

UOL Limited

Continues to deliver



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SINGAPORE | REAL ESTATE (DEVELOPERS) | 2Q17 RESULTS

7 August 2017

- Stronger sales momentum and higher ASPs in Singapore development projects
- Buoyant land tender bids around Raintree Gardens to benefit project when launched in 2018
- Expect more land acquisitions amid improving sentiments and rapid absorption of existing inventory
- Maintained a rating of “Accumulate” with an upgraded TP of S\$8.93, based on our FY17 RNAV estimates

Results at a glance

(SGD mn)	2Q17	2Q16	YoY (%)	Comments
Revenue	399.1	363.6	10%	Higher contributions from Singapore property development operations
Gross Profit	131.9	125.3	5%	Gross profit margin shrank 1 ppts to 33% mainly due to higher cost ratio from property development
Fair value (losses)/ gains on IP*	12.1	(19.6)	-	Mainly due to cap rate compressions on office portfolio
Net income	109.4	68.8	59%	

*Inclusive of Group, Associates and JVs' investment properties

Source: Company

Positive

+ Stronger sales momentum and higher ASPs recorded in Singapore development projects: Revenue from property development grew 19% YoY to S\$221.2 million amid accelerated sales and higher selling prices of existing development projects, The Clement Canopy and Principal Garden. We noted that ASPs of the two developments projects grew an average of 5.6% QoQ.

+ Bulk of retail and commercial space expiring in FY17 has been renewed and were better than expectations: More than 70% of the Group's retail and commercial space NLA expiring in FY17 reported rental reversions in the “single digit” percentage growth. This was better than our expectations as we were expecting pressures in rental reversions amid the oversupply of office space and lacklustre retail sales in 1H17, and pressures to only begin easing in 2H17.

Negative

- Hospitality segment remained weak in Singapore and a mixed bag in Australia: RevPAR growth in Singapore was down 2% YoY (versus an industry average of 1.1%) amid ongoing weakness in the upscale hotel segment. While management mentioned that Sydney and Melbourne hotels grew at a “high single” digit and 2% YoY respectively, RevPAR of Pan Pacific Perth (1.7% of RNAV) registered a “double digit” decline.

Outlook

- ASP of existing development projects expected to increase amid rapid absorption:** UOL currently has three ongoing property development projects in Singapore which are at least 50% sold. The Clement Canopy was launched earlier in March 2017 and is more than 58.8% sold by the end of 2Q17. We expect ASPs of existing development projects to gain an average of 5%, adding 4.5 S'cents to our RNAV.
- Buoyant land tender bids around Raintree Gardens to benefit project when launched in 2018:** We note that Land tender prices of the two land parcels beside Woodleigh MRT station were at least 34% higher than the price paid by UOL's Raintree Gardens (S\$797 PSF PPR). Consequently, we expect the optimism to benefit the Raintree Gardens when launched next year in 2018.
- Expect more land acquisitions amid improving sentiments and rapid absorption of existing inventory:** While the Group has two more development sites slated to be launched next year, we are expecting the Group to turn more aggressive in land acquisition amid an improvement in the residential development landscape, as well as rapid absorption of its existing inventory.

Accumulate (Maintained)

LAST DONE PRICE	SGD 8.19
FORECAST DIV	SGD 0.15
TARGET PRICE	SGD 8.93
TOTAL RETURN	10.9%

COMPANY DATA

BLOOMBERG CODE	UOL SP
O/S SHARES (MN)	813
MARKET CAP (USD mn / SGD mn)	4904 / 6668
52 - WK HI/LO (SGD)	8.25 / 5.5
3M Average Daily T/O (mn)	1.14

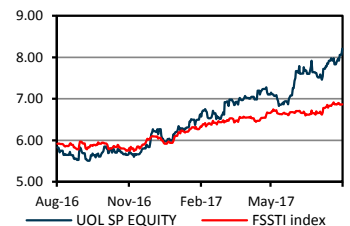
MAJOR SHAREHOLDERS (%)

CY WEE & CO PTE LTD	13.9%
WEE INVESTMENTS PTE LTD	13.4%

PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	5.8	13.5	40.9
STI RETURN	4.33	4.09	21.55

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

SGD MN	FY15	FY16	FY17E	FY18E
Revenue	1279	1441	1299	1373
Gross Profit	504	485	455	481
EPS (SGD)	0.40	0.36	0.34	0.35
PER, x (adj.)	15.5	17.6	18.4	17.8
P/BV, x	0.63	0.62	0.61	0.59
DPS (SGD)	0.15	0.15	0.15	0.15
Div Yield, %	2.4%	2.4%	2.4%	2.4%
ROE, %	4.1%	3.5%	3.3%	3.3%

Source: Company Data, PSR est.

Valuation Method

RNAV

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Maintained a rating of “Accumulate” with an upgraded TP of S\$8.93, based on our FY17 RNAV estimates

We continue to favour the Group’s prospects, especially in Singapore development amid its solid execution and improving sentiments. The Group remains on track to launch two new Singapore development projects next year in 2018.

Valuations

Figure 1. RNAV Table

Segment	Location	Amount (S\$'m)	Per share (S\$)
Residential	Singapore	1,126	1.39
	Overseas	107	0.13
Hotels & Serviced Residences	Singapore	1,366	1.68
	Overseas	1,361	1.67
Commercial (Office & Retail)	Singapore	3,538	4.35
	Overseas	274	0.34
Add: Market Value of stakes in Listed Entities			
UIC (48.9%)		2,131	2.62
UOB (2.3%)		746	0.92
Total GAV		10,648	13.10
Add cash:		313	0.38
Less debt:		2,423	2.98
RNAV:		8,537	10.50
No. of shares ('m)		813	
Discount to RNAV (%)		15	
Target Price			8.93

Source: Company, PSR

Financials

Income Statement

Y/E Dec, SGD mn	FY15	FY16	FY17e	FY18e	FY19e
Revenue	1,279	1,441	1,299	1,373	1,462
Cost of Sales	(775)	(956)	(844)	(893)	(950)
Gross Profit	504	485	455	481	512
Depreciation & Amortisation	47	48	42	46	50
Net Finance (Expense)/Inc	(36)	(25)	(36)	(33)	(32)
Associates & JVs	156	136	156	157	158
Profit Before Tax	460	354	379	393	414
Taxation	(47)	(48)	(42)	(46)	(50)
Profit After Tax	413	306	338	347	364
Non-Controlling Interest	93	19	62	58	46
Net Income, reported	321	287	276	290	318

Per share data (SGD)

Y/E Dec, SGD	FY15	FY16	FY17e	FY18e	FY19e
EPS, reported	0.40	0.36	0.34	0.36	0.39
DPS	0.15	0.15	0.15	0.15	0.15
BVPS	9.91	10.10	9.77	9.90	9.97

Cash Flows

Y/E Dec, SGD mn	FY15	FY16	FY17e	FY18e	FY19e
CFO					
Profit for the year	413	306	338	347	364
Adjustments	(91)	6	(72)	(71)	(67)
WC changes	194	230	(192)	(185)	(201)
Cashflow from ops	517	539	74	92	96
CFI					
CAPEX, net	(47)	(66)	(69)	(76)	(84)
Cashflow from investments	63	(249)	37	31	24
CFF					
Dividends paid	(62)	(64)	(33)	(40)	(49)
Cashflow from financing	(584)	(259)	(99)	(97)	(106)
Net change in cash	(4)	31	11	25	15
Effects of exchange rates	(4)	(2)	-	-	-
CCE, end	273	301	313	338	353

Source: Company, Phillip Securities Research (Singapore) Estimates

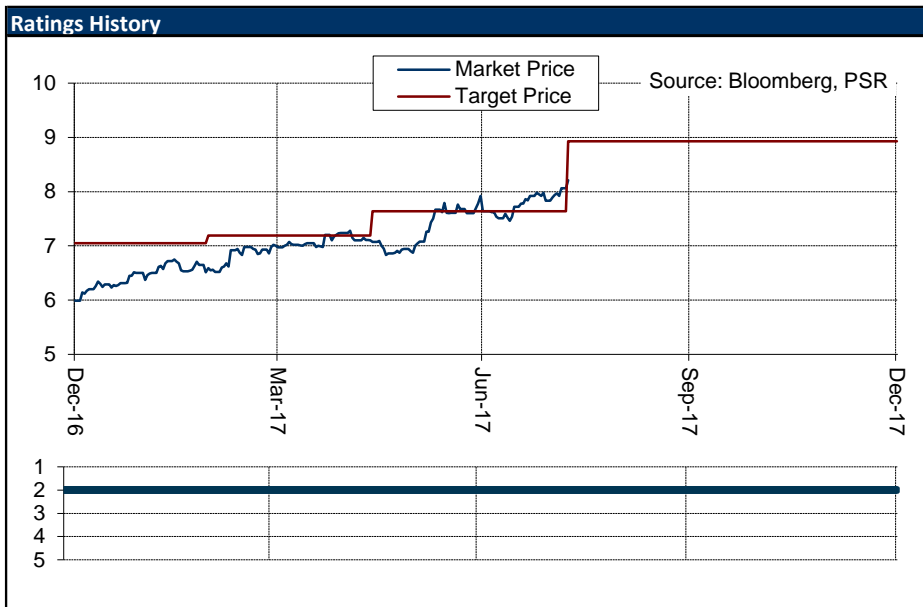
*Forward multiples and yields are based on current market price; historical multiples and yields are based on historical market price.

Balance Sheet

Y/E Dec, SGD mn	FY15	FY16	FY17e	FY18e	FY19e
ASSETS					
PPE	1,179	1,166	1,173	1,186	1,207
Associates & JVs	3,366	3,488	3,509	3,531	3,552
Investment Properties	4,135	4,300	4,300	4,300	4,300
Others	846	1,012	1,015	1,016	1,018
Total non-current assets	9,526	9,965	9,997	10,033	10,077
Development property	1,444	1,142	914	731	585
Accounts Receivables	197	100	219	204	205
Cash balance	273	301	313	338	353
Others	62	50	44	38	34
Total current assets	1,976	1,593	1,489	1,312	1,177
Total Assets	11,501	11,558	11,486	11,345	11,254
LIABILITIES					
Short term loans	523	653	995	242	242
Accounts Payables	156	157	157	157	157
Others	124	172	125	122	145
Total current liabilities	804	982	1,277	521	544
Long term loans	1,730	1,200	1,014	1,767	1,767
Others	566	740	740	501	326
Total non-current liabilities	2,296	1,940	1,754	2,268	2,093
Total Liabilities	3,100	2,923	3,032	2,789	2,638
EQUITY					
Shareholder Equity	7,894	8,127	7,945	8,045	8,105
Non-controlling interest	507	508	510	511	512
Total Equity	8,401	8,635	8,454	8,556	8,616

Valuation Ratios

Y/E Dec, SGD mn	FY15	FY16	FY17e	FY18e	FY19e
P/E (X), adj.	15.5	17.6	23.8	17.6	16.1
P/B (X)	0.63	0.62	0.82	0.64	0.63
Dividend Yield	2.4%	2.4%	1.9%	2.4%	2.4%
Growth & Margins					
Growth					
Revenue	-6.0%	12.7%	-9.9%	5.7%	6.5%
Gross Profit	-13.3%	-3.7%	-6.3%	5.7%	6.5%
Net Income, adj.	-53.3%	-10.4%	-3.9%	5.0%	9.7%
Margins					
GP margin	39.4%	33.7%	35.0%	35.0%	35.0%
Net Profit Margin	32.3%	21.2%	26.0%	25.3%	24.9%
Key Ratios					
ROE (%)	4.1%	3.5%	3.5%	3.6%	3.9%
ROA (%)	3.6%	2.6%	2.9%	3.1%	3.2%
Gearing (X)	0.20	0.16	0.17	0.18	0.18



PSR Rating System

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce	4
<-20%	Sell	5

Remarks

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation.

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