

Eastern & Oriental Berhad

(3417 | EAST MK) Property | Property

Weak earnings

KEY INVESTMENT HIGHLIGHTS

- **9MFY20 earnings below expectations**
- **Weak earnings in 9MFY20**
- **9MFY20 new sales at RM359.6m**
- **Earnings estimates revised downwards**
- **Maintain NEUTRAL with an adjusted TP of RM0.57**

9MFY20 earnings below expectations. Eastern & Oriental Berhad (E&O) 9MFY20 core net income of RM0.3m came in below expectations as it makes up only 1% of our and consensus full year estimates respectively. The weaker-than-expected earnings could be attributed to the subdued earnings in 3QFY20. E&O reported core net loss of RM5.1m in 3QFY20 after stripping out forex gain of RM23m.

Weak earnings in 9MFY20. E&O remained in the red in 3QFY20, recording core net loss of RM5.1m in 3QFY20 against core net loss of RM3.7m in 2QFY20. That dragged cumulative core net earnings to RM0.3m in 9MFY20, declined sharply from net profit of RM36.6m in 9MFY19. Earnings were weak in 9MFY20 due to absence of new launches to support earnings and as progress billing of development projects in Seri Tanjung Pinang (STP1) was low. Besides, hospitality segment was in the red by recording operating loss of RM6.4m in 9MFY20 due to closure of the Heritage Wing at E&O Hotel for refurbishment. Nevertheless, the Heritage Wing was reopened for business in December 2019.

9MFY20 new sales at RM359.6m. E&O registered new property sales of RM177.7m in 3QFY20, higher than new property sales in 2QFY20 of RM102.4m. That brought cumulative new sales to RM359.6m in 9MFY20. Penang contributed to 67% of E&O's total new sales while Klang Valley and Johor contributed 28% and 5% respectively. Meanwhile, unbilled sales increased to RM107.5m in 3QFY20 from RM51.1m in 2QFY20. Meanwhile, E&O launched The Conlay (GDV: RM968m) in 4Q2019. Looking ahead, E&O targets to launch The Peak (GDV: RM348m) in 2H2020 and maiden project on STP 2A in 1Q2021.

Maintain NEUTRAL with an adjusted TP of RM0.57 (previously RM0.60). We cut our earnings forecast for FY20/21F by 78%/45%. Correspondingly, we revise our TP to **RM0.57** from RM0.60 as we widened our RNAV discount from 83% to 84%. We are maintaining our **Neutral** call on E&O due to its lackluster earnings.



Maintain NEUTRAL

Revised Target Price: RM0.57
(Previously RM0.60)

RETURN STATISTICS

Price @ 18 February 2020 (RM)	0.60
Expected share price return (%)	-5.0
Expected dividend yield (%)	1.7
Expected total return (%)	-3.3

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-6.6	-3.2
3 months	-9.6	-9.3
12 months	-36.2	-30.0

KEY STATISTICS

FBM KLCI	1,537.08
Syariah compliant	Yes
Issue shares (m)	1432.55
Estimated free float (%)	32.79
Market Capitalisation (RM'm)	874
52-wk price range (RM)	RM0.54 – RM0.9
Beta vs FBM KLCI (x)	1.07
Monthly velocity (%)	11.02
Monthly volatility (%)	17.56
3-mth average daily volume (m)	1.30
3-mth average daily value (RM'm)	0.78
Top Shareholders (%)	
Sime Darby Bhd	10.88
SWEETWATER SPV SDN BHD	9.09
PARAMOUNT SPRING SDN BHD	8.97

Analyst(s)

Jessica Low Jze Tieng
Jessica.low @midf.com.my
03-21738391

INVESTMENT STATISTICS

FYE March	FY17A	FY18A	FY19A	FY20F	FY21F
Revenue	705	981.3	886	505	582
Core EBIT	147	266.4	256	106	122
Core PBT	117	202.5	179	11	44
Net Income	88	100.8	62	8	31
Core Net Income	78	106.0	79	8	31
EPS (sen)	3.93	7.7	4.7	0.56	2.13
Core EPS (sen)	6.24	8.2	5.9	0.56	2.13
Net DPS (sen)	2.00	3.0	3.0	1.00	2.00
Net Dvd Yield	3.3%	5.0%	5.0%	1.7%	3.3%
Core PER	9.6	7.4	10.1	107.5	28.1
NTA/share (RM)	1.35	1.42	1.5	1.49	1.51
P/NTA	0.44	0.42	0.40	0.40	0.40
Core ROE	4.6%	5.7%	3.9%	0.4%	1.5%
Core ROA	2.0%	2.5%	1.8%	0.2%	0.7%

Source: Company, MIDFR

Eastern & Oriental Berhad: 3QFY20 RESULTS SUMMARY

FYE Mar (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	3QFY20	%YoY	%QoQ	FY20	%YoY
Revenue	119.2	-54%	-13%	390.6	-39%
Core EBIT	17.6	-72%	-24%	63.0	-61%
Core PBT	0.3	-99%	-95%	26.0	-76%
Net Income	18.8	N/A	N/A	8.1	-66%
Core Net Income	-5.1	N/A	N/A	0.3	-99.3%
EPS (sen)	1.31	N/A	N/A	0.6	-69%
Core EPS (sen)	-0.36	N/A	N/A	0.0	-101%
Net DPS (sen)	0.00	N/A	NA	0.0	N/A
NTA/share (RM)	1.38	-2%	1%	1.38	-2%
Net Gearing (x)	0.37	NA	NA	0.37	NA
Core EBIT Margin	15%	NA	NA	16.1%	NA
Core PBT Margin	0.2%	NA	NA	6.7%	NA

Source: Company

Eastern & Oriental Berhad RNAV

Landbank/Buildings	Location	Remaining GDV (RM m)	Methodology	Stake	Value (RM m)	
Ongoing Projects						
Quayside Condomium	Penang	29	DCF @ WACC 10.2%	100%	2.9	
Andaman Series	Penang	550	DCF @ WACC 10.2%	100%	50.4	
Andorra	Penang	12	DCF @ WACC 10.2%	100%	1.2	
Amaris	Penang	26	DCF @ WACC 10.2%	100%	2.6	
Ariza	Penang	30	DCF @ WACC 10.2%	100%	3.0	
Tamarind	Penang	48	DCF @ WACC 10.2%	100%	4.6	
The Mews	KL	127	DCF @ WACC 10.2%	51%	6.2	
Princes House	London	30	DCF @ WACC 10.2%	100%	2.7	
Conlay Tower	KL	900	DCF @ WACC 10.2%	51%	38.2	
The Peak	KL	300	DCF @ WACC 10.2%	100%	26.1	
Avira Phase 2	Johor	100	DCF @ WACC 10.2%	50%	4.2	
Other Landbank						
		Size (ac)		Price (RM/sqft)	Stake	Value (RM m)
Future reclamation land (Land value less reclamation cost)	Seri Tanjung Pinang Phase 2, Penang	760.0	33,105,600	221	63%	4614.5
Elmina West	Selangor	135.0	5,880,600	38	100%	223.0
Ukay Heights	Ulu Kelang, Selangor	9.4	409,464	33	100%	13.3
Kemensah Heights	Ulu Kelang, Selangor	309.5	13,481,820	29	100%	394.3
Gertak Sanggul	Penang	348.0	15,158,880	18	100%	272.9
Avira	Medini Iskandar, Johor	207.0	9,016,920	48	50%	216.4
Total Landbank Value						5876.5
Investment Properties						492.0
Fixed Assets						237.0
Cash						750.2
Total Liabilities (excl. deferred tax liabilities)						-2227.8
Total RNAV (RM m)						5127.9
No of shares (m)						1432.5
RNAV per share (RM)						3.58
Warrants, Exercise Price RM2.60						222.3

Proceed from disposal of 20% stake in STP2A	766.0
Fully Diluted No of shares (m)	1654.8
FD RNAV (RM)	3.56
Discount	84%
FD RNAV (RM)	0.57

Source: MIDFR

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad 197501002077 (23878-X).
 (Bank Pelaburan)
 (A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD 197501002077 (23878-X). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This document may not be reproduced, distributed or published in any form or for any purpose.

MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.