

Singapore Company Update

UOL Group

Bloomberg: UOL SP | Reuters: UTOS.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

28 Feb 2024

BUY

Last Traded Price (27 Feb 2024): S\$6.01 (STI: 3,157.32)

Price Target 12-mth: S\$8.40 (40% upside)

Analysts

Derek TAN +65 6682 3716 derektan@db.com

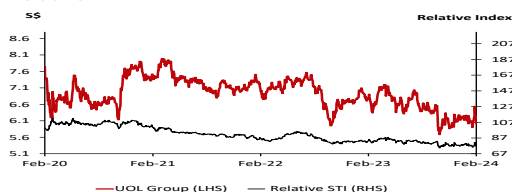
Tabitha FOO +65 66823707 tabithafoo@db.com

Rachel TAN +65 6682 3713 racheltanlr@db.com

What's New

- Blockbuster end to FY23 with a 44% jump in profits, boosted by gains from sale
- Operating metrics improved across portfolio; additional S\$1.1bn in residential sales provided earnings visibility
- Robust outlook for hospitality division as RevPAR remains on a firm uptrend
- BUY call; TP of S\$8.40 maintained

Price Relative



Forecasts and Valuation

FY Dec (\$m)	2022A	2023A	2024F	2025F
Revenue	3,202	2,682	2,987	2,938
EBITDA	851	766	796	785
Pre-tax Profit	890	948	502	467
Net Profit	492	708	296	265
Net Pft (Pre Ex.)	224	235	296	265
Net Pft Gth (Pre-ex) (%)	15.8	5.0	26.0	(10.6)
EPS (S cts)	58.2	83.8	35.0	31.3
EPS Pre Ex. (S cts)	26.5	27.8	35.0	31.3
EPS Gth Pre Ex (%)	16	5	26	(11)
Diluted EPS (S cts)	58.2	83.8	35.0	31.3
Net DPS (S cts)	17.5	20.0	17.5	17.5
BV Per Share (S cts)	1,259	1,307	1,322	1,336
PE (X)	10.3	7.2	17.2	19.2
PE Pre Ex. (X)	22.7	21.6	17.2	19.2
P/Cash Flow (X)	18.9	6.3	nm	11.8
EV/EBITDA (X)	15.8	17.6	18.3	18.7
Net Div Yield (%)	2.9	3.3	2.9	2.9
P/Book Value (X)	0.5	0.5	0.5	0.4
Net Debt/Equity (X)	0.2	0.2	0.3	0.3
ROAE (%)	4.7	6.5	2.7	2.4
Earnings Rev (%)			(5)	(11)
Consensus EPS (S cts):			39.6	43.2
Other Broker Recs:		B: 5	S: 1	H: 2

Source of all data on this page: Company, DBS Bank Ltd, Bloomberg Finance L.P.

Blockbuster end to a rough year

Investment Thesis:

Deep value developer with winning strategies. UOL Group is a leading developer and hospitality group in Singapore, with a diversified portfolio of prime commercial assets worth over S\$20bn. The group has a track record of timing the property market and land banking well through property cycles, delivering steady returns to its shareholders.

Hospitality division on a rebound; strong visibility from robust pre-sales across its residential projects. UOL's hospitality division will look to capitalise on the pent-up travel demand on the expected re-opening Chinese market, the swing factor to drive RevPAR higher fuelled by planned room expansions. Its residential projects are substantially sold, with an exciting line-up of residential launches in 2023 to add to income visibility.

Strong sell-through rates a key datapoint to watch. Strong pre-sales for its residential projects are catalysts that investors should watch for post strong sales achieved in 2023. Strong pre-sales for these projects will add to the almost c.S\$1.1bn in pre-sales locked in 2023 on top of S\$1.5bn (FY22).

BUY call; TP S\$8.40 maintained, pegged to a 40% discount-to-RNAV of S\$14.00. We continue to see value in UOL at 0.52x P/BV and 0.48x P/RNAV below its -1SD range. While ROE is expected to be ranging within 3-4% (ex-fair value gains), upside will come from better-than-expected performance from its hospitality division or higher selling prices from its new launches.

Key Risks

Interest rates movement could have a negative impact on earnings and asset values

At A Glance

Issued Capital (m shrs)	845
Mkt. Cap (S\$m/US\$m)	5,076 / 3,776
Major Shareholders (%)	
Wee Investments Pte Ltd	15.7
CY Wee & Co Pte Ltd	13.6
Haw Par Corp Ltd	8.5
Free Float (%)	44.2
3m Avg. Daily Val (US\$m)	10.2
GIC Industry : Real Estate / Real Estate Management & Development	



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WHAT'S NEW

Blockbuster end to FY23

(+) A blockbuster year from divestment gains. Higher revenue and EBIT in FY23 were driven by property development and recovery in hotel operations. UOL reported that FY23 revenue dipped 16% y-o-y to S\$2,681m (FY22: S\$3,201m) due to lower contribution from its property development segment (778%y-o-y/S\$1,210m), offset by a 38% y-o-y rise in revenue from its hotel operations (+38% y-o-y/S\$762.8m). Revenue from its property investments (office & retail) came in stable y-o-y – at +2% to S\$512.5m. Due to the sale of Parkroyal Kitchener Road, UOL booked a one-off realised gain of S\$442.3m, boosting overall profit after tax and minorities ("PATMI") of S\$707.7m, +44% y-o-y. The group announced a special dividend of 5 Scts a share on top of its ordinary dividend of 15.0 Scts, bringing total dividends to 20 Scts for FY23 (18 Scts in FY22). ROE rose to 6.5% (vs. 4.7% in FY22).

EBIT margins strengthened to 23.6% from 21.3% (FY22) largely due to higher EBIT contributions from i) a turnaround in hotel operations; and (ii) improvement in property development (mainly from SG) margins, offsetting the slip in margins from its property investments, which we reckon was due to the impact of higher utility costs. Operating cashflows improved to S\$808.8m (FY22: S\$141.7m) largely due to a positive working capital of +S\$227.6m (FY22: -SGD583m) based on collections from progressive completion of its development projects.

(+) We saw a general improvement in operational statistics across the portfolio. Property development divisions saw close to c.S\$1,100m in bookings (vs. c.S\$1,550m) due to a lower number of new launches for the year (312 units vs. 703 units sold a year ago). Retail committed occupancy improved to 99.4% on the back of an 18.1% rise in footfall, implying healthy operating metrics. Its Singapore office committed occupancy rose marginally to 91.8% respectively as of Dec '23, an improvement from Jun '23. Its overseas office properties also saw a slight improvement, with UK up on a h-o-h basis to 85.1% (+0.6% h-o-h) and 100 for Australia assets. In term of its hospitality division, we saw a jump in RevPAR on the back of recovering travel demand for Singapore (S\$233/night, +23% y-o-y), Oceania (S\$143/night, +13% y-o-y), and others (S\$97/night +47% y-o-y).

(-) Weaker financial metrics due to higher debt obligations. We note that a drop in adjusted EBITDA interest coverage ratio ("ICR") of 3.56x (vs 6.0x in FY22) as interest expense (+56% y-o-y) jumped ahead of EBITDA decline (+56% y-o-y) growth (+81% y-o-y) outpacing EBIT growth (-7% y-o-y), largely due to higher average borrowing cost of 3.69% (FY22: 2.25%, FY21: 1.26%). Looking ahead, we forecast that EBITDA ICR ratio will see some improvement in FY24 in view of peaking interest rates environment. We note that the group has increased overall fixed debt ratio to c.50%. Only c.14% of loans is expected to be renewed in FY24.

(+) Debt ratio (debt/asset) declined to 22.6% (vs Dec '22: 23.6%) due to an overall decline in debt to S\$5.0bn (vs S\$5.2bn as of Dec '22), driven by net debt redemption of S\$0.2bn. With the group continuing to actively landbank in Singapore and the recent award of a site at Orchard Boulevard for S\$428.3m (80%-20% joint venture between UOL: Singapore Land) on the back of ongoing developments (Odeon 333, Clifford Centre, and Singapore Land asset enhancement), we see overall D/A ratio increasing slightly in the coming years.

(+) Strong short-term liquidity as Cash/ST debt of 210% (vs. 170% in FY22) further supported by over SGD3.0b of unutilized credit facilities.

Our view:

We believe the group's dividend surprise in FY23 will be well-liked by investors, as will its stable increase in net asset value to S\$13.07/share (+3.8% y-o-y). We see deep value at close to 0.46x P/BV (vs. the five-year historical average of 0.55x) as attractive, and the coming year remains an exciting one on the back of (i) continued recovery in hotel operations (SG, AU); (ii) strong sales for upcoming launches – 226-unit Marine Blue (land rate of S\$1,668 psf, est. breakeven of S\$2,400psf) and a 1,195 unit site at Tampines Avenue 11 (S\$885 psf ppr); and (iii) improved contributions from Investment Properties from the completion of its asset enhancement at Odeon 333 and Singapore Land Tower. BUY, TP S\$8.40, pegged to a 40% discount-to-RNAV of S\$14.00.

Company Background

UOL Group Limited (UOL) is one of Singapore's leading public-listed property companies, with total assets of about \$20bn. The company has a diversified portfolio of development and investment properties, hotels, and serviced suites in Asia, Oceania, Europe, and North America.

UOL Group

Interim Income Statement (\$m)

FY Dec	2H2022	1H2023	2H2023	% chg y-o-y	% chg h-o-h
Revenue	1,667	1,366	1,316	(21.1)	(3.7)
Cost of Goods Sold	(1,103)	(863)	(763)	(30.8)	(11.6)
Gross Profit	565	503	553	(2.1)	9.8
Other Oper. (Exp)/Inc	(211)	(201)	(223)	5.8	11.2
Operating Profit	354	302	329	(6.8)	8.9
Other Non Opg (Exp)/Inc	11	8	461	4,146.2	5,641.8
Associates & JV Inc	4	(3)	(7)	nm	92.3
Net Interest (Exp)/Inc	(62)	(78)	(85)	(37.2)	(8.5)
Exceptional Gain/(Loss)	(49)	44	(24)	50.1	nm
Pre-tax Profit	257	273	675	162.2	147.1
Tax	(68)	(43)	(43)	(37.1)	(0.5)
Minority Interest	(69)	(95)	(60)	13.4	(37.5)
Net Profit	121	135	573	373.9	324.1
Net profit bef Except.	170	91	597	251.8	558.5
EBITDA	437	367	852	95.0	132.5
Margins (%)					
Gross Margins	33.9	36.8	42.0		
Opg Profit Margins	21.2	22.1	25.0		
Net Profit Margins	7.2	9.9	43.5		

Source of all data: Company, DBS Bank Ltd

UOL Group

Income Statement (\$\$m)

FY Dec	2021A	2022A	2023A	2024F	2025F
Revenue	2,607	3,202	2,682	2,987	2,938
Cost of Goods Sold	(1,799)	(2,129)	(1,626)	(1,846)	(1,816)
Gross Profit	808	1,072	1,056	1,141	1,122
Other Opng (Exp)/Inc	(345)	(391)	(424)	(472)	(465)
Operating Profit	462	682	632	669	658
Other Non Opng (Exp)/Inc	71.0	23.4	16.5	0.0	0.0
Associates & JV Inc	(3.6)	19.4	(10.0)	0.0	0.0
Net Interest (Exp)/Inc	(52.3)	(103)	(163)	(167)	(191)
Exceptional Gain/(Loss)	114	268	473	0.0	0.0
Pre-tax Profit	592	890	948	502	467
Tax	(92.4)	(121)	(85.5)	(70.3)	(65.3)
Minority Interest	(192)	(277)	(155)	(136)	(137)
Preference Dividend	0.0	0.0	0.0	0.0	0.0
Net Profit	307	492	708	296	265
Net Profit before Except.	193	224	235	296	265
EBITDA	641	851	766	796	785

Growth

Revenue Gth (%)	31.8	22.8	(16.2)	11.4	(1.6)
EBITDA Gth (%)	15.5	32.8	(10.1)	4.0	(1.4)
Opg Profit Gth (%)	7.0	47.4	(7.3)	5.9	(1.7)

Net Profit Gth (Pre-ex) (%)	(28.6)	15.8	5.0	26.0	(10.6)
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Margins & Ratio

Gross Margins (%)	31.0	33.5	39.4	38.2	38.2
Opg Profit Margin (%)	17.7	21.3	23.6	22.4	22.4

Net Profit Margin (%)	11.8	15.4	26.4	9.9	9.0
ROAE (%)	3.1	4.7	6.5	2.7	2.4
ROA (%)	1.5	2.3	3.2	1.3	1.1
ROCE (%)	2.0	2.8	2.7	2.7	2.5
Div Payout Ratio (%)	48.1	30.1	23.9	50.0	55.9
Net Interest Cover (x)	8.9	6.6	3.9	4.0	3.4

Source: Company, DBS Bank Ltd

UOL Group

Interim Income Statement (S\$m)

FY Dec	2H2021	1H2022	2H2022	1H2023	2H2023
Revenue	1,413	1,534	1,667	1,366	1,316
Cost of Goods Sold	(987)	(1,027)	(1,103)	(863)	(763)
Gross Profit	426	508	565	503	553
Other Oper. (Exp)/Inc	(187)	(179)	(211)	(201)	(223)
Operating Profit	239	328	354	302	329
Other Non Opg (Exp)/Inc	54.7	12.5	10.9	8.04	461
Associates & JV Inc	1.01	15.8	3.64	(3.4)	(6.6)
Net Interest (Exp)/Inc	(31.2)	(41.0)	(61.9)	(78.3)	(84.9)
Exceptional Gain/(Loss)	129	317	(48.9)	44.4	(24.4)
Pre-tax Profit	393	633	257	273	675
Tax	(47.4)	(53.2)	(67.8)	(42.9)	(42.6)
Minority Interest	(129)	(208)	(68.8)	(95.2)	(59.5)
Net Profit	216	371	121	135	573
Net profit bef Except.	86.7	54.0	170	90.7	597
EBITDA	352	414	437	367	852
Adj EBIT (ex associates / ex reveals)	239	328	354	302	329
Adj EBITDA (add DA)	296	386	422	362	397
Adj. Interest expense (include perps)	(40.1)	(47.9)	(86.5)	(103)	(111)
Growth					
Revenue Gth (%)	25.0	8.6	8.7	(18.1)	(3.7)
EBITDA Gth (%)	21.7	17.7	5.4	(16.1)	132.5
Opg Profit Gth (%)	6.8	37.4	7.8	(14.5)	8.9
Adj EBIT Gth (%)	681.6	3,738.0	775.6	(1,447.9)	892.7
Net Profit Gth (%)	136.5	71.7	(67.4)	11.8	324.1
Margins					
Gross Margins (%)	30.2	33.1	33.9	36.8	42.0
Opg Profit Margins (%)	16.9	21.4	21.2	22.1	25.0
Net Profit Margins (%)	15.3	24.2	7.2	9.9	43.5
Adj EBIT Margin (%)	16.9	21.4	21.2	22.1	25.0
Adj EBITDA ICR	7.7	7.8	6.0	4.2	3.6

Source: Company, DBS Bank Ltd

UOL Group

Balance Sheet (\$m)

FY Dec	2021A	2022A	2023A	2024F	2025F
Net Fixed Assets	2,967	2,822	2,938	3,310	3,483
Invt in Associates & JVs	249	267	267	267	267
Other LT Assets	13,062	13,530	13,945	13,945	13,945
Cash	1,490	1,468	1,390	822	1,205
ST Investment	0.0	0.0	0.0	0.0	0.0
Inventory	2.49	2.08	3.61	7.05	6.94
Debtors	192	296	524	373	367
Net Intangibles Assets	41.8	38.8	35.8	35.8	35.8
Other Current Assets	3,312	3,553	3,131	4,919	4,994
Total Assets	21,275	21,938	22,199	23,645	24,269
ST Debt	1,536	839	691	691	691
Creditor	832	651	676	1,493	1,469
Other Current Liab	112	266	165	129	124
LT Debt	3,550	4,329	4,321	4,721	5,121
Other LT Liabilities	629	561	547	547	547
Shareholder's Equity	10,168	10,638	11,042	11,169	11,285
Minority Interests	4,448	4,654	4,758	4,894	5,031
Total Cap. & Liab.	21,275	21,938	22,199	23,645	24,269
Non-Cash Wkg. Capital	2,563	2,934	2,818	3,677	3,775
Net Cash/(Debt)	(3,596)	(3,700)	(3,622)	(4,591)	(4,608)
Debtors Turn (avg days)	35.0	27.8	55.8	54.8	46.0
Creditors Turn (avg days)	143.5	135.1	161.5	230.4	320.2
Inventory Turn (avg days)	0.4	0.4	0.7	1.1	1.5
Asset Turnover (x)	0.1	0.1	0.1	0.1	0.1
Current Ratio (x)	2.0	3.0	3.3	2.6	2.9
Quick Ratio (x)	0.7	1.0	1.2	0.5	0.7
Net Debt/Equity (X)	0.2	0.2	0.2	0.3	0.3
Net Debt/Equity ex MI (X)	0.4	0.3	0.3	0.4	0.4
Capex to Debt (%)	4.5	4.7	10.4	9.2	5.2

Source: Company, DBS Bank Ltd

UOL Group

Cash Flow Statement (\$m)

FY Dec	2021A	2022A	2023A	2024F	2025F
Pre-Tax Profit	499	769	862	502	467
Dep. & Amort.	111	127	127	127	127
Tax Paid	(173)	(83.5)	(77.0)	(105)	(70.3)
Assoc. & JV Inc/(loss)	3.59	0.0	10.0	0.0	0.0
Chg in Wkg.Cap.	341	(583)	228	(824)	(93.2)
Other Operating CF	(30.7)	39.2	(342)	0.0	0.0
Net Operating CF	751	269	809	(299)	431
Capital Exp.(net)	(230)	(245)	(524)	(500)	(300)
Other Invs.(net)	38.1	0.0	0.0	0.0	0.0
Invs in Assoc. & JV	(3.0)	78.4	219	0.0	0.0
Div from Assoc & JV	0.0	51.6	87.3	0.0	0.0
Other Investing CF	95.2	25.6	5.84	0.0	0.0
Net Investing CF	(99.3)	(89.0)	(212)	(500)	(300)
Div Paid	(170)	(163)	(188)	(169)	(148)
Chg in Gross Debt	103	253	(184)	400	400
Capital Issues	2.94	2.39	1.40	0.0	0.0
Other Financing CF	(96.6)	(96.1)	(338)	0.0	0.0
Net Financing CF	(160)	(3.8)	(708)	231	252
Currency Adjustments	21.3	(198)	33.5	0.0	0.0
Chg in Cash	513	(21.8)	(77.8)	(568)	383
Opg CFPS (S cts)	48.6	101	68.8	62.0	62.0
Free CFPS (S cts)	61.8	2.83	33.8	(94.6)	15.5

Source: Company, DBS Bank Ltd

Target Price & Ratings 12-mth History



Note: Share price and Target price are adjusted for corporate actions.

S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	28 Feb 23	6.83	8.40	BUY
2:	04 Jul 23	6.39	8.40	BUY
3:	11 Aug 23	6.74	8.40	BUY

Source: DBS Bank Ltd

Analyst: Derek TAN

Tabitha FOO

Rachel TAN

DBS Bank Ltd recommendations are based on an Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

*Share price appreciation + dividends

Completed Date: 28 Feb 2024 01:31:46 (SGT)

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DBS Regional Research Offices

HONG KONG

DBS Bank (Hong Kong) Ltd

Contact: Dennis Lam
 13th Floor One Island East,
 18 Westlands Road,
 Quarry Bay, Hong Kong
 Tel: 852 3668 4181
 Fax: 852 2521 1812
 e-mail: dbsvhk@dbs.com

SINGAPORE

DBS Bank Ltd

Contact: Andy Sim
 12 Marina Boulevard,
 Marina Bay Financial Centre Tower 3
 Singapore 018982
 Tel: 65 6878 8888
 e-mail: groupresearch@dbs.com
 Company Regn. No. 196800306E

INDONESIA

PT DBS Vickers Sekuritas (Indonesia)

Contact: Maynard Priajaya Arif
 DBS Bank Tower
 Ciputra World 1, 32/F
 Jl. Prof. Dr. Satrio Kav. 3-5
 Jakarta 12940, Indonesia
 Tel: 62 21 3003 4900
 Fax: 6221 3003 4943
 e-mail: indonesiaresearch@dbs.com

THAILAND

DBS Vickers Securities (Thailand) Co Ltd

Contact: Chanpen Sirithanarattanakul
 989 Siam Piwat Tower Building,
 9th, 14th-15th Floor
 Rama 1 Road, Pathumwan,
 Bangkok Thailand 10330
 Tel. 66 2 857 7831
 Fax: 66 2 658 1269
 e-mail: research@th.dbs.com
 Company Regn. No 0105539127012
 Securities and Exchange Commission, Thailand