

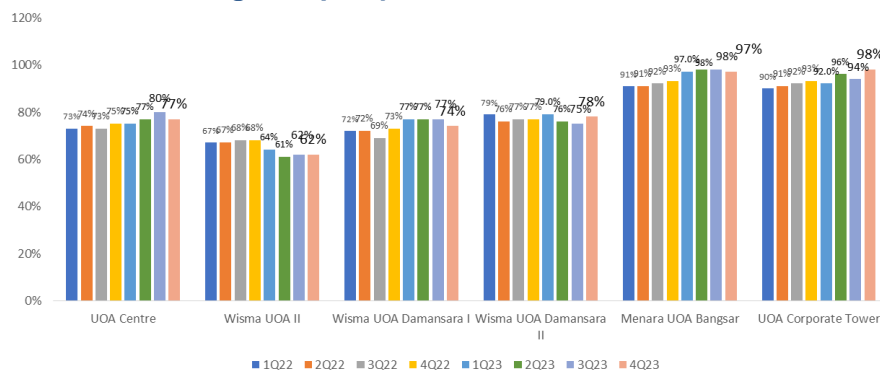
UOA Real Estate Investment Trust

Ended FY23 Broadly In-line

Summary

- **Below expectations.** In 4QFY23, UOAREIT registered core earnings of RM11.6m, bringing the core net profit to RM54.6m for FY23. The core net profit was broadly in line with our estimates, accounting to 93.9% but below consensus expectations, accounting to 90.0% of consensus net profit estimates.
- **YoY.** The core net profit declined 14.0% from RM13.6m to RM11.6m due to (i) lower rental revenue from Wisma UOA II (-8%), Wisma UOA Damansara I (-23%), Wisma UOA Damansara II (-5%), and UOA Corporate Tower (-2%) and higher direct operating expenses across most of the properties under UOAREIT (except Wisma UOA Damansara II) contributed by increased electricity costs and routine lift maintenance.
- **QoQ.** Core earnings fell 15.4% from RM13.7m to RM11.6m in tandem with the drop in overall rental revenue by 5.2% as well as higher property operating expenses as mentioned above.
- **YTD.** As compared to FY22, FY23 core PATMI fell 10.2% from RM60.8m to RM54.6m on the back of slight drop in rental revenue and increased property operating expenses due to higher electricity costs across all the properties.
- **Dividend.** For 4Q23, 3.86 sen income distribution was declared (ex-date: 6th of Feb).
- **Buildings occupancy rate.** In 4Q23, besides Wisma UOA Damansara II and UOA Corporate Tower recording higher occupancy rate to 78% (from 75%) and 98% (from 94%), respectively, the rest of the properties demonstrate a slowdown or neutral in their respective occupancy rate.

UOAREIT's buildings occupancy rate



Source: UOAREIT, M+ Online

- **Gearing ratio increased mildly.** Gearing ratio added 0.3% to 39.4% as at FY23 vs. 39.1% in FY22.
- **Weighted average lease expiry (WALE) increased to 1.52.** As of FY23, UOAREIT's WALE rose from 1.22 in 3Q23 to 1.52, as compared to 1.33 and 1.08 in FY21 and FY22, respectively. Overall tenancy expiry profile is 2.9% to 36.0% over 2023-2027.

Results Note – 4QFY23

Loui Low
louilow@msec.com.my
(603) 2201 2100

HOLD

Share price	RM1.12
Target price	RM1.21
Previous TP	RM1.20
Capital upside	8.0%
Dividend return	7.0%
Total return	15.0%

Company profile

Principally involved in the investment in real estate used for commercial purposes.

Stock information

Bursa Code	5110
Bloomberg ticker	UOAR MK
Listing market	MAIN
Share issued (m)	675.6
Market Cap (m)	756.7
52W High/Low	1.19 / 1.08
Est. Free float (%)	26.4
Beta (x)	0.3
3-mth avg vol ('000)	211.4
Shariah compliant	No

Major shareholders

Company	%
Desa Bukit Pantai Sdn Bhd	15.1
Wisma UOA Sdn Bhd	11.5
Rich Accomplishment Sdn Bhd	11.1

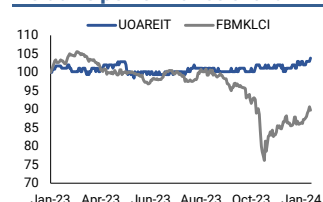
Share price vs. KLCI (%)

	1M	3M	12M
Hist. return	1.8	2.8	-4.3
Absolute	-0.7	-0.9	-3.7
Relative			

Earnings snapshot

FYE (Dec)	FY23	FY24f	FY25f
PATMI (m)	54.6	58.6	59.2
EPS (sen)	8.1	8.7	8.8
P/E (x)	13.8	12.9	12.8

Relative performance chart



JOIN OUR OFFICIAL TELEGRAM
TO GET THE LATEST MARKET UPDATES

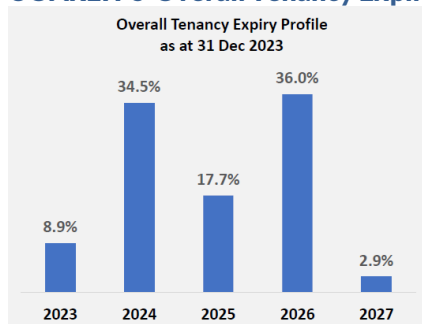
M+Online
Equipping Traders For The Win

Global
Winning The World

Tuesday, 23 Jan, 2024

Brought to you by BURSA MALAYSIA
RISE (Research Incentive Scheme)

UOAREIT's Overall Tenancy Expiry Profile



Source: UOAREIT

UOAREIT's Financial Highlights

Quarterly performance

FYE Dec (RM m)	4QFY22	3QFY23	4QFY23	QoQ (%)	YoY (%)	FY22	FY23	YoY (%)
Revenue	28.1	28.6	27.1	(5.2)	(3.7)	114.4	112.8	(1.3)
EBITDA	19.5	19.6	13.7	(30.2)	(29.8)	80.9	71.9	(11.2)
PBT	14.1	14.1	9.9	(29.9)	(30.3)	61.2	52.0	(15.0)
PAT	13.5	13.7	11.6	(15.4)	(14.0)	60.8	54.6	(10.2)
Core PATMI	13.5	13.7	11.6	(15.4)	(14.0)	60.8	54.6	(10.2)
Reported PATMI	13.8	13.9	11.4	(18.1)	(17.6)	60.9	53.9	(11.5)
Core EPS (sen)	2.0	2.0	1.7	(15.4)	(14.0)	9.0	8.1	(10.2)
EBITDA margin (%)	69.1	68.4	50.4			70.8	63.7	
PBT margin (%)	50.2	49.2	36.3			53.5	46.1	
Core PATMI margin (%)	48.0	48.1	42.9			53.1	48.3	

Source: UOAREIT, M+ Online

- **Outlook.** With the office space oversupply situation prolonged, we believe the overall office space outlook may continue to stay on a neutral to downward bias tone going forward. Also, we opine that the overall portfolio occupancy rate may continue to range around 81-85%, but should stay below the pre-pandemic level of 91.5% in FY19.

Valuation & Recommendation

- **Maintained earnings forecast.** As the core net profit came in broadly within expectation, we maintained the earnings forecast for FY24f-25f.
- **HOLD recommendation.** We maintained a **HOLD** recommendation on UOAREIT, with higher target price of RM1.21 as we roll over to FY24. The target price is derived by ascribing a P/E of 14.0x to FY24f EPS of 8.67 sen. The group is committed to reward at least 90.0% of the distributable income of the Trust.
- **Downside risks.** Risks to our recommendation include the slower-than-expected recovery in the rental activities due to the shift of working method post pandemic environment. Besides, should the BNM increase interest rate going forward, the group may incur higher borrowing cost. Also, if there is further hike in electricity tariff, it could weigh on UOAREIT's margins and overall financial performance moving forward.



JOIN OUR OFFICIAL TELEGRAM
TO GET THE LATEST MARKET UPDATES

M+Online
Equipping Traders For The Win

M+Global
Winning The World

Disclaimer

Research analyst(s) of MSSB whom produced this report hereby certifies that the views expressed in this report accurately reflect his/her personal opinions about all of the subject corporation(s) and securities in this report. He/She does not carry out, whether for himself/herself or on behalf of MSSB or any other persons did not receive and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. As of the report date, the analyst whom prepared this report does not have any interest in the following securities covered in this report, unless otherwise stated.

As of **Tuesday, 23 Jan, 2024**, the analyst(s), Loui Low Ley Yee, whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:

(a) nil.

Stock recommendation guide

BUY	The share price is expected to appreciate more than 10% over the next 12 months
HOLD	The stock price is expected to range between -10% and +10% over the next 12 months
SELL	The share price is expected to fall more than 10% over the next 12 months
TRADING BUY	The share price is projected to rise more than 10% over the next three (3) months due to an ongoing or impending corporate development. The stock price is also expected to be volatile over the next three months
TRADING SELL	The stock price is expected to fall more than 10% over the next three months due to an ongoing or impending corporate developments. The stock price is also expected to be volatile over the next three months
NOT RATED	No recommendation is assigned

