

# Eco World Development Group Berhad

(8206 | ECW MK) Property | Property

**Maintain BUY**

## BBCC in en bloc JV agreement with Mitsui Fudosan

**Unchanged Target Price: RM0.73**

### KEY INVESTMENT HIGHLIGHTS

- **BBCC enters en bloc JV with Mitsui Fudosan Asia**
- **The deal affirms prospect of BBCC**
- **No changes to near-term earnings forecast**
- **Maintain BUY with an unchanged TP of RM0.73**

### BBCC enters en bloc JV agreement with Mitsui Fudosan Asia.

Eco World Development Group (ECOWLD) announced that Mitsui Fudosan (Asia) Malaysia Sdn Bhd (MFAM) and BBCC Development Sdn Bhd (BBCCD) have entered into a joint venture (JV) agreement to form a JV company known as MFBCC Serviced Suites Sdn Bhd (MFBCC) to acquire a serviced residence block in the Bukit Bintang City Centre (BBCC) development for RM242m. MFBCC will be 51% held by MFAM and 49% by BBCCD. MFBCC will manage and operate the property including granting of tenancies within the property

**Details on the serviced residence block.** The serviced residence block is part of Phase 2 of BBCC which will also include another residential tower and two blocks of commercial buildings. Note that BBCC is a JV project between ECOWLD, the Employee Provident Fund Board, and UDA Holdings Berhad. The serviced residence block is a 44-storey buildings that will have a total of 269 units with built-ups from 532 sq ft to 1188 sq ft. Level 2 to 4 of the serviced apartment will house the carparks and facilities such as swimming pool, yoga deck, gym, library, children play area, business centre and multi-purpose room.

**The deal affirms prospect of BBCC.** We view the en bloc deal positively as it helps to improve the prospect of BBCC and unlock the value of BBCC. The serviced apartment which is part of Phase 2 of BBCC is expected to be completed by the end of 2023. Meanwhile, Phase 1 of BBCC is underway and set for first handover in the first quarter of 2021. The en bloc deal follows the partnership between MFAM and BBCCD on the Mitsui Shopping Park Lalaport retail mall project in Phase 1 of BBCC. We think that the partnership with Mitsui Fudosan Asia will help to assure the continued success of the BBCC development.

**Maintain BUY with an unchanged TP of RM0.73.** We expect limited near-term earnings impact from the en-bloc sale as the serviced apartment is expected to be completed by the end of 2023. Hence, we make no changes to our earnings forecast for FY20/21F. We also maintain BUY call of ECOWLD with unchanged TP of RM0.73, based on 68% discount to RNAV. Valuation of ECOWLD remains attractive, trading at 65% discount to its NTA per share of RM1.50.

### RETURN STATISTICS

Price @ 10 June 2020 (RM)	0.52
Expected share price return (%)	40.4
Expected dividend yield (%)	1.2
<b>Expected total return (%)</b>	<b>41.6</b>

### SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	26.8	11.3
3 months	26.8	-14.9
12 months	-40.2	-37.3

### KEY STATISTICS

FBM KLCI	1,575.27
Syariah compliant	Yes
Issue shares (m)	2944.37
Estimated free float (%)	23.37
Market Capitalisation (RM'm)	1531.07
52-wk price range	RM0.29 - RM0.9
Beta vs FBM KLCI (x)	1.65
Monthly velocity (%)	0.00
Monthly volatility (%)	16.96
3-mth average daily volume (m)	13.76
3-mth average daily value (RM'm)	6.46
Top Shareholders (%)	
Sinarmas Harta Sdn Bhd	32.94
Sin Liew Kee	9.41
Liew Tian Xiong	7.33

### Analyst(s)

**JESSICA** Low Jze Teing  
 Jessica.low@midf.com.my  
 03 -2173 8391

## 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	0.7	0.6	0.7
Net Dvd Yield	0.0	0.0	1.3	1.2	1.4
Core PER	13.3	9.5	7.4	8.2	7.3
NTA/share (RM)	1.45	1.50	1.54	1.62	1.69
P/NTA	0.36	0.35	0.34	0.32	0.31
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

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						68%
<b>Target Price (RM)</b>						<b>0.73</b>

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 (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

<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.