

Eco World Development Group Berhad

(8206 | ECW MK) Property | Property

Maintain BUY

Interim new sales target RM2b

Revised Target Price: RM0.73

(Previously RM1.02)

KEY INVESTMENT HIGHLIGHTS

- **1QFY20 earnings deem within expectations.**
- **Higher earnings in 1QFY20**
- **1QFY20 new property sales at RM305m**
- **Earnings estimate revised downwards**
- **Maintain BUY with a revised TP of RM0.73**

1QFY20 earnings deem within expectations. Eco World Development Group (ECOWLD) 1QFY20 core net income of RM33.7m deemed within expectations despite it only makes up 16% of our and consensus full year estimates as 1Q is seasonally weaker quarter.

Higher earnings in 1QFY20. On sequential basis, 1QFY20 core net income is lower at RM33.7m (-59.9%qoq) due to seasonally lower progress of works in 1Q as a result of year-end holidays and festive season. Meanwhile, 1QFY20 earnings were higher on yearly basis, improving by 11.1%yoy, in line with higher topline (+9.5%yoy). The higher earnings were mainly driven by sales of properties from Home Ownership Campaign and higher contribution from Malaysian joint ventures. On a separate note, ECOWLD's future revenue recorded at RM4.7b as of Jan 2020, declining from future revenue of RM5.2b in October 2019.

1QFY20 new property sales at RM305m. ECOWLD recorded property sales of RM305m in 1QFY20 where 54% were contributed by projects in Klang Valley while projects in Iskandar Malaysia contributed 41% to the new sales. Meanwhile, ECOWLD has set an interim full year new sales target for FY20 of RM2b due to Covid-19 outbreak and movement control order. The interim new sales target is lower than the previous implied new sales target of about RM3b for FY20 as ECOWLD previously set 2-year new sales target of RM6b for FY19-FY20. Nevertheless, ECOWLD will revisit the interim new sales target as soon as the outbreak is contained and business activities normalize.

Earnings estimate revised downwards. We revise downwards our FY20/21F earnings forecast by 12.4%/16.6% as we take into account the lower new sales assumption. Besides, we also assume lower progress billing in FY20 due to one-month halt of site works during movement control order.

Maintain BUY with a revised TP of RM0.73. Corresponding to the earnings downward revision, we lower of TP for ECOWLD to RM0.73 from RM1.02 as we widen our RNAV discount to 68% from 55% due to weaker new sales outlook in the near term. Nevertheless, we maintain our BUY recommendation on ECOWLD as valuation is greatly undervalued after the recent slump in share price. ECOWLD is trading at 67% discount to NTA per share of RM1.50 which we think is an opportune time for investors to accumulate.

RETURN STATISTICS

Price @ 26 March 2020 (RM)	0.395
Expected share price return (%)	84.8
Expected dividend yield (%)	1.6
Expected total return (%)	86.4

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-37.3	-28.9
3 months	-47.0	-36.6
12 months	-56.4	-46.0

KEY STATISTICS

FBM KLCI	1328.09
Syariah compliant	Yes
Issue shares (m)	2944.37
Estimated free float (%)	20.98
Market Capitalisation (RM'm)	1163.03
52-wk price range	RM0.29 - RM0.97
Beta vs FBM KLCI (x)	1.54
Monthly velocity (%)	11.02
Monthly volatility (%)	16.96
3-mth average daily volume (m)	5.02
3-mth average daily value (RM'm)	2.98
Top Shareholders (%)	
Sinarmas Harta Sdn Bhd	32.94
Sin Liew Kee	9.41
Liew Tian Xiong	7.67

Analyst(s)

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INVESTMENT STATISTICS

FYE Oct	2017A	2018A	2019A	2020F	2021F
Revenue	2,925	2,172	2,462	2,750	2,725
EBIT	383	262	228	182	127
PBT	283	219	268	268	295
Net Income	210	160	203	188	208
Core Net Income	113	162	206	188	209
EPS (sen)	7.25	5.43	6.91	6.37	7.05
Core EPS (sen)	3.91	5.49	6.99	6.37	7.09
Net DPS (sen)	0.0	0.0	0.0	0.6	0.7
Net Dvd Yield	0.0	0.0	0.0	1.6	1.8
Core PER	10.1	7.2	5.6	6.2	5.6
NTA/share (RM)	1.45	1.50	1.54	1.62	1.69
P/NTA	0.27	0.26	0.26	0.24	0.23
Core ROE	2.7%	3.7%	4.5%	3.9%	4.2%
Core ROA	1.1%	1.5%	1.9%	1.8%	1.9%

Source: Company, MIDFR

ECOWORLD: 1QFY20 RESULTS SUMMARY

FYE Oct (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	1QFY20	%YoY	%QoQ	FY20	%YoY
Revenue	537.9	9.5%	-40.7%	537.9	9.5%
Core EBIT	41.2	-0.2%	-39.5%	41.2	-0.2%
Core PBT	40.5	0.7%	-62.1%	40.5	0.7%
Net Income	33.5	10.5%	-58.9%	33.5	10.5%
Core Net Income	33.7	11.1%	-59.9%	33.7	11.1%
EPS (sen)	1.1	10.5%	-58.9%	1.1	10.5%
Core EPS (sen)	1.1	11.1%	-59.9%	1.1	11.1%
Net DPS (sen)	0.0	NA	NA	0.0	NA
NTA/share (RM)	1.5	NA	NA	1.5	NA
Net Gearing (x)	0.7	NA	NA	0.7	NA
Core EBIT Margin	7.7%	NA	NA	7.7%	NA
Core PBT Margin	7.5%	NA	NA	7.5%	NA

Source: Company, MIDFR

ECOWORLD RNAV

Landbank/Buildings	Location	Remaining GDV	Methodology	Stake	Value (RM m)	
Ongoing Projects						
Saujana Glenmarie	Shah Alam, Selangor	13	DCF @ WACC 10%	100%	2.3	
Eco Sky	Jalan Ipoh, KL	338	DCF @ WACC 10%	100%	55.1	
Eco Majestic	Semenyih, Selangor	9581	DCF @ WACC 10%	100%	1095.3	
Eco Sanctuary	Telok Panglima Garang, Selangor	7347	DCF @ WACC 10%	100%	841.7	
Eco Botanic	Taman Bukit Indah, Johor	2547	DCF @ WACC 10%	100%	357.5	
Eco Tropics	Pasir Gudang, Johor	2953	DCF @ WACC 10%	100%	349.1	
Eco Spring & Summer	Johor	5071	DCF @ WACC 10%	100%	601.5	
Eco Business Park I	Senai, Johor	3345	DCF @ WACC 10%	100%	388.4	
Eco Business Park III	Pasir Gudang, Johor	1898	DCF @ WACC 10%	100%	224.5	
Eco Terraces	Paya Terubong, Penang Island	374	DCF @ WACC 10%	100%	51.3	
Eco Meadows	Seberang Prai, Penang	750	DCF @ WACC 10%	100%	107.6	
Bukit Bintang City Centre	Jalan Hang Tuah, KL	8782	DCF @ WACC 10%	40%	325.7	
Eco Business Park II	Senai, Johor	3009	DCF @ WACC 10%	100%	453.8	
Eco Ardence	Klang, Selangor	8580	DCF @ WACC 10%	50%	391.1	
Eco Grandeur/Business Park V	Ijok, Selangor	15300	DCF @ WACC 10%	60%	830.0	
Eco World International	UK and Australia	12866	DCF @ WACC 10%	27%	894.4	
Unbilled Sales	All projects except EWI projects	4897	DCF @ WACC 10%	100%	819.7	
Remaining Landbank		Size (ac)	Size (Sq ft)	Price (RM/sqft)	Stake	Value (RM m)
Eco Forest	Semenyih, Selangor Georgetown, Penang	493	21,462,012	32	100%	686.8
Eco Macalister	Island	1	47,916	456	100%	21.8
Eco Horizon and Eco Sun	Batu Kawan, Penang	375	16,316,051	61	60%	599.1
Total Properties Value					9096.7	
Investment Properties					18.6	
Fixed Assets					212.6	
Cash					573.5	
Other Assets (except deferred tax assets)					1151.5	
Total Liabilities (excl. deferred tax liabilities)					-4996.9	
Total RNAV (RM m)					6056.0	
No of shares (m)					2364.3	
RNAV per share (RM)					2.56	
Warrants @ RM2.08					525.4	
Placement @ RM1.30					591.1	
Fully Diluted No of Shares					3480.7	
FD RNAV Per Share					2.27	
Discount					68%	
Target Price (RM)					0.73	

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.