-55.8	-6%
PAT	34.3	55.9	-39%	211.8	-84%	127.9	364.9	-65%
MI	1.2	1.5	-23%	2.9	-59%	4.3	8.5	-49%
PATAMI	33.1	54.3	-39%	208.9	-84%	123.6	356.3	-65%
Exceptional	0.0	0.0	n.a.	-113.9	n.a.	0.0	-114.0	n.a.
CNP	33.1	54.3	-39%	95.0	-65%	123.6	242.3	-49%
DPS (sen)	0.0	0.0	n.a.	0.0	n.a.	0.0	0.0	n.a.
Net Gearing	-0.35	-0.37		-0.22		-0.35	-0.22	
GP margin	77%	35%		61%		41%	44%	
EBIT margin	71%	34%		145%		39%	62%	
Pretax margin	86%	37%		147%		44%	65%	
PAT margins	63%	26%		158%		31%	56%	
CNP margin	61%	25%		71%		30%	37%	
Effective tax	-27%	-30%		7%		-29%	-13%	

Source: Company, Kenanga Research

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Peer Comparison

Name	Last Price (RM)	Market Cap (RM'm)	Shariah Compliant	Current FYE	PER (x) - Core Earnings			PBV (x)		ROE (%)		Net Div Yld (%)	Target Price	Rating
					Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.			
<u>STOCKS UNDER COVERAGE</u>														
ECO WORLD DEVELOPMENT GROUP	0.855	2,517.4	Y	10/2021	10.7	10.7	9.5	0.5	0.5	3.7%	2.5%	0.850	MP	
IOI PROPERTIES GROUP BHD	1.10	6,056.8	Y	06/2022	9.6	9.5	8.5	0.3	0.3	3.4%	2.5%	1.32	OP	
MAH SING GROUP BHD	0.735	1,784.4	Y	12/2021	52.5	15.3	11.1	0.5	0.5	3.9%	4.1%	0.850	MP	
MALAYSIAN RESOURCES CORP BHD	0.350	1,563.6	Y	12/2021	N.A.	N.A.	58.3	0.3	0.3	-1.6%	2.9%	0.345	MP	
SIME DARBY PROPERTY BHD	0.650	4,420.5	Y	12/2021	31.0	28.3	12.7	0.5	0.5	1.7%	2.0%	0.735	MP	
SP SETIA BHD	1.30	5,288.4	Y	12/2021	144.4	41.9	10.4	0.4	0.4	0.9%	2.9%	1.19	UP	
SUNWAY BHD	1.68	8,213.6	Y	12/2021	27.1	34.3	20.7	0.9	0.8	3.0%	1.2%	2.05	OP	
UEM SUNRISE BHD	0.315	1,593.4	Y	12/2021	N.A.	N.A.	30.3	0.2	0.2	-0.9%	0.0%	0.400	OP	
UOA DEVELOPMENT BHD	1.70	3,955.0	Y	12/2021	11.3	12.1	11.3	0.7	0.7	3.0%	7.6%	1.76	MP	
Simple Average					41.0	21.7	19.2	0.5	0.5	1.9%	2.9%			

Source: Bloomberg, 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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