

Eastern & Oriental Berhad

(3417 | EAST MK) Property | Property

Ended FY20 on a weaker note

KEY INVESTMENT HIGHLIGHTS

- **FY20 core net earnings largely within expectations**
- **Ended FY20 on a weaker note**
- **FY20 new sales at RM494.8m**
- **Earnings estimates revised downwards**
- **Maintain NEUTRAL with an adjusted TP of RM0.42**

FY20 core net earnings largely within expectations. Eastern & Oriental Berhad (E&O) core net earnings of RM9.5m came in largely within our and consensus forecast of RM8m and RM8.6m respectively. Note that we have excluded mainly fair value loss on investment properties and property development costs write down in our core net income calculations. E&O has proposed dividend of 1sen per share.

Ended FY20 on a weaker note. E&O recorded core net profit of RM10m (-76.2%yoy), bringing cumulative core net profit to RM9.5m (-87.9%yoy). The lower core net earnings were in line with lower topline of RM486.8m (-45%yoy). The weaker earnings in FY20 were mainly dragged by lower sales from ongoing development projects such as The Tamarind and Ariza Seafront Terraces in STP1 which were completed in FY19. Besides, the lower earnings were also weighed by lower contribution from hospitality segment due to temporary closure of the Heritage Wing of E&O Hotel for refurbishment. Looking forward, outlook for hospitality segment remains subdued due to Covid-19 pandemic.

FY20 new sales at RM494.8m. E&O recorded new property sales of RM135.2m in 4QFY20, lower than new sales of RM177.7m in 3QFY20. That lift total new sales to RM494.8m in FY20, higher than new sales of RM330.8m achieved in FY19. Penang contributed to 63% of E&O's total new sales while Klang Valley and Johor contributed 33% and 4% respectively. Meanwhile, unbilled sales increased to RM150.2m in 4QFY20 from RM107.5m in 3QFY20. Looking forward, E&O will focus on its two on-going property projects namely The Conlay (GDV: RM968m) and Avira in FY21. Future launches in the pipeline include maiden launch of STP2A (GDV: RM650m) and The Peak (GDV: RM348m) which are expected to launch in 2HFY21.

Maintain NEUTRAL with an adjusted TP of RM0.42 (previously RM0.57). We revise our FY21 earnings forecast by -21.9% as we see subdued outlook for hospitality segment. We also introduce our earnings forecast for FY22. We revise our TP to RM0.42 from RM0.57 as we widened our RNAV discount from 84% to 88%. We are maintaining our Neutral call on E&O due to its uninspiring earnings.

Maintain NEUTRAL

Revised Target Price: RM0.42

(Previously RM0.57)

RETURN STATISTICS

Price @ 29 June 2020 (RM)	0.40
Expected share price return (%)	5.0
Expected dividend yield (%)	2.5
Expected total return (%)	7.5

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	5.1	1.3
3 months	12.2	8.5
12 months	-47.8	-41.2

KEY STATISTICS

FBM KLCI	1,494.43
Syariah compliant	Yes
Issue shares (m)	1432.55
Estimated free float (%)	22.77
Market Capitalisation (RM'm)	583
52-wk price range (RM)	RM0.3 – RM0.82
Beta vs FBM KLCI (x)	1.36
Monthly velocity (%)	11.02
Monthly volatility (%)	17.56
3-mth average daily volume (m)	5.13
3-mth average daily value (RM'm)	2.14
Top Shareholders (%)	
Amazing Parade Sdn Bhd	11.90
Sime Darby Bhd	10.89
Sweetwater SPV Sdn Bhd	9.10
Paramount Spring Sdn Bhd	8.98
KWAP	6.83
Morning Crest Sdn Bhd	6.00
GKG Investment Holdings Pte Ltd	5.54

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INVESTMENT STATISTICS

FYE March	FY18A	FY19A	FY20A	FY21F	FY22F
Revenue	981.3	886	486.8	511.6	412.7
Core EBIT	266.4	256	116.1	107.4	97.0
Core PBT	202.5	179	49.8	34.1	27.3
Net Income	100.8	62	(195.9)	23.8	19.1
Core Net Income	106.0	79	9.5	23.8	19.1
EPS (sen)	7.7	4.7	(13.7)	1.66	1.33
Core EPS (sen)	8.2	5.9	0.7	1.66	1.33
Net DPS (sen)	3.0	3.0	1.0	2.00	2.00
Net Dvd Yield	7.5%	7.5%	2.5%	5.0%	5.0%
Core PER	4.9	6.7	58.4	24.0	30.0
NTA/share (RM)	1.42	1.5	1.23	1.24	1.25
P/NTA	0.28	0.27	0.32	0.32	0.32
Core ROE	5.7%	3.9%	0.5%	1.3%	1.1%
Core ROA	2.5%	1.8%	0.3%	0.7%	0.6%

Source: Company, MIDFR

Eastern & Oriental Berhad: 4QFY20 RESULTS SUMMARY

FYE Mar (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	4QFY20	%YoY	%QoQ	FY20	%YoY
Revenue	96.2	-62%	-19%	486.8	-45%
Core EBIT	36.0	-59%	104%	116.1	-55%
Core PBT	24.6	-64%	9096%	49.8	-72%
Net Income/Net Loss	-204.0	-634%	-1188%	-195.9	-416%
Core Net Income	10.0	-76.2%	-295%	9.5	-87.9%
EPS (sen)	-14.25	-602%	-1188%	-13.7	-393%
Core EPS (sen)	0.70	-78%	-295%	0.7	-88%
Net DPS (sen)	1.00	-67%	NA	1.0	-67%
NTA/share (RM)	1.23	-17%	-10%	1.23	-17%
Net Gearing (x)	0.42	NA	NA	0.42	NA
Core EBIT Margin	37%	NA	NA	23.8%	NA
Core PBT Margin	25.6%	NA	NA	10.2%	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	88%
FD RNAV (RM)	0.42

Source: MIDFR

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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.