



UOL Group Limited

(UOL SP/UTOS.SI)

Not Rated

Price as of 15 Sep 2017	7.980
12M target price (\$)	na
Previous target price (\$)	na
Upside, incl. div (%)	na

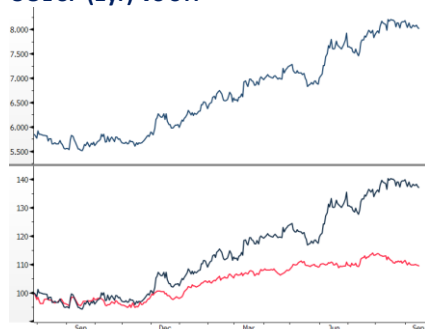
Trading data

Mkt Cap (\$m) / (US\$m)	6,710 / 4,983
Issued Shares (m)	841
Ave Daily Traded (3-Month) Vol / Val	1.1m / \$9.1m
52 week lo / hi	\$5.50 / \$8.25
Free Float	63.9%

Major Shareholders

CY Wee & Co	13.7%
Wee Investments	13.2%
Haw Par Corp	8.6%

UOL SP (1yr) VS STI



Source: Bloomberg

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See the last page for important disclosures.

Poised to benefit from residential property upcycle

Event

Singapore residential property market looks set for recovery amid a slew of en-bloc sales and strong pickup in transaction volume this year. Among the Singapore property stocks, we think UOL Group looks relatively undervalued and could benefit from the property upcycle via two upcoming residential project launches expected next year.

Impact

Potentially higher returns for 2018 condo launch. Recall that UOL acquired 45 Amber Road site for S\$156 million (S\$1,117 psf ppr) in 1H2017, a relatively good deal when compared to the potential en-bloc sale of nearby Amber Park condo that is slated to fetch S\$768 million (S\$1,284 psf ppr, about 15% higher). In view of a probable upturn in the property market and recent sales transactions of nearby condos nearby, we believe the 45 Amber Road project could possibly be priced that may yield PBT margin of 15% - 20% (forecast \$1,830 - \$1,920 psf).

Another residential project lined up in the pipeline for 2018 is the former Raintree Gardens site, which was acquired for \$334.2 million (land cost of \$797 psf ppr) through a UOL-UIC joint venture in late 2016. With nearby land parcel in Woodleigh sold at \$1,110 psf ppr and resale transactions in the vicinity, we think the group could easily target to earn PBT margin from mid-teens (forecast \$1,410 - \$1,500 psf).

Current residential project sales having good traction. UOL currently has four other residential projects in Singapore launched – The Clement Canopy, Principal Garden, Botanique at Bartley and Riverbank@Fernvale. Both Botanique at Bartley and Riverbank@Fernvale projects are almost fully sold while sales for the other two projects have progressed well in its latest 2Q17 (The Clement Canopy – 59% sold; Principal Garden – 72% sold).

Valuation & Action

UOL is currently trading at a forward P/B 0.8x and we think it could be relatively undervalued to other Singapore property stocks. We do not have a rating on the stock.

Risks

Slowdown in residential project sales, FX risks exposure from various currencies (USD, AUD, RMB, GBP), downside risks that could impact its “Pan Pacific” and “PARKROYAL” hotel and serviced suites globally.

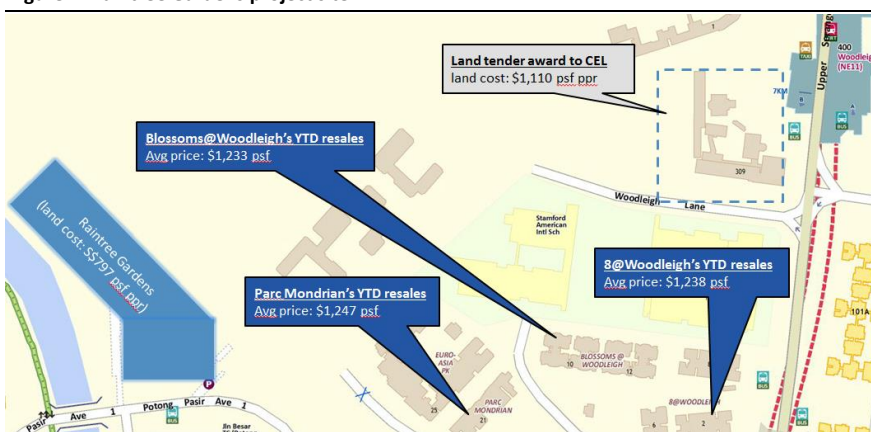
Financials & Key Operating Statistics

YE Dec SGD mn	2013	2014	2015	2016
Revenue	1,031	1,332	1,237	1,411
Gross Profit	496	552	462	455
PATMI	786	686	391	287
Core EPS (SGD cents)	33.99	46.83	43.48	38.80
Core EPS growth (%)	(8.7)	37.8	(7.2)	(10.8)
Div Yield (%)	1.9	1.9	1.9	1.9
NAV (SGD)	8.77	9.80	9.95	10.14
Price / Book (x)	0.9	0.8	0.8	0.8
Net Margin (%)	76.2	51.5	31.7	20.4
Net Gearing (%)	34	40	33	30
ROE (%)	12.2	9.5	5.0	3.6

Source: Company Data, KGI Research

Figure 1: 45 Amber Road project site


Source: OneMap, URA data, KGI Research

Figure 2: Raintree Gardens project site


Source: One Map, URA data, KGI Research

Figure 3: Peer Comparison

Company Name	Last Price (local \$)	Market Cap (S\$ m)	P/B (x)		Div Yield (%)		Net Debt/Equity Last FY	Average Daily Val Traded (\$m)		Relative Performance to STI	
			Last FY	FY+1	Last FY	FY+1		3M	6M	6M	1Y
< 50% OVERSEAS			0.8	0.8	2.2	2.2	42.5				
City Developments Ltd	SGD 11.45	10,412	0.8	1.1	1.0	1.4	18.0	18.9	18.9	7.4	13.8
UOL Group Ltd	SGD 8.06	6,777	0.6	0.8	2.5	1.9	24.4	9.1	8.4	13.2	26.8
United Industrial Corp Ltd	SGD 3.26	4,668	0.6	-	1.1	-	16.4	0.3	0.4	3.5	5.0
Guocoland Ltd	SGD 2.30	2,722	0.6	0.7	3.7	3.0	84.2	1.6	1.5	18.3	3.3
Wheelock Properties (S) Ltd	SGD 1.88	2,244	0.6	-	4.1	-	(15.8)	1.1	1.2	(1.6)	12.5
Oxley Holdings Ltd	SGD 0.56	1,638	1.6	-	2.6	-	187.8	0.5	0.5	(9.8)	16.4
Bukit Sembawang Estates Ltd	SGD 6.38	1,652	1.2	-	0.7	-	(28.6)	1.4	1.1	4.8	27.9

Source: Bloomberg, KGI Research

Figure 4: Residential en-bloc sales in 2016 and 2017 YTD

Date	Project	Location	Transacted price (S\$ million)	Land area (psf)	Plot ratio	Buyer
Year 2016						
May-16	Shunfu Ville	301-319 Shunfu Road; Bishan	638.0	408,927	2.8	Qinjian Realty
August-16	Harbour View Gardens	211 - 223A Pasir Panjang	33.3	30,745	1.4	Roxy-Pacific Holdings
October-16	Raintree Gardens	110, 112 Potong Pasir Avenue 1	334.2	201,405	2.8	UOL-UIC Venture
Total:			1,005.5			
Year 2017						
May-17	One Tree Hill Gardens	12 One Tree Hill; district 10 near Orchard Road	65.0	39,063	*two-storey semi-detached	Lum Chang Group
May-17	Rio Casa	344-350 Hougang Avenue 7	575.0	396,231	2.8	Oxley-Lian Beng Venture
June-17	Eunosville	218 Changi Road	766.0	376,713	2.8	MCL Land
July-17	The Albracca	Meyer Road; district 15 near Tanjong Rhu	69.1	23,400	2.1	Sustained Land
July-17	Serangoon Ville	129 Serangoon North	499.0	296,913	2.8	Oxley Serangoon (JV entities: Oxley, Lian Beng, KSH, Heeton)
August-17	Tampines Court	Tampines St 11	970.0	702,164	2.8	Sim Lian
Total:			2,944.1			

Source: Various property brokers (JLL, Colliers, Knight Frank, OrangeTee, ERA, Huttons), KGI Research

KGI's Ratings

Rating	Definition
	KGI Securities Research's recommendations are based on an Absolute Return rating system.
BUY	>10% total return over the next 12 months
HOLD	-10% to +10% total return over the next 12 months
SELL	<-10% total return over the next 12 months

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