



AmInvestment Bank

UOA REAL ESTATE INVESTMENT TRUST

(UOAR MK EQUITY, UOAR.KL)

7 May 2025

Occupancy set to rise in 2Q25, supported by stable rental rates

Company Report

BUY

(Upgraded)

Kelvin Ong, CFA

kelvin-ong@ambankgroup.com

DL: 2036 2294

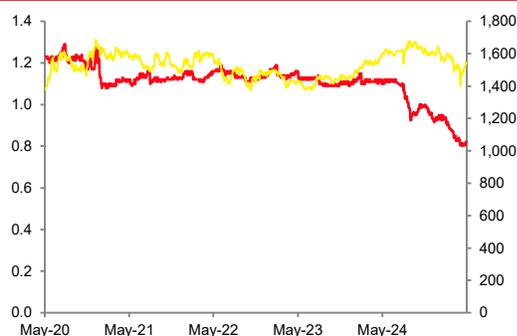
Rationale for report: Company Results

Price	RM0.81			
Fair Value	RM1.10			
52-week High/Low	RM1.15/RM0.92			
Key Changes				
Fair value	↕			
EPS	↔			
YE to Dec	FY24	FY25F	FY26F	FY27F
Gross Rental Income (RM mil)	110.6	118.9	122.1	124.1
Distributable Income (RM mil)	35.5	44.3	50.5	49.6
EPU (sen)	5.3	6.6	7.5	7.3
Consensus Net Profit (RM mil)		44.3	50.5	49.6
DPU (sen)	6.1	6.2	7.1	7.0
DPU Growth (%)	(21.5)	1.8	14.0	(1.8)
Distribution yield (%)	7.6	7.7	8.8	8.6
PE (x)	15.4	12.4	10.8	11.0
EV/EBITDA (x)	16.4	18.9	17.9	16.1
ROE (%)	3.6	4.6	5.3	5.2
Debt/Assets (%)	40.8	41.2	41.1	41.1

Stock and Financial Data

Shares Outstanding (million)	675.6
Market Cap (RMmil)	547.2
Book Value (RM/Share)	1.46
P/BV (x)	0.6
ROE (%)	3.6
Net Gearing (%)	40.8
Major Shareholders	Desa Bukit Pantai (15.1%) Wisma UOA (11.5%) Rich Accomplishment (11.1%)
Free Float	36.1
Avg Daily Value (RMmil)	0.2

Price performance	3mth	6mth	12mth
Absolute (%)	(12.3)	(18.0)	(25.5)
Relative (%)	(10.3)	(13.7)	(23.0)



— UOAR MK — FBMKLCI Index

Investment Highlights

We upgrade UOA REIT to BUY from HOLD, raising the TP to RM1.10/unit from RM1.06/unit based on DDM valuation. The stock trades at a 43% discount to its FY25F NAV of RM1.41/unit, offering a 7.7% distribution yield with a 405bps spread over the 10-year MGS. Earnings are on track, with Parcel B – Menara UOA Bangsar's occupancy set to surpass 90% in 2Q25 after securing a new tenant, boosting overall asset occupancy. Rental growth is expected to remain stable to slightly positive as office demand gradually improves despite high supply.

- Upgrading to BUY from HOLD, raising TP to RM1.10/unit.** This adjustment reflects an updated DDM-derived valuation, incorporating a lower WACC assumption of 7.0%, down from 7.2%, largely due to a reduced cost of equity at 4.8% versus 5.1% previously. Earnings estimates remain unchanged.
- UOA REIT's 1Q25 earnings met expectations.** UOA REIT's 1Q25 realized distributional income reached RM10 million, meeting 22.5% of projections. Gross rental grew 13.3% YoY, supported by higher occupancy at Parcel B – Menara UOA Bangsar. However, NPI fell 3.6% YoY due to increased property expenses, mainly higher maintenance and sinking fund contributions for upcoming AElS at UOA Centre and UOA II. These contributions will be evenly spread over 18 months. Gearing increased marginally to 41.7% in 1Q25 from 40.5% in 1Q24 to support sinking fund contributions.
- UOA REIT's average property occupancy rose to 79% in 1Q25 from 75% in 1Q24.** Occupancy rose across UOA Centre, UOA Damansara, Parcel B – Menara UOA Bangsar, and UOA Corporate Tower. At Parcel B – Menara UOA Bangsar, a key tenant took over two floors and plans to add another, pushing occupancy above 90% in 2Q25 from 76% in 1Q25. Meanwhile, UOA Centre's occupancy slipped to 80% in 1Q25 from 85% in 4Q24 after a ground-floor tenant left. Nevertheless, management remains optimistic about securing a new tenant for the prime entrance-facing space.
- Stable to slight rental growth expected as office demand gradually improves.** Office space supply remains high. To enhance tenant appeal, the group is working to secure green certification for UOA Corporate Tower, having already achieved it for Menara UOA Bangsar and Wisma UOA Damansara II. Among the 23.8% of leases expiring in 2025, the majority is attributed to a tenant in Wisma UOA II, that has expressed its intention to renew.

Company profile

UOA REIT started operations on 1 December 2005 and was listed on the Main Market of Bursa Malaysia on 30 December 2005. The REIT has 6 office assets (UOA Centre, Wisma UOA II, Wisma UOA Damansara I and II, Parcel B – Menara UOA Bangsar and UOA Corporate Tower) in the portfolio. The average occupancy rates the assets under management was 79% in 1Q25, an improvement from 75% in 1Q24.

Investment thesis and catalysts

We revise our rating to BUY from HOLD, increasing the TP to RM1.10/unit from RM1.06/unit based on DDM. At RM0.81/unit, the stock trades at a 43% discount to the projected FY25F NAV of RM1.41/unit, offering a compelling 7.7% yield with a 405bps spread over the 10-year MGS. Higher asset occupancy is expected to drive gross rental revenue growth in 2Q25.

Valuation methodology

We are valuing the stock based on DDM with a WACC of 7.0% (beta: 1, market risk premium: 7.3%, pre-tax cos of debt: 3.9%, long term growth rate: 1%)

Risk factors

Risk to our call includes higher than expected 10-year MGS yield following the elevated interest rates in US post elections which could lower distribution yield spread and attraction for the REIT.

EXHIBIT 1: RESULT SUMMARY

RM 'mil	1QFY24	4QFY24	1QFY25	QoQ (%)	YoY (%)
Gross rental	26.2	29.0	29.7	2.4	13.3
Property operating costs	(7.7)	(8.6)	(11.9)	37.3	53.5
Net property income	18.5	20.4	17.8	(12.5)	(3.6)
Interest income	0.0	0.0	0.0	39.7	(8.5)
Other income	0.2	0.2	0.6	>100	>100
Net Investment Income	18.7	20.6	18.4	(10.4)	(1.2)
Manager's fee	(1.6)	(1.6)	(1.6)	(0.9)	(0.8)
Trustee's fee	(0.1)	(0.1)	(0.1)	(0.9)	(0.8)
Other trust expenses	0.3	0.1	(1.0)	>-100	>-100
EBIT	17.2	19.0	15.8	(17.0)	(8.4)
Net borrowing cost	(5.5)	(5.8)	(5.8)	(1.2)	4.5
Profit Before Taxation	11.7	13.1	10.0	(24.1)	(14.5)
Taxation	(0.0)	1.9	(0.0)	>-100	>100
Net Profit	11.7	15.1	10.0	(33.9)	(14.7)
Distribution adjustment	0.0	(9.8)	0.0	(100.0)	n.m.
Distributable Income	11.7	5.2	10.0	89.9	(14.7)
Realised distributional income	11.7	13.1	10.0	(24.1)	(14.4)
<u>Distribution:</u>					
EPU - Diluted (Sen)	1.7	0.8	1.5	88.5	(15.0)
DPU (Sen) - Interim	3.9	3.2	3.2	0.0	(16.1)
NAV/unit	1.4	1.4	1.4	1.0	0.3
<u>Margin:</u>					
NPI margin (%)	70.5	70.2	60.0	(10.2)	(10.5)
EBIT margin (%)	65.6	65.4	53.0	(12.4)	(12.6)
Net Interest coverage (x)	3.1	3.3	2.7	(16.0)	(12.1)
Debt-to-Asset Ratio (%)	40.5	40.8	41.7	0.9	1.2

Source: Company, AmInvestment Bank

EXHIBIT 2: VALUATION: UOA REIT

WACC	7.0% (from 7.2%)
Weighted Cost of Equity	4.8% (from 5.1%)
Average Cost of Debt	3.9% (from 3.8%)
Market risk premium	7.3% (from 7.1%)
Beta	1
Long term growth rate	1.0%
ESG Premium	0% premium
12-month target price	RM1.10 (from RM1.06)

Source: AmInvestment Bank

EXHIBIT 3: DIVIDEND DISCOUNT MODEL (DDM)

Assumption for Weighted Average Cost of Capital (WACC)

Risk Free Rate	3.7%
Beta	1.0
Market Return	11%

Cost of Equity (Ke) 11.0%

Average Cost of Debt 3.9%

Capital Structure: (RM Mil)

Market Cap	547	43.2%
Total Borrowing	719	56.8%
Total	1,266	100.0%

Weighted Average Cost of Capital (WACC):	Weight	Cost	W X C
Cost of Equity (Ke)	43.2%	11.0%	4.8%
Average Cost of Debt	56.8%	3.9%	2.2%
WACC			7.0%

Multi-Stage DDM	2025	2026	2027	2028	2029	Terminal Value
Period	1	2	3	4	5	
Dividends (RM)	0.06	0.07	0.07	0.07	0.07	1.15
Present Value (RM)	0.06	0.05	0.06	0.05	0.05	0.82
Valuation	1.10					
(+0%) no adjustment for 3-star ESG rating	0.00					
Fair Value/unit (RM)+ESG	1.10					
Rate of Return (%)	7.0%					
Growth Rate (%)	1%					

Source: Company, AmInvestment Bank

EXHIBIT 4: OCCUPANCY RATES

Occupancy Rate (%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25
UOA Centre Parcels	75	77	80	77	77	79	80	85	80
Wisma UOA II	64	61	62	62	65	66	68	64	63
Wisma UOA Damansara	77	77	77	74	75	74	77	80	82
Wisma UOA Damansara II	79	76	75	78	78	82	81	78	73
Parcel B -Menara UOA Bangsar	97	98	98	97	57	73	58	77	76
UOA Corporate Tower	92	96	94	98	99	100	100	100	100
Average	81	81	81	81	75	79	77	81	79

Source: Company, AmlInvestment Bank

EXHIBIT 5: ESG MATRIX

	Environmental assessment	Parameters	Weightage	Rating					Rationale
1	Scope 1 GHG Emissions	tCo2e	20%	*	*	*			Nil in FY24 vs. 5 in FY23
2	Scope 2 GHG Emissions	tCo2e	30%	*	*	*			Flattish YoY in FY24
3	Water usage	Revenue/water consumption	25%	*	*	*			0.2%YoY decline in FY24
4	Energy usage	Revenue/energy consumption	25%	*	*	*			0.4% increase in FY24
	Weighted score for environmental assessment		100%	*	*	*			
	Social assessment								
1	Health, safety & well-being	Recorded injuries	25%	*	*	*	*	*	Nil in FY22, FY23 and FY24
2	Women in workforce	% of total workforce in management	25%	*	*	*			50% in senior management & 60% in middle management
3	Investment in employee training	Average number of hours of training per year per senior management employee trained	25%	*	*	*			Declined to 60 hours in FY24 from 64 hours in FY23
4	Procurement sourcing from local vendors	% of total procurement	25%	*	*	*	*	*	100%
	Weighted score for social assessment		100%	*	*	*	*	*	
	Governance assessment								
1	Board age diversity	% under 60 years old	20%	*	*	*	*		60% in FY24
2	Board women representation	% of total board directors	20%	*	*				20% representation in FY24 like FY23
3	Directors with tenure below 6 years	% below 6 years category	20%	*	*	*	*		60%
4	Independent board directors	% of total board directors	20%	*	*	*			60% - independent non-exec
5	Remuneration to directors	% of total expenses	20%	*	*	*	*		3.4% of total expenses
	Weighted score for governance assessment		100%	*	*	*			
	Environmental score		40%	*	*	*			
	Social score		30%	*	*	*	*		
	Governance score		30%	*	*	*			
	Overall ESG Score		100%	*	*	*			

We accord a discount/premium of -6%, -3%, 0%, +3% and +6% on fundamental fair value based on the overall ESG rating as appraised by us, from 1-star to 5-star.

Source: Company, AmlInvestment Bank

EXHIBIT 6: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Gross Rental Income	112.8	110.6	118.9	122.1	124.1
Net Property Income	82.4	74.0	78.0	86.2	87.7
Net Investment income	83.0	74.6	78.4	86.6	88.1
EBITDA	74.7	66.9	70.5	78.5	79.8
Net interest	(21.5)	(22.7)	(26.0)	(27.8)	(30.0)
Exceptional items (EI)	(0.8)	(10.6)	0.0	0.0	0.0
Pretax profit	52.4	33.6	44.5	50.7	49.8
Taxation	1.5	1.9	(0.3)	(0.3)	(0.3)
Minorities	0.0	0.0	0.0	0.0	0.0
Net Income	53.9	35.5	44.2	50.4	49.5
Distributable Income	53.9	35.5	44.3	50.5	49.6
Balance Sheet (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Plant and equipment	1.3	15.9	0.7	0.8	0.8
Investment Properties	1,718.5	1,725.7	1,725.7	1,725.7	1,725.7
Total non-current assets	1,719.8	1,741.6	1,726.4	1,726.5	1,726.5
Cash & equivalent	4.3	4.9	4.5	4.6	4.7
Inventories	-	-	-	-	-
Trade receivables	5.1	3.6	3.0	3.1	3.1
Other current assets	0.0	0.0	0.0	0.0	0.0
Total current assets	17.9	18.5	19.2	19.7	20.0
Trade payables	39.8	40.5	34.1	30.0	30.5
Short-term borrowings	684.7	718.5	718.5	718.5	718.5
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Total current liabilities	724.5	759.0	752.6	748.5	749.0
Long-term borrowings	0.0	0.0	0.0	0.0	0.0
Other long-term liabilities	0.0	0.0	20.1	17.6	17.9
Total long-term liabilities	19.6	17.7	41.7	39.8	40.5
Total Unitholders' funds	993.6	983.4	951.2	957.9	957.1
Minority interests	-	-	-	-	-
NAV per unit (RM)	1.5	1.5	1.4	1.4	1.4
Cash Flow (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Pretax profit	52.4	33.6	44.5	50.7	49.8
Depreciation/Amortisation	-	-	-	-	-
Net change in working capital	(2.8)	0.7	12.7	(7.0)	0.5
Others	22.9	31.9	25.8	27.6	29.8
Cash flow from operations	72.5	66.1	83.0	71.3	80.2
Capital expenditure	(3.5)	0.0	(0.0)	(0.0)	(0.0)
Net investments & sale of fixed assets	(0.6)	(7.2)	0.0	0.0	0.0
Others	0.1	0.8	(0.2)	0.3	0.2
Cash flow from investing	(3.9)	(6.4)	(0.2)	0.2	0.2
Debt raised/(repaid)	9.3	33.8	0.0	0.0	0.0
Equity raised/(repaid)	0.0	0.0	0.0	0.0	0.0
Distribution paid to unitholders	(55.9)	(33.9)	(42.2)	(48.1)	(47.3)
Others	(21.6)	(59.0)	(40.9)	(23.3)	(33.0)
Cash flow from financing	(68.2)	(59.1)	(83.1)	(71.4)	(80.3)
Net cash flow	0.4	0.6	(0.3)	0.1	0.1
Net cash/(debt) b/f	3.9	4.3	4.9	4.5	4.6
Net cash/(debt) c/f	4.3	4.9	4.5	4.6	4.7
Key Ratios (YE31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Revenue growth (%)	(1.3)	(2.0)	7.5	2.7	1.7
Net Property Income growth (%)	(6.7)	(10.2)	5.5	10.5	1.7
Pretax margin (%)	46.4	30.3	37.4	41.5	40.1
Distribution income margin (%)	47.7	32.1	37.3	41.4	40.0
Net Interest cover (x)	3.5	2.9	2.7	2.8	2.7
Effective tax rate (%)	0.6	0.6	0.6	0.6	0.6
DPU payout (%)	103.9	95.4	95.4	95.4	95.4
Receivable turnover (days)	9.2	9.2	9.2	9.2	9.2
Payable turnover (days)	305.1	305.1	305.1	305.1	305.1

SOURCE: COMPANY, AMINVESTMENT BANK ESTIMATES

DISCLOSURE AND DISCLAIMER

This report is prepared for information purposes only and it is issued by AmInvestment Bank Berhad (“AmInvestment”) without regard to your individual financial circumstances and objectives. Nothing in this report shall constitute an offer to sell, warranty, representation, recommendation, legal, accounting or tax advice, solicitation or expression of views to influence any one to buy or sell any real estate, securities, stocks, foreign exchange, futures or investment products. AmInvestment recommends that you evaluate a particular investment or strategy based on your individual circumstances and objectives and/or seek financial, legal or other advice on the appropriateness of the particular investment or strategy.

The information in this report was obtained or derived from sources that AmInvestment believes are reliable and correct at the time of issue. While all reasonable care has been taken to ensure that the stated facts are accurate and views are fair and reasonable, AmInvestment has not independently verified the information and does not warrant or represent that they are accurate, adequate, complete or up-to-date and they should not be relied upon as such. All information included in this report constitute AmInvestment’s views as of this date and are subject to change without notice. Notwithstanding that, AmInvestment has no obligation to update its opinion or information in this report. Facts and views presented in this report may not reflect the views of or information known to other business units of AmInvestment’s affiliates and/or related corporations (collectively, “AmBank Group”).

This report is prepared for the clients of AmBank Group, and it cannot be altered, copied, reproduced, distributed or republished for any purpose without AmInvestment’s prior written consent. AmInvestment, AmBank Group and its respective directors, officers, employees and agents (“Relevant Person”) accept no liability whatsoever for any direct, indirect or consequential losses, loss of profits and/or damages arising from the use or reliance of this report and/or further communications given in relation to this report. Any such responsibility is hereby expressly disclaimed.

AmInvestment is not acting as your advisor and does not owe you any fiduciary duties in connection with this report. The Relevant Person may provide services to any company and affiliates of such companies in or related to the securities or products and/or may trade or otherwise effect transactions for their own account or the accounts of their customers which may give rise to real or potential conflicts of interest.

This report is not directed to or intended for distribution or publication outside Malaysia. If you are outside Malaysia, you should have regard to the laws of the jurisdiction in which you are located.

If any provision of this disclosure and disclaimer is held to be invalid in whole or in part, such provision will be deemed not to form part of this disclosure and disclaimer. The validity and enforceability of the remainder of this disclosure and disclaimer will not be affected.

This report has been prepared by AmInvestment pursuant to the Research Incentive Program under Bursa Research Incentive Scheme (“Bursa RISE”) administered by Bursa Malaysia Berhad. This report has been produced independent of any influence from Bursa Malaysia Berhad or the subject company. Bursa Malaysia Berhad and its group of companies disclaim any and all liability, howsoever arising, out of or in relation to the administration of Bursa Research Incentive Program and/or this report.