

**Company update**

# UOL Group Ltd

**Singapore | Real Estate**
**Research Team**

Rating BUY (as at 2 March 2021)  
 Last Close SGD 7.40  
 Fair Value SGD 8.91

## Rejuvenating for the future

- **FY20 core PATMI of SGD259.8m, down 17.2%**
- **First and final dividend per share of 15 S cents (FY19: 17.5 S cents)**
- **Redevelopment projects to refresh its portfolio**

## Investment thesis

UOL Group's Singapore residential portfolio has proven to be resilient despite the Covid-19 outbreak. Management is well known for its prudent land banking strategy. UOL also has a diversified investment properties portfolio with a strong presence in the commercial and hotel industries, thus allowing the group to generate recurring income streams, although near-term performance has been adversely impacted by the pandemic. Given UOL's healthy balance sheet, it is able to embark on redevelopment projects and asset enhancement initiatives to rejuvenate its portfolio.

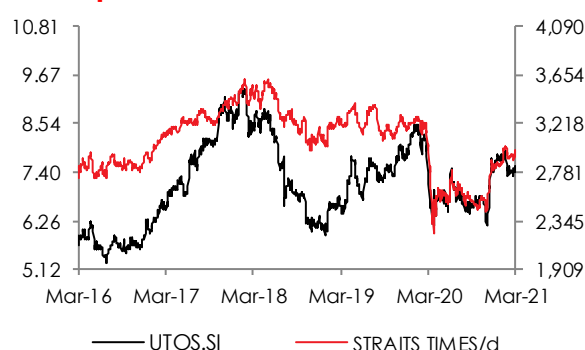
## Investment summary

- **FY20 core PATMI fell 17.2% to SGD259.8m, but beat our expectations** – UOL Group reported a 12.5% and 30.4% decline in its FY20 revenue and gross profit to SGD1,977.1m and SGD727.6m, respectively. This was attributed largely to a slump in revenue from its Hotel operations by 62% and a weaker gross margin. PATMI dipped 97.3% to SGD13.1m due largely to fair value losses on its investment properties (SGD293.3m) and impairment charges on two of its hotel properties. If we strip out these effects, UOL's core PATMI would have declined by 17.2% to SGD259.8m, but this was 12.5% above our forecast. A first and final dividend per share of 15 S cents was declared, lower than the 17.5 S cents paid out in FY19.
- **Hotel segment the main drag** – UOL's Hotel operations was unsurprisingly the main drag in FY20, with SGD74.8m of operating losses, versus an operating profit of SGD73.7m in FY19. However, adjusted EBITDA for the segment was positive in FY20. RevPAR for Singapore, Oceania and Others fell 61%, 55% and 60%, respectively, in FY20. Given the rollout of vaccinations globally, UOL is hopeful of a modest return of visitor arrivals to Singapore and the rest of the

## Security information

Ticker	UTOS.SI
Market Cap (SGD b)	6.2
Daily turnover (SGD m)	1.2
Free Float	55%
Shares Outstanding (m)	844
Top Shareholder	Wee Investments Pte. Ltd. 14.5%

## Price performance chart



## Financial summary

SGD m	FY20	FY21F	FY22F
Revenue	1,977	2,502	2,577
PATMI	13.1	339.7	374.2
Core PATMI	259.8	339.7	374.2
EPS (S cents)	1.6	40.3	44.3

## Key ratios

	FY20	FY21F	FY22F
PER (x)	475.2	18.4	16.7
P/NAV (x)	0.6	0.6	0.6
Net gearing ratio (%)	29.0	27.7	26.2
Dividend yield (%)	2.0	2.4	2.4

Source: Refinitiv, Company, Internal estimates

Asia Pacific region by the later part of 2021. Committed occupancy for UOL's Retail and Office portfolio remained high at 94.9% and 92.1-100%, respectively. For its Property Development segment, UOL sold 794 residential units with an aggregate value of SGD1.24b in Singapore in 2020. Given the relatively firm demand for its residential projects, management highlighted that it was looking to replenish its Singapore landbank, but would bear in mind the increase in construction costs and potential property cooling measures.

- **Strong balance sheet to buttress redevelopment projects** – Notwithstanding the Covid-19 pandemic, UOL was able to maintain a healthy balance with a low net gearing ratio of 29% and average borrowing cost of 1.35%. Given its solid financial position, UOL was able to initiate on two major rejuvenation projects. The first entails the development of a new standalone 7-storey building which would be an extension to its Odeon Towers Building and will comprise office and retail space. Secondly, UOL has obtained URA's in-principle approval under the Strategic Development Initiative Scheme to redevelop its Faber House property into a 250-key hotel. Besides potentially higher GFA to be unlocked from both projects, UOL will also be able to benefit from a decline in development charge rates in the Hotel and Commercial categories over the past year. After adjustments, our fair value increases from SGD8.48 to SGD8.91, still pegged to a 30% discount to our RNAV estimate.

## Potential catalysts

- Stronger-than-expected take-up rates for its residential projects
- Faster-than-expected increase in residential prices in Singapore
- Unwinding of cooling measures

## Investment risks

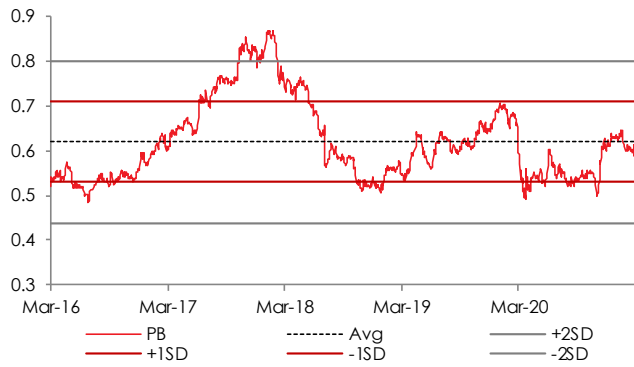
- A slowdown in macroeconomic conditions may dampen consumer and business sentiment
- Any spike in interest rates could raise the borrowing costs of UOL
- Further rounds of cooling measures implemented by the government

## Valuation analysis

	Price/Earnings		Price/Book		EV/EBITDA		Dividend Yield (%)		ROE (%)	
	FY21F	FY22F	FY21F	FY22F	FY21F	FY22F	FY21F	FY22F	FY21F	FY22F
<b>UOL GROUP LTD (UTOS.SI)</b>	17.5	16.4	0.6	0.6	16.9	16.4	2.1	2.4	3.5	3.7
<b>CAPITALAND LTD (CATL.SI)</b>	15.0	12.4	0.7	0.7	18.5	16.7	3.4	3.7	5.2	5.8
<b>CITY DEVELOPMENTS LTD (CTDM.SI)</b>	18.3	13.1	0.7	0.7	20.5	17.1	2.1	2.5	4.0	5.7
<b>FRASERS PROPERTY LTD (FRPL.SI)</b>	14.2	14.3	0.4	0.4	22.9	22.2	2.8	3.5	3.3	3.0
<b>WING TAI HOLDINGS LTD (WTHS.SI)</b>	23.2	20.0	N.A	N.A	11.4	12.9	2.9	2.9	N.A	N.A

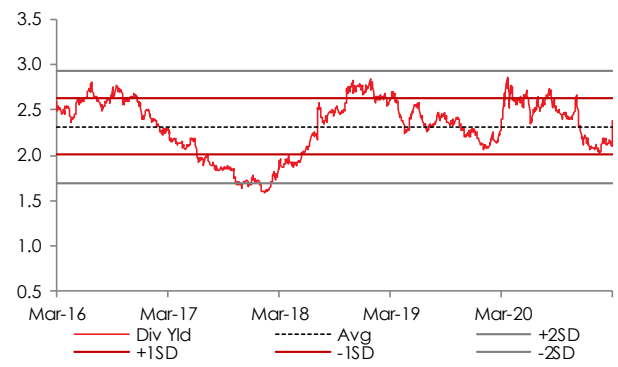
Source: Refinitiv

**Price/Book chart**



Source: Refinitiv

**Dividend Yield chart**



Source: Refinitiv

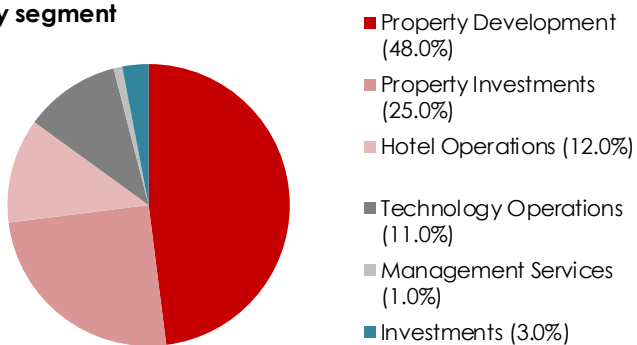
## Company overview (as of 31 December 2020)

### Company description

UOL Group Limited (UOL) is one of Singapore's leading public-listed property companies with total assets of about SGD20 billion. The Company has a diversified portfolio of development and investment properties, hotels and serviced suites in Asia, Oceania and North America. With a track record of over 50 years, UOL strongly believes in delivering product excellence and quality service in all its business ventures. UOL, through its hotel subsidiary Pan Pacific Hotels Group Limited, owns three acclaimed brands namely "Pan Pacific", PARKROYAL COLLECTION and PARKROYAL. The Company's Singapore-listed property subsidiary, United Industrial Corporation Limited, owns an extensive portfolio of prime commercial assets and hotels in Singapore.

### FY20 Revenue

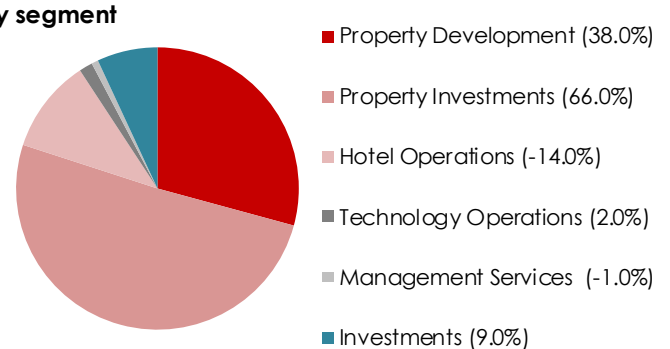
By segment



Source: Company

### FY20 Operating Profit

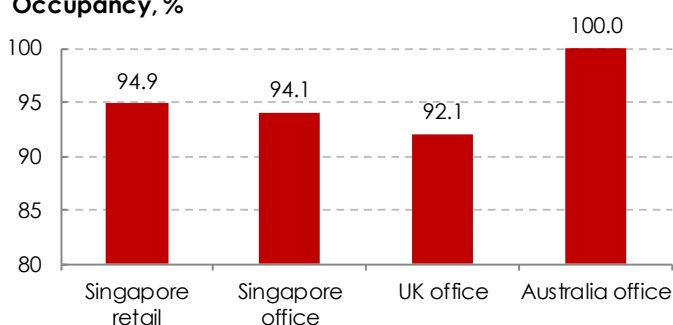
By segment



Source: Company

### Committed Occupancy (as at end-FY20)

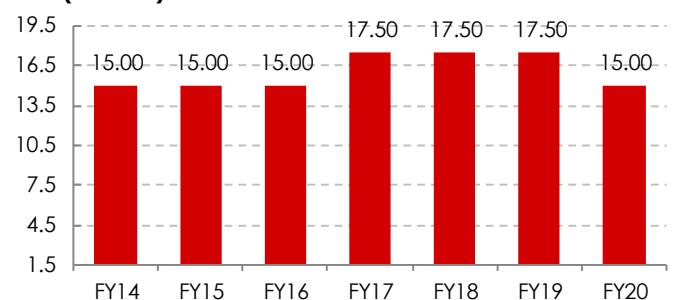
Occupancy, %



Source: Company

### Dividends per share

DPS (\$-cents)



Source: Company

## Company financials

### Income Statement

In Millions of SGD except Per Share 12 Months Ending	FY2016 31/12/2016	FY2017 31/12/2017	FY2018 31/12/2018	FY2019 31/12/2019	FY2020 31/12/2020
<b>Revenue</b>	<b>1,440.7</b>	<b>2,114.4</b>	<b>2,397.3</b>	<b>2,283.3</b>	<b>1,977.1</b>
- Cost of Revenue	955.7	1,405.8	1,365.7	1,237.7	1,249.6
<b>Gross Profit</b>	<b>485.0</b>	<b>708.6</b>	<b>1,031.6</b>	<b>1,045.6</b>	<b>727.6</b>
+ Other Operating Income	--	--	--	--	--
- Operating Expenses	103.7	-363.6	258.7	155.5	540.7
<b>Operating Income or Losses</b>	<b>381.3</b>	<b>1,072.2</b>	<b>773.0</b>	<b>890.1</b>	<b>186.9</b>
- Interest Expense	27.4	34.6	86.3	105.6	78.2
- Foreign Exchange Losses (Gains)	--	--	--	--	--
- Net Non-Operating Losses (Gains)	--	--	--	--	--
<b>Pretax Income</b>	<b>353.9</b>	<b>1,037.7</b>	<b>686.7</b>	<b>784.5</b>	<b>108.7</b>
- Income Tax Expense (Benefit)	48.3	61.2	94.7	105.8	23.4
<b>Income Before XO Items</b>	<b>305.6</b>	<b>976.5</b>	<b>592.0</b>	<b>678.8</b>	<b>85.3</b>
- Extraordinary Loss Net of Tax	--	--	--	--	--
- Minority/Non Controlling Interests (Credits)	18.6	96.2	173.7	200.0	72.2
<b>Net Income/Net Profit (Losses)</b>	<b>287.0</b>	<b>880.2</b>	<b>418.3</b>	<b>478.8</b>	<b>13.1</b>
<b>Net Inc Avail to Common Shareholders</b>	<b>287.0</b>	<b>880.2</b>	<b>418.3</b>	<b>478.8</b>	<b>13.1</b>
Abnormal Losses (Gains)	--	--	--	--	--
Tax Effect on Abnormal Items	--	--	--	--	--
<b>Normalized Income</b>	<b>326.7</b>	<b>487.5</b>	<b>623.3</b>	<b>656.7</b>	<b>42.3</b>
<b>Basic Earnings per Share</b>	<b>0.4</b>	<b>1.1</b>	<b>0.5</b>	<b>0.6</b>	<b>0.0</b>
Basic Weighted Avg Shares	801.3	818.8	842.4	843.2	842.4
<b>Diluted EPS Before Abnormal Items</b>	<b>0.4</b>	<b>1.1</b>	<b>0.5</b>	<b>0.6</b>	<b>0.0</b>
<b>Diluted EPS Before XO Items</b>	<b>0.4</b>	<b>1.1</b>	<b>0.5</b>	<b>0.6</b>	<b>0.0</b>
<b>Diluted EPS</b>	<b>0.4</b>	<b>1.1</b>	<b>0.5</b>	<b>0.6</b>	<b>0.0</b>
Diluted Weighted Avg Shares	801.5	819.4	842.7	843.5	842.4

### Profitability Ratios

12 Months Ending	FY2016 31/12/2016	FY2017 31/12/2017	FY2018 31/12/2018	FY2019 31/12/2019	FY2020 31/12/2020
<b>Returns</b>					
Return on Common Equity	3.58	10.01	4.39	4.87	0.13
Return on Assets	2.65	6.26	2.94	3.29	0.42
Return on Capital	0.77	0.59	0.46	0.44	0.44
Return on Invested Capital	3.52	2.94	2.14	2.11	1.92
<b>Margins</b>					
Operating Margin	24.56	49.08	28.64	34.36	5.50
Incremental Operating Margin	0.68	2.00	0.58	1.20	0.16
Pretax Margin	24.56	49.08	28.64	34.36	5.50
Income before XO Margin	19.92	41.63	17.45	20.97	0.66
Net Income Margin	19.92	41.63	17.45	20.97	0.66
Net Income to Common Margin	19.92	41.63	17.45	20.97	0.66
<b>Additional</b>					
Effective Tax Rate	13.65	5.90	13.80	13.48	21.49
Divd Payout Ratio	41.89	16.29	35.26	30.83	961.54
Sustainable Growth Rate	3.57	10.00	4.37	4.85	0.12

### Credit Ratios

12 Months Ending	FY2016 31/12/2016	FY2017 31/12/2017	FY2018 31/12/2018	FY2019 31/12/2019	FY2020 31/12/2020
Total Debt/EBIT	8.57	9.36	7.30	7.79	12.14
Net Debt/EBIT	7.50	7.37	6.25	6.67	9.82
EBIT to Interest Expense	10.27	11.90	7.48	6.02	5.40
Long-Term Debt/Total Assets	14.50	14.65	13.90	15.78	16.96
Net Debt/Equity	0.32	0.82	0.92	0.85	0.86

Source: Refinitiv

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