

# Eco World Development Group Berhad

(8206 | ECW MK) Property | Property

**Maintain BUY**

## New sales picking up in 3QFY20

**Revised Target Price: RM0.61**

(Previously RM0.73)


### KEY INVESTMENT HIGHLIGHTS

- **1HFY20 earnings below expectations**
- **Delayed construction progress due to MCO**
- **New sales picking up in 3QFY20**
- **Earnings estimate revised downwards**
- **Maintain BUY with a revised TP of RM0.61**

**1HFY20 earnings below expectations.** Eco World Development Group (ECOWLD) 1HFY20 core net income of RM55m came in below expectations, making up 29% and 30% of our and consensus full year estimates respectively. The negative deviation could be attributed to the delayed construction progress as a result of Movement Control Order.

**Delayed construction progress due to MCO.** On sequential basis, 2QFY20 earnings was lower at RM21.3m (-36.9%qoq) mainly due to halt of construction works during MCO since March and disruption to business activities. That led cumulative earnings in 1HFY20 to RM55m (-23.1%yoy). The weaker earnings were due to delayed construction progress during MCO and lower property sales achieved in 1HFY20. On a separate note, ECOWLD's future revenue recorded at RM4.6b as of April 2020, declined marginally from future revenue of RM4.7b in January 2020.

**New sales picking up in 3QFY20.** ECOWLD recorded low property sales of RM28.5m in 2QFY20 against property sales of RM305m in 1QFY20 as a result of closure of sales gallery during MCO. Nevertheless, sales momentum is picking up in 3QFY20 whereby ECOWLD recorded property sales of RM642m (including RM242m en bloc sale of serviced residence in BBCC to Mitsui Fudosan) and booking pipeline of approximately RM600m for the period from 1<sup>st</sup> May 2020 to 15<sup>th</sup> June 2020. That led total new sales to RM975m as of 15<sup>th</sup> June 2020. Hence, management is maintaining its new sales target of RM2b for FY20.

**Maintain BUY with a revised TP of RM0.61.** We revise our FY20/21F earnings forecast by -22.4%/-7.7% to factor in the delayed construction progress. Corresponding to the earnings downward revision, we are revising our TP for ECOWLD to RM0.61 from RM0.73 as we widen our RNAV discount to 73% from 68%. We are maintaining our BUY call on ECOWLD as we see its valuation remains attractive, trading at 73% discount to latest NTA of RM1.56 per share. Besides, earnings of ECOWLD is expected to recover in 2HFY20 as works at all construction sites were fully resumed in mid-June 2020. 

### RETURN STATISTICS

Price @ 25 June 2020 (RM)	0.415
Expected share price return (%)	47.0
Expected dividend yield (%)	0.0
<b>Expected total return (%)</b>	<b>47.0</b>

### SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	5.0	1.3
3 months	2.4	8.2
12 months	-50.6	-44.4

### KEY STATISTICS

FBM KLCI	1,489.20
Syariah compliant	Yes
Issue shares (m)	2,944.37
Estimated free float (%)	23.37
Market Capitalisation (RM'm)	1222
52-wk price range	RM0.29– RM0.85
Beta vs FBM KLCI (x)	1.73
Monthly velocity (%)	11.02
Monthly volatility (%)	16.96
3-mth average daily volume (m)	15.03
3-mth average daily value (RM'm)	7.06
Top Shareholders (%)	
Sinarmas Harta Sdn Bhd	32.94
Sin Liew Kee	9.41
Liew Tian Xiong	7.33
Eco World Development Holdings	6.22
Jernih Padu Snd Bhd	5.09

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## INVESTMENT STATISTICS

FYE Oct	2017A	2018A	2019A	2020F	2021F
Revenue	2,925	2,172	2,462	2,450	2,575
EBIT	383	262	228	116	96
PBT	283	219	268	208	272
Net Income	210	160	203	146	192
Core Net Income	113	162	206	146	193
EPS (sen)	7.25	5.43	6.91	4.95	6.51
Core EPS (sen)	3.91	5.49	6.99	4.95	6.54
Net DPS (sen)	0.0	0.0	0.0	0.0	0.7
Net Dvd Yield	0.0	0.0	0.0	0.0	1.6
Core PER	10.6	7.6	5.9	8.4	6.3
NTA/share (RM)	1.45	1.50	1.54	1.61	1.67
P/NTA	0.29	0.28	0.27	0.26	0.25
Core ROE	2.7%	3.7%	4.5%	3.1%	3.9%
Core ROA	1.1%	1.5%	1.9%	1.4%	1.8%

Source: Company, MIDFR

## ECOWORLD: 2QFY20 RESULTS SUMMARY

FYE Oct (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	2QFY20	%YoY	%QoQ	FY20	%YoY
Revenue	345.4	-36.4%	-35.8%	883.3	-14.6%
Core EBIT	38.4	-42.6%	-6.6%	79.6	-26.5%
Core PBT	30.2	-46.0%	-25.4%	70.8	-26.4%
Net Income	21.4	-48.0%	-36.2%	54.9	-23.2%
Core Net Income	21.3	-48.3%	-36.9%	55.0	-23.1%
EPS (sen)	0.7	-48.0%	-36.2%	1.9	-23.2%
Core EPS (sen)	0.7	-48.3%	-36.9%	1.9	-23.1%
Net DPS (sen)	0.0	NA	NA	0.0	NA
NTA/share (RM)	1.6	NA	NA	1.6	NA
Net Gearing (x)	0.7	NA	NA	0.7	NA
Core EBIT Margin	11.1%	NA	NA	9.0%	NA
Core PBT Margin	8.8%	NA	NA	8.0%	NA

Source: Company, MIDFR

## ECOWORLD RNAV

Landbank/Buildings	Location	Remaining GDV	Methodology		Stake	Value (RM m)
<b>Ongoing Projects</b>						
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
<b>Remaining Landbank</b>		<b>Size (ac)</b>	<b>Size (Sq ft)</b>	<b>Price (RM/sqft)</b>	<b>Stake</b>	<b>Value (RM m)</b>
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
<b>Total Properties Value</b>						<b>9096.7</b>
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
<b>Total RNAV (RM m)</b>						<b>6056.0</b>
No of shares (m)						2364.3
<b>RNAV per share (RM)</b>						<b>2.56</b>
Warrants @ RM2.08						525.4
Placement @ RM1.30						591.1
Fully Diluted No of Shares						3480.7
<b>FD RNAV Per Share</b>						<b>2.27</b>
Discount						73%
<b>Target Price (RM)</b>						<b>0.61</b>

Source: MIDFR

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### MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

<b>BUY</b>	Total return is expected to be >10% over the next 12 months.
<b>TRADING BUY</b>	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.
<b>NEUTRAL</b>	Total return is expected to be between -10% and +10% over the next 12 months.
<b>SELL</b>	Total return is expected to be <10% over the next 12 months.
<b>TRADING SELL</b>	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

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