Corporate Update | Thursday, 18 August 2022

Eco World Development Group Berhad

(8206 | ECW MK) Property | Property

Maintain BUY

Stable outlook

***Unchanged* Target Price: RM0.80**

KEY INVESTMENT HIGHLIGHTS

- **Meeting with Eco World Development Group**
- **Sales momentum remains strong**
- **Improving balance sheet**
- **Rising cost of materials**
- **Maintain BUY with unchanged TP of RM0.80**

We had a meeting with management of Eco World Development Group (ECOWLD) and came away feeling optimistic on near-term prospect of ECOWLD. Key takeaways from meeting as below:

Sales momentum remains strong. New property sales momentum remains strong in 3QFY22 following decent new sales in 2QFY22. Recall that ECOWLD recorded new property sales of RM2.17b in the first seven months of FY22, making up 62% of management new sales target of RM3.5b for FY22. New property sales were encouraging following the reopening of economic activities and international borders. Besides, ECOWLD sees minimal impact from OPR hike on buying sentiment as interest rate is still low. In short, management see low risk of OPR hike to derail sales recovery and maintain new sales target at RM3.5b for FY22.

Improving balance sheet. Balance sheet of ECOWLD is improving as net gearing of ECOWLD declined to 0.36x in 2QFY22 from 0.77x in FY16. The improving balance sheet was attributed to repayment of its borrowings from cash flow generated from its on-going projects. Meanwhile, the improving balance sheet makes ECOWLD well-positioned to acquire landbank. We gather that ECOWLD is still on the lookout for land particularly in Klang Valley as the low net gearing gives ECOWLD ample room to gear up if there is attractive land banking opportunity arises.

Rising cost of materials. With the rising building materials cost such as steel bar and cement, construction cost of ECOWLD is expected to increase in the near-term. The rising cost of construction is expected to compress margin of ECOWLD slightly in the near-term. Nevertheless, the impact is expected to be mild as infrastructure cost of most of its township already incurred while ECOWLD will pass on the rising cost partly to property buyers by raising property selling price. Meanwhile, ECOWLD sees they have no issue in meeting construction timeline despite the lingering labour shortage issue as infrastructure of most of its township project is built.

Maintain BUY with an unchanged TP of RM0.80. Post meeting, we make no changes to our earnings forecast for FY22/23F. We maintain our **TP** for ECOWLD at **RM0.80**, based on 65% discount to RNAV. We maintain our **BUY** call on ECOWLD as we see stable new sales prospect for ECOWLD. Meanwhile, estimated dividend yield is also attractive at 6%.

RETURN STATISTICS	
Price @ 17 Aug 2022 (RM)	0.67
Expected share price return (%)	19.4
Expected dividend yield (%)	6.0
Expected total return (%)	**25.4**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	17.5	10.7
3 months	0.8	-10.9
12 months	1.5	2.0

KEY STATISTICS	
FBM KLCI	1,518.16
Syariah compliant	Yes
F4BGM Index	Yes
ESG Grading Band (Star rating)	☆☆☆☆
Issue shares (m)	2,944.37
Estimated free float (%)	26.81
Market Capitalisation (RM'm)	1,972.73
52-wk price range	RM0.55– RM1.25
Beta vs FBM KLCI (x)	0.96
Monthly velocity (%)	10.21
Monthly volatility (%)	16.96
3-mth average daily volume (m)	3.33
3-mth average daily value (RM'm)	2.22
Top Shareholders (%)	
Sinarmas Harta Sdn Bhd	32.94
Liew Kee Sin	9.41
Eco World Development Holdings	7.47
Liew Tian Xiong	7.33

Analyst(s)
JESSICA Low Jze Tieng
Jessica.low@midf.com.my
03 -2173 8391

INVESTMENT STATISTICS

FYE Oct	2019A	2020A	2021A	2022F	2023F
Revenue	2,462	1,997	2,043	2,292	2,516
EBIT	228	271	266	157	250
PBT	268	297	297	294	390
Net Income	203	160	183	207	276
Core Net Income	206	265	240	209	276
EPS (sen)	6.91	5.44	6.21	7.05	9.38
Core EPS (sen)	6.99	8.99	8.15	7.11	9.38
Net DPS (sen)	0.0	2.0	4.0	4.0	4.0
Net Dvd Yield	0.0	3.0	6.0	6.0	6.0
Core PER	9.6	7.5	8.2	9.4	7.1
NTA/share (RM)	1.54	1.59	1.62	1.66	1.71
P/NTA	0.43	0.42	0.41	0.40	0.39
Core ROE	4.5%	5.7%	5.0%	4.3%	5.5%
Core ROA	1.9%	2.6%	2.5%	2.1%	2.8%

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	493	21,462,012	32	100%	686.8
Eco Macalister	Georgetown, Penang 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						65%
Target Price (RM)						**0.80**

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)) for distribution to and use by its clients to the extent permitted by applicable law or regulation.

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 MIDF Investment believes are reliable at the time of publication. All information, opinions and estimates contained in this report are subject to change at any time without notice. Any update to this report will be solely at the discretion of MIDF Investment.

MIDF Investment 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. MIDF Investment and its affiliates and related companies and each of their respective directors, officers, employees, connected parties, associates and agents (collectively, "Representatives") shall not be liable for any direct, indirect or consequential loess, loss of profits and/or damages arising from the use or reliance by anyone upon this report and/or further communications given in relation to this report.

This report is not, and should not at any time be construed as, an offer, invitation or solicitation to buy or sell any securities, investments or financial instruments. The price or value of such securities, investments or financial instruments may rise or fall. Further, the analyses contained herein are based on numerous assumptions. This report does not take into account the specific investment objectives, the financial situation, risk profile and the particular needs of any person who may receive or read this report. You should therefore independently evaluate the information contained in this report and seek financial, legal and other advice regarding the appropriateness of any transaction in securities, investments or financial instruments mentioned or the strategies discussed or recommended in this report.

The Representatives may have interest in any of the securities, investments or financial instruments and may provide services or products to any company and affiliates of such companies mentioned herein and may benefit from the information herein.

This document may not be reproduced, copied, distributed or republished in whole or in part in any form or for any purpose without MIDF Investment's prior written consent. This report is not directed or intended for distribution to or use by any person or entity where such distribution or use would be contrary to any applicable law or regulation in any jurisdiction concerning the person or entity.

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 *rise* 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 *fall* 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.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology