

27 August 2019

UOA Development Bhd

1H19 Well Within Expectations

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1H19 CNP of RM185m came in within expectations, at 53% and 50% of ours and consensus, respectively. 1H19 sales of RM318m are also deemed broadly in-line as sales and launches are usually back loaded to 2H. 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.

Within expectations. 1H19 CNP of RM185m is well within our and consensus expectations at 53% and 50%, respectively. Meanwhile, 1H19 sales of RM318m are also deemed broadly within our full-year estimate of RM1.32b (24%) due to timing of the bulk of their new launches, which will commence in 2H19. 1H19 sales were driven by South Link Lifestyle Apartments, Sentul Point Suite Apartments, Desa Green and United Point Residence. No dividends, as expected.

Results' highlights. QoQ, CNP more than doubled (+109%) as top-line grew by 41% on higher contributions from Sentul Point Suite Apartments and United Point Residence, which basically trickled straight to bottom-line. YoY-Ytd, top-line was up by 23% on recognitions from United Point Residence, Sentul Point Suite Apartments, and South Link Lifestyle Apartments, while increased finance income (+13%) and a marginally lower effective tax rate (-0.8ppt), resulted in CNP increasing by 23%. The group remain in a strong net cash position.

Outlook. Upcoming new launches worth GDV of RM1.29b are; (i) Goodwood Residence@ Bangsar South (GDV RM600m) which received APDL in May, with a targeted launch by 3Q19, (ii) Aspen Green Residence @ Sri Petaling (GDV of RM1b but will only be launching RM250m worth this year) which has not yet received APDL with targeted launch in 2H19, (iii) Bandar Tun Razak, Cheras (GDV RM300m) which has started construction and may be operator-run, 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.

Maintain CNP of RM348-351m in FY19-20. Unbilled sales of RM1.17b provide slightly more than 1-year 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. Our 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 considering the challenging property 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. Even though the Group has more defensive attributes than other developers, it 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 (with net yield of 4.9%).

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

MARKET PERFORM ↔

Price : **RM2.06**
Target Price : **RM2.15** ↔

Share Price Performance



KLCI 1,600.53
YTD KLCI chg -5.3%
YTD stock price chg -2.8%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	UOAD MK EQUITY
Market Cap (RM m)	4,050.0
Shares Outstanding	1,966.0
52-week range (H)	2.45
52-week range (L)	1.84
3-mth avg daily vol:	507,410
Free Float	19%
Beta	0.8

Major Shareholders

UOA Holdings Sdn Bhd	70.1%
Employees Provident Fund Board	7.8%
Edgbaston Asian Equity Trust	3.1%

Summary Earnings Table

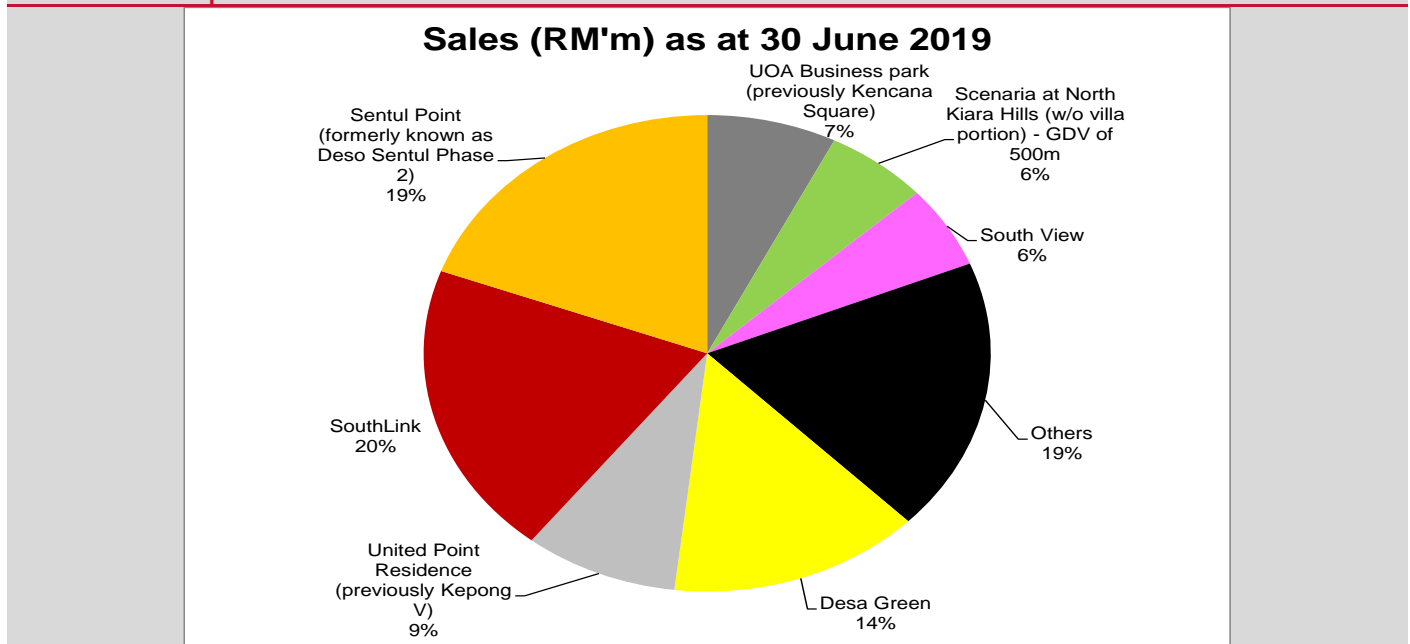
FYE Dec (RM m)	2018A	2019E	2020E
Turnover	1,264	1,271	1,265
EBIT	502	498	492
PBT	506	490	483
Net Profit (NP)	379	348	351
Core NP	333	348	351
Consensus (CNP)	N.A.	369.8	391.2
Earnings Revision	N.A.	0%	0%
Core EPS (sen)	18.1	18.9	19.0
Core EPS growth (%)	-17%	4%	1%
NDPS (sen)	14.0	14.0	14.0
BV/Share (RM)	2.54	2.59	2.64
Core PER (x)	11.4	10.9	10.8
Price/BV (x)	0.8	0.8	0.8
Net Gearing (x)	N.Cash	N.Cash	N.Cash
Dividend Yield (%)	6.8%	6.8%	6.8%



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OTHER POINTS

1H19 Sales Composition



Source: Company, Kenanga Research

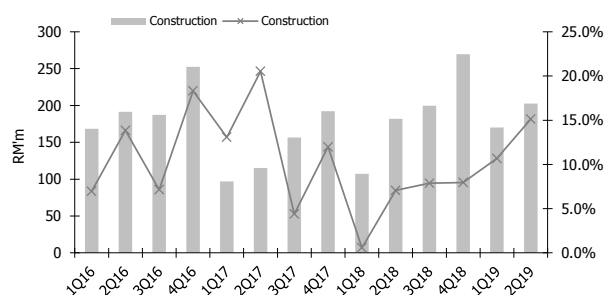
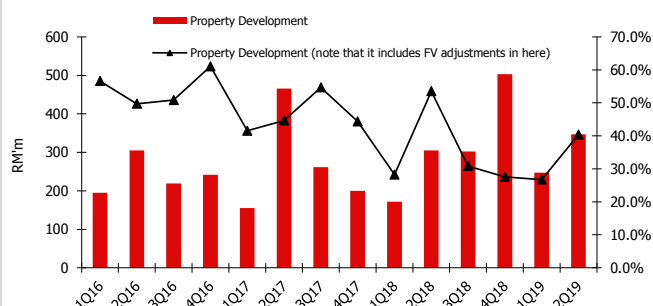
Result Highlight

FYE: 31st Dec (RMm)	4Q18	1Q19	2Q19	QoQ	YoY	1H18	1H19	YoY-Ytd
Revenue	486.4	244.7	344.3	41%	13%	476.9	589.0	23%
Op costs w/o depn/amort	(377.6)	(217.4)	(233.3)	7%	33%	(353.1)	(450.6)	28%
Other Op Income	62.7	58.5	62.3	7%	20%	107.3	120.8	13%
EBITDA	171.5	85.8	173.4	102%	-4%	231.2	259.2	12%
EBIT	166.2	80.6	168.2	109%	-4%	224.1	248.8	11%
Net interest	(1.2)	3.1	1.4	-56%	-7%	(4.1)	4.5	11%
Associate	0.0	0.0	0.0	n.a.	n.a.	0.0	0.0	n.a.
FV adjustment/ Other non-core	10.5	0.0	0.0	n.a.	n.a.	0.0	0.0	n.a.
Pretax profit	175.5	83.7	169.6	103%	-3%	220.1	253.3	15%
Taxation	(24.8)	(21.2)	(40.8)	93%	-7%	(55.7)	(62.0)	11%
Minority Interests	(14.3)	(2.7)	(3.7)	37%	-70%	(14.1)	(6.4)	-54%
Net profit	136.4	59.9	125.1	109%	6%	150.3	184.9	23%
Core net profit	90.5	59.9	125.1	109%	6%	150.3	184.9	23%
EPS (sen)	7.4	3.3	6.8	110%	0%	8.7	10.1	16%
DPS (sen)	14.0	0.0	0.0			0.0	0.0	
NTA/share (RM)	2.54	2.57	2.50			2.43	2.50	
Net gearing/(cash) (x)	(0.11)	(0.13)	(0.17)			(0.06)	(0.17)	
EBIT Margin	34.2%	32.9%	48.9%			47.0%	42.2%	
Pretax margin	36.1%	34.2%	49.3%			46.1%	43.0%	
Effective tax rate	-14.1%	-25.3%	-24.1%			-25.3%	-24.5%	

Source: Company, Kenanga Research

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Segment Trends



Source: Company, Kenanga Research

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
Future Projects	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

Shareholder's Funds (at 31/12/16)

RNAV

RNAV per share (RM)

No of paid-up shares ('m)

Applied Discount

Target Price (RM)*

*TP has been rounded-up

3,197

3813.1

7,010

MYR 4.31

1,632

-50%

MYR 2.15

Source: 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																		
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	0.715	2,105.2	Y	10/2019	-4.4%	-18.3%	9.5%	18.8%	12.7	11.6	9.8	0.5	0.5	4.8%	1.3%	1.15	OP	
HUA YANG BHD	0.325	114.4	Y	03/2020	-11.0%	-1.2%	153.2%	-11.8%	N.A.	13.9	15.8	0.2	0.2	1.4%	0.0%	0.335	UP	
IOI PROPERTIES GROUP BHD	1.22	6,717.5	Y	06/2019	-15.0%	-6.0%	2.2%	-5.3%	10.2	9.9	10.5	0.4	0.4	3.6%	4.1%	1.65	OP	
LBS BINA GROUP BHD	0.540	842.2	Y	12/2019	31.3%	0.9%	7.9%	-7.2%	9.9	9.2	9.9	0.6	0.5	6.6%	3.3%	0.495	MP	
MAGNA PRIMA BHD	1.15	382.5	Y	12/2019	-5.6%	28.8%	-572.6%	-139.5%	N.A.	N.A.	N.A.	0.7	0.7	-2.0%	0.0%	0.710	UP	
MAH SING GROUP BHD	0.870	2,112.1	Y	12/2019	4.5%	7.0%	-4.3%	-0.3%	12.9	13.4	13.5	0.6	0.6	5.2%	4.6%	1.05	OP	
MALAYSIAN RESOURCES CORP BHD	0.740	3,264.9	Y	12/2019	-41.9%	70.5%	-95.3%	2791.2%	40.7	869.8	30.1	0.7	0.7	1.2%	0.0%	0.700	UP	
SIME DARBY PROPERTY BHD	0.830	5,644.7	Y	12/2019	13.6%	12.5%	1.5%	9.7%	15.4	15.2	13.8	0.6	0.6	3.9%	2.6%	1.10	MP	
SP SETIA BHD	1.59	6,427.5	Y	12/2019	5.5%	24.3%	27.2%	46.0%	29.2	23.0	15.7	0.4	0.4	1.9%	4.4%	1.85	MP	
SUNSURIA BHD	0.745	667.5	Y	09/2019	-18.5%	7.4%	-19.3%	4.4%	5.0	6.2	5.9	0.7	0.7	12.2%	0.0%	0.760	OP	
SUNWAY BHD	1.62	7,900.0	Y	12/2019	-2.7%	12.5%	-8.5%	10.6%	13.5	14.8	13.4	0.9	0.9	6.3%	3.6%	1.60	MP	
UEM SUNRISE BHD	0.690	3,130.8	Y	12/2019	37.0%	-14.3%	5.9%	-18.1%	9.6	9.1	11.1	0.5	0.5	4.8%	1.4%	0.835	MP	
UOA DEVELOPMENT BHD	2.06	4,050.0	Y	12/2019	0.6%	-0.4%	4.4%	0.8%	11.4	10.9	10.8	0.8	0.8	7.4%	6.8%	2.15	MP	
Simple Average					-0.5%	9.1%	-39.1%	194.2%	15.8	84.7	15.3	0.6	0.6	4.1%	2.3%			
*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	0.370	288.1	Y	04/2020	12.9%	38.7%	25.7%	90.1%	21.2	16.8	8.9	0.3	N.A.	1.6%	2.4%	0.405	N.A	
MATRIX CONCEPTS HOLDINGS BHD	1.91	1,502.8	Y	03/2020	3.0%	9.6%	3.8%	9.3%	6.9	6.6	6.1	1.1	1.1	16.3%	6.8%	2.36	BUY	
PARAMOUNT CORP BHD	1.31	794.8	Y	12/2019	-1.4%	8.4%	2.4%	5.3%	8.7	8.5	8.0	0.7	N.A.	7.2%	4.9%	1.83	BUY	
TAMBUN INDAH LAND BHD	0.765	331.6	Y	12/2019	-11.1%	4.0%	-21.2%	1.9%	6.0	7.6	7.5	0.5	0.5	6.7%	5.9%	0.863	BUY	
TITIJAYA LAND BHD	0.295	373.9	Y	06/2019	-14.3%	13.9%	-36.3%	19.5%	5.2	8.1	6.8	0.3	0.3	3.5%	43.4%	0.310	BUY	
YONG TAI BHD	0.235	127.5	Y	06/2019	28.1%	108.6%	-238.6%	281.2%	8.2	N.A.	16.7	0.3	0.3	-4.5%	0.0%	0.343	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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