Results Note Outthink. Outperform.

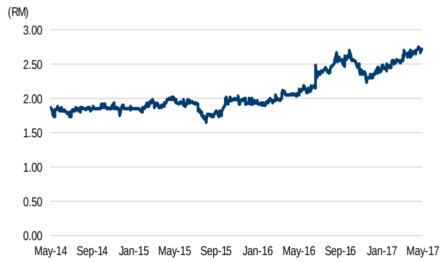
UOA Development

UOAD MK
Sector: Property

RM2.73 @ 22 May 2017

BUY (maintain)
Upside 8.1%

Price Target: RM2.95
Previous Target: RM2.95



Below expectations

UOA's results came in below consensus and our expectations. Net profit fell 55% yoy to RM43.4m in 1Q17 due to lower-than-expected revenue recognition and higher operating expenses. We trim our EPS forecasts by 1-3% in FY17-19E to reflect slower revenue recognition of RM1.52bn unbilled sales, mainly from ongoing projects such as Sentul Point and United Point. We maintain our BUY call with an unchanged TP of RM2.95, based on 30% discount to RNAV. Net dividend yield of 5.5% is attractive, supported by net cash of RM0.39/share.

Below expectations

Net profit of RM43.4m achieved in 1Q17 (-55% yoy) was below consensus and our expectations, comprising 11% of full-year consensus and our forecasts of RM383-384m. Revenue declined 23% yoy and 43% qoq to RM155m in 1Q17 (1Q16: RM201m) due to lower-than-expected revenue recognition and several project completions in 4Q16. EBIT margin fell by 11.3ppt to 44.2% yoy in 1Q17 compared to 55.6% in 1Q16 due to higher operating expenses. PBT declined by 85% qoq to RM71.5m (4Q16: RM476.7m) due to the absence of RM345m fair value gain on investment properties in 4Q16.

Higher new property sales and unbilled sales

New property sales of RM303m in 1Q17 was 79% higher than 1Q16 sales of RM70m. The new sales mainly came from its Sentul Point and United Point residential projects with cumulative take-up rates of 66% and 74% respectively. We expect higher earnings contribution from these two projects with a total gross development value (GDV) of RM3bn. Unbilled sales increased by 8% to RM1.52bn in 1Q17 from RM1.46bn in 4Q16. Inventory currently stands at RM216m with launch GDV of RM350-400m.

Maintain BUY with TP RM2.95 with slightly adjusted earnings

We adjust our EPS forecasts down by 1-3% in FY17-19E to reflect lower revenue recognition of RM1.52bn unbilled sales. Progress billings for ongoing projects such as Sentul Point and United Point is slow since completion rate is only 20% currently. We continue to like UOA for its strong management, good product branding and strong net cash position (RM0.39/share). Maintain BUY. Risk to our view is a prolonged downturn for the Klang Valley property market.

Earnings & Valuation Summary

FYE 31 Dec	2015	2016	2017E	2018E	2019E
Revenue (RMm)	1,643.2	996.2	1,296.2	1,378.8	1,550.0
EBITDA (RMm)	597.4	507.3	527.0	541.3	685.5
Pretax profit (RMm)	645.3	929.4	547.9	560.1	706.1
Net profit (RMm)	417.0	676.7	381.5	417.3	536.6
EPS (sen)	28.3	43.1	23.4	25.6	32.9
PER (x)	9.6	6.3	11.7	10.7	8.3
Core net profit (RMm)	399.5	374.7	381.5	417.3	536.6
Core EPS (sen)	27.1	23.0	23.4	25.6	32.9
Core EPS growth (%)	35.4	(15.4)	1.8	9.4	28.6
Core PER (x)	10.1	11.9	11.7	10.7	8.3
Net DPS (sen)	15.0	15.0	15.0	16.0	16.0
Dividend Yield (%)	5.5	5.5	5.5	5.9	5.9
EV/EBITDA (x)	5.4	7.5	6.7	6.4	5.0
Chg in EPS (%)			(0.6)	(3.3)	(2.6)
Affin/Consensus (x)			1.0	1.0	1.1

Source: Company, Affin Hwang estimates, Bloomberg

Price Performance

	1M	3M	12M
Absolute	+4.2%	+7.1%	+24.1%
Rel to KLCI	+3.1%	+3.0%	+13.9%

Stock Data

Issued shares (m)	1,631.3
Mkt cap (RMm)/(US$m)	4453.5/1033.2
Avg daily vol - 6mth (m)	1.1
52-wk range (RM)	2.07-2.77
Est free float	23.6%
BV per share (RM)	2.34
P/BV (x)	1.17
Net cash/ (debt) (RMm) (1Q17)	649.1
ROE (2017F)	9.9%
Derivatives	Nil
Shariah Compliant	Yes

Key Shareholders

UOA Holdings Sdn Bhd	69.1 %
Skim Amanah Saham	3.1%
Edgbaston Asian	3.0%

Source: Affin Hwang, Bloomberg

Loong Chee Wei CFA
(603) 2146 7548
cheewei.loong@affinhwang.com

Cassandra Ooi
(603) 2146 7481
cassandra.ooi@affinhwang.com

New property launches planned in 2017

UOA has planned new project launches worth RM690m in FY17, comprising Desa Commercial Center, Taman Desa, Bandar Tun Razak Development, Cheras, and affordable homes in Selayang. This should sustain its sales in FY17.

Fig 1: Results Comparison

FYE 31 Dec (RMm)	1Q16	4Q16	1Q17	QoQ % chg	YoY % chg	Comments
Revenue	**201.2**	**270.6**	**155.1**	**(42.7)**	**(22.9)**	Lower-than-expected revenue recognition and no project completion this quarter
Op costs	85.0	139.6	81.2	41.8	4.5	
EBITDA	**116.2**	**131.1**	**73.9**	**(43.6)**	**(36.4)**	
EBITDA margin (%)	*57.7*	*48.4*	*47.6*	*(0.8)*	*(10.1)*	
Depn and amort	(4.3)	(6.6)	(5.3)	(20.2)	21.2	
EBIT	**111.8**	**124.5**	**68.6**	**(44.9)**	**(38.6)**	
EBIT margin (%)	*55.6*	*46.0*	*44.2*	*(1.7)*	*(11.3)*	*Higher operating expenses*
Int expense	(1.8)	(1.3)	(1.1)	(10.9)	(38.6)	
Int income	4.5	7.9	3.2	(58.7)	(28.1)	
Associates	17.1	0.6	0.5	(18.5)	(97.1)	
EI	0.0	345.0	0.3	(99.9)	NA	
Pretax profit	**131.6**	**476.7**	**71.5**	**(85.0)**	**(45.6)**	Fair value gain for investment properties
Tax	(32.4)	(122.8)	(19.2)	(84.4)	(40.9)	
Tax rate (%)	*24.6*	*25.8*	*26.8*	*1.0*	*2.2*	
MI	(3.1)	(7.9)	(9.0)	14.1	191.9	
Net profit	**96.1**	**346.0**	**43.4**	**(87.5)**	**(54.9)**	
EPS (sen)	6.3	21.2	2.7	(87.5)	(57.9)	
Core net profit	**96.1**	**92.7**	**43.1**	**(53.5)**	**(55.2)**	

Source: Company, Affin Hwang estimates

Fig 2: RNAV and target price

Project type	GDV (RM bn)	NPV (RMm)
Commercial development	4.4	777
Residential development	3.9	674
Mixed development	12.1	3,265
Investment properties	-	1,477
Total	**20.5**	**6,194**
Net cash/(debt)		671
RNAV		**6,865**
Number of shares		1,631
RNAV/share (RM)		**4.21**
Target price @ 30% discount to RNAV (RM)		**2.95**

Source: Company, Affin Hwang estimates

Equity Rating Structure and Definitions

BUY	Total return is expected to exceed +10% over a 12-month period
HOLD	Total return is expected to be between -5% and +10% over a 12-month period
SELL	Total return is expected to be below -5% over a 12-month period
NOT RATED	Affin Hwang Investment Bank Berhad does not provide research coverage or rating for this company. Report is intended as information only and not as a recommendation

The total expected return is defined as the percentage upside/downside to our target price plus the net dividend yield over the next 12 months.

OVERWEIGHT	Industry, as defined by the analyst's coverage universe, is expected to outperform the KLCI benchmark over the next 12 months
NEUTRAL	Industry, as defined by the analyst's coverage universe, is expected to perform inline with the KLCI benchmark over the next 12 months
UNDERWEIGHT	Industry, as defined by the analyst's coverage universe is expected to under-perform the KLCI benchmark over the next 12 months

This report is printed and published by:
Affin Hwang Investment Bank Berhad (14389-U)
A Participating Organisation of Bursa Malaysia Securities Berhad

22nd Floor, Menara Boustead,
69, Jalan Raja Chulan,
50200 Kuala Lumpur, Malaysia.

T : + 603 2146 3700
F : + 603 2146 7630
research@affinhwang.com

www.affinhwang.com