

23 May 2023

UOA Development

A Slow Start, Momentum to Pick Up

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UOADEV's 1QFY23 results met expectations. While its sales were off to a slow start, the momentum is expected to pick up over the course of the year backed by a strong launch pipeline of >RM1.0b. Meanwhile, its rental and hospitality incomes from its investment properties are poised for further improvement as life returns to normalcy. We maintain our forecasts, TP of RM1.75 and MARKET PERFORM call.

Within expectations. 1QFY23 core net profit of RM46m met expectations, accounting for 21% each of both our full-year forecast and the full-year consensus estimate.

As life returned to normalcy, 1QFY23 core net profit rose 83% YoY on better revenue (+56%) from higher progressive billings and higher other income (+46%) from rental and hospitality earnings derived from its investment properties.

Despite 1QFY23 property sales of RM124m that only made up 18% of our full-year assumption of RM700m, we deem it inline as UOADEV has lined up >RM1.0b worth of property launches in FY23 which should boost its sales during the remaining quarters.

YTD, it has launched the first block of Aster Hill (Sri Petaling) with a GDV of RM240m in Feb 2023. For the rest of the year, it intends to launch (i) the second block of Aster Hill (RM240m GDV), (ii) Vertical Offices in Bangsar South (RM1.3b GDV; whereby c.RM430m would be for sale and the rest kept as investment properties), (iii) Desa 3 Semi-Ds (RM18m GDV), and (iv) Bamboo Hills high-rise (GDV to be confirmed). As at 1QFY23, its unbilled sales stood at RM226m from Laurel Residence and Aster Hill.

We maintain our forecasts for FY23 and FY24, backed by unchanged sales assumptions of RM700m and RM850m, respectively.

Similarly, we maintain our TP of RM1.75 based on 55% discount to RNAV, lower than the 60%-65% discount ascribed on peers to reflect UOADEV's land banks in matured locations making them highly monetizable. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 4).

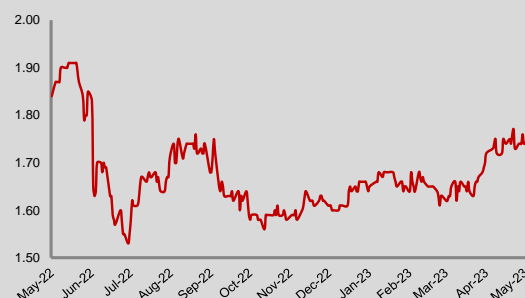
We like UOADEV for: (i) its strategy to focus on mid-priced residential products amidst a soft property market, (ii) the highly sought-after addresses of its land banks in urban locations, (iii) the recovery of its hotel and MICE operations, and (iv) a strong war chest (net cash of RM2.2b) for opportunistic M&As and land acquisitions. However, owing to the lack of launches over the pandemic, its unbilled sales has come off substantially to a low of RM226m (vs. pre-pandemic levels of >RM1b). Maintain **MARKET PERFORM**.

Risks to our call include: (i) a prolonged slowdown in the property, hospitality and MICE sectors, (ii) rising mortgage rates eroding affordability, and (iii) changes to urban development policies in the Klang Valley.

MARKET PERFORM ↔

Price : **RM1.75**
Target Price : **RM1.75** ↔

Share Price Performance



KLCI 1,419.00
YTD KLCI chg -5.1%
YTD stock price chg 8.7%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	UOAD MK Equity
Market Cap (RM m)	4,213.0
Shares Outstanding	2,407.4
52-week range (H)	1.92
52-week range (L)	1.52
3-mth avg daily vol:	148,888
Free Float	11%
Beta	0.7

Major Shareholders

UOA Holdings Sdn Bhd	72.1%
Employees Provident Fund	10.3%
Amanah Saham Nasional	4.0%

Summary Earnings Table

FYE Dec (RM m)	2022A	2023F	2024F
Turnover	452	608	610
EBIT	257	255	282
PBT	287	283	312
Net Profit (NP)	220	215	237
Core NP	221	215	237
Consensus (CNP)	-	214	230
Earnings Revision	-	-	-
Core EPS (sen)	9.51	9.25	9.85
Core EPS growth (%)	13	-3	6
NDPS (sen)	10.0	10.0	10.0
BV/Share (RM)	2.42	2.41	2.33
Core PER (x)	18.4	18.9	17.8
Price/BV (x)	0.7	0.7	0.8
Net Gearing (x)	(0.3)	(0.3)	(0.3)
Dividend Yield (%)	5.7	5.7	5.7



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Result Highlight									
FYE Dec (RM m)	1Q23	4Q22	QoQ	1Q22	YoY	1Q23	1Q22	YoY	
Revenue	85.2	112.5	-24%	54.6	56%	85.2	54.6	56%	
COGS	-47.1	-63.8	-26%	-31.2	51%	-47.1	-31.2	51%	
GP	38.1	48.7	-22%	23.4	63%	38.1	23.4	63%	
FV adjustments on investment properties	0.0	-4.2	n.a.	0.0	n.a.	0.0	0.0	n.a.	
Other income	74.6	74.1	1%	51.1	46%	74.6	51.1	46%	
Impairment (losses)/reversal of financial assets	0.9	-0.4	n.a.	0.5	81%	0.9	0.5	81%	
Admin and general expenses	-47.6	-38.7	23%	-31.7	50%	-47.6	-31.7	50%	
Other expenses	-18.9	-15.1	25%	-10.7	76%	-18.9	-10.7	76%	
EBIT	47.2	64.3	-27%	32.6	45%	47.2	32.6	45%	
Finance income	10.2	9.6	6%	5.6	81%	10.2	5.6	81%	
Finance costs	0.0	0.0	3%	0.0	3%	0.0	0.0	3%	
PBT	57.4	73.8	-22%	38.2	50%	57.4	38.2	50%	
Taxation	-10.2	-22.9	-55%	-10.9	-6%	-10.2	-10.9	-6%	
PAT	47.2	51.0	-7%	27.3	73%	47.2	27.3	73%	
MI	1.1	-2.1	n.a.	1.9	-44%	1.1	1.9	-44%	
PATAMI	46.1	53.1	-13%	25.4	82%	46.1	25.4	82%	
Exceptional	-0.5	4.7	-111%	-0.5	-4%	-0.5	-0.5	-4%	
CNP	45.6	57.7	-21%	24.9	83%	45.6	24.9	83%	
DPS (sen)	0.0	10.0	-100%	0.0	n.a.	0.0	0.0	n.a.	
Net Gearing	-0.38	-0.38		-0.32		-0.38	-0.32		
GP margin	45%	43%		43%		45%	43%		
EBIT margin	55%	57%		60%		55%	60%		
Pretax margin	67%	66%		70%		67%	70%		
PAT margins	55%	45%		50%		55%	50%		
CNP margin	54%	51%		46%		54%	46%		
Effective tax	-18%	-31%		-29%		-18%	-29%		

Source: Company, Kenanga Research

UOADEV's RNAV			
Project	Remaining Land Bank (acres)	Outstanding GDV (RM m)	NPV of profits (RM m)
Jalan Ipoh	27	6,000	763
UOA Business Park (Phase 2)	n.a.	140	16
Bangsar South Land (Commercial)	n.a.	2,300	266
Bangsar South Land (Residential)	n.a.	1,850	214
Land Around Bangsar South	n.a.	900	104
Cyberjaya Land	n.a.	265	31
Desa 3	n.a.	18	4
Laurel Residence	n.a.	550	105
Sri Petaling Ph2	n.a.	480	92
	27	11,473	1,595
Unbilled Sales (as of FY22)		200	20
Property development net assets (FY22)			4,196.6
Property development RNAV			5,811.3
Discount to RNAV (%)			55
Discounted RNAV			2,615.1
Property Investment	0.9x NAV	1,608	1,447.4
Total SoP			4,062.5
Number of shares (m)			2326
RNAV/share (RM)			1.75
BV/share (1 yrFwd) (RM)			2.40
EPS (1yr Fwd) (RM)			0.08
ROE (%)			3.3
Implied PBV (x)			0.73

Source: Company, Kenanga Research

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Peer Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside (%)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Core EPS (sen)		Core Earnings Growth		PER (x) - Core Earnings		PBV (x) 1-Yr. Fwd.	ROE (%) 1-Yr. Fwd.	Net Div. (sen) 1-Yr. Fwd.	Net Div. Yld. (%) 1-Yr. Fwd.
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.				
ECO WORLD DEVELOPMENT GROUP	OP	0.735	0.830	12.93%	2,164.1	Y	10/2023	8.3	8.4	2.1%	1.5%	9.2	8.2	0.5	5.0%	5.0	6.8%
IOI PROPERTIES GROUP BHD	OP	1.14	1.60	40.35%	6,277.0	N	06/2023	13.5	14.3	4.2%	5.9%	8.4	8.0	0.3	4.0%	3.0	2.6%
MAH SING GROUP BHD	OP	0.595	0.700	17.65%	1,444.5	Y	12/2023	6.6	7.0	1.9%	6.9%	9.0	8.5	0.4	4.6%	4.0	6.7%
SIME DARBY PROPERTY BHD	OP	0.455	0.550	20.88%	3,094.4	Y	12/2023	4.1	4.6	-16.5%	11.3%	11.0	9.9	0.3	3.0%	2.0	2.9%
SP SETIA BHD	UP	0.545	0.380	-30.28%	2,223.7	Y	12/2023	2.9	2.0	15.5%	-31.9%	18.8	27.3	0.2	1.8%	1.5	7.0%
UOA DEVELOPMENT BHD	MP	1.75	1.75	0.00%	4,213.0	Y	12/2023	10.6	11.7	-2.7%	10.2%	12.5	11.7	0.7	4.5%	10.0	7.4%
Simple Average					28,580.5					-1.2%	5.6%	15.9	15.1	0.4	3.7%		4.8%

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating		
GENERAL	Earnings Sustainability & Quality	★	★	★
	Corporate Social Responsibility	★	★	★
	Management/Workforce Diversity	★	★	
	Accessibility & Transparency	★	★	☆
	Corruption-Free Pledge	★	★	☆
	Carbon-Neutral Initiatives	★	★	
SPECIFIC	Digital Transformation	★	★	☆
	Adoption of Green Financing	★	★	☆
	Waste Management	★	★	☆
	Flora and Fauna Preservation	★	★	★
	Green Building Planning	★	★	★
	Supply Chain Auditing	★	★	☆
OVERALL		★	★	★

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

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 by:

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