Eco World Development Group Berhad

(8206 | ECW MK) Property | Property

Maintain BUY

Solid new property sales

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

KEY INVESTMENT HIGHLIGHTS

- **9MFY22 earnings within our expectation**
- **Earnings driven by Malaysian joint ventures**
- **Solid new property sales**
- **Earnings forecast unchanged**
- **Maintain BUY with an unchanged TP of RM0.80**

9MFY22 earnings within our expectation. Eco World Development Group (ECOWLD) 9MFY22 core net earnings of RM149.4m came in within our expectation but slightly below consensus expectation, making up 71% and 68% of our and consensus full year forecast. ECOWLD announced dividend of 1sen per share, bringing YTD dividend to 3sen per share.

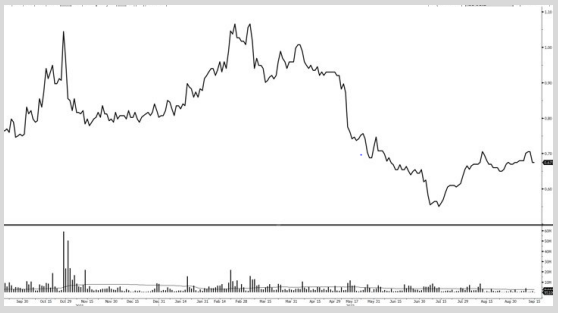
Earnings driven by Malaysian joint ventures. 3QFY22 core net earnings grew to RM45.1m (+28.7%yoy) despite marginally lower topline (-1.1%yoy) as earnings were supported higher contribution from Malaysian JV. That brought cumulative 9MFY22 core net earnings higher at RM149.4m (+6.9%yoy). The higher earnings were mainly driven by higher progress billing of Malaysian JV projects and realization of cost savings from projects which were completed and near completion phases. That had more than enough to offset the losses from Eco World International which were dragged by lower profit margin from projects in Australia and revision of profit margins of EcoWorld London JV projects. On the other hand, ECOWLD's future revenue was unchanged at RM4.2b in 3QFY22.

Solid new property sales. ECOWLD registered new property sales of RM3.4b in the first ten months of FY22, making up 97% of management new sales target of RM3.5b for FY22. Bulk of the new sales in 10MFY22 were contributed by projects in central Malaysia (55%), followed by projects in Iskandar Malaysia (31%) and Penang (14%). The strong new sales momentum was driven by higher demand for industrial products and its residential projects in various township as well as a RM295m sale of a hotel building at BBCC.

Maintain BUY with an unchanged TP of RM0.80. We make no changes to our earnings forecast for FY22/23F. Our **TP** for ECOWLD is maintained at **RM0.80**, based on 63% discount to updated RNAV. We pegged narrower discount of 63% from 65% previously due to solid new sales outlook. We maintain our **BUY** call on ECOWLD as we see new sales prospect for ECLWLD remains solid which should underpin earnings growth going forward. Dividend yield is also attractive, estimated at 6.1%. Besides, balance sheet of ECOWLD improved to 0.35x to 3QFY22 from 0.51x in 3QFY21.

RETURN STATISTICS	
Price @ 15 Sept 2022 (RM)	0.66
Expected share price return (%)	21.2
Expected dividend yield (%)	6.1
Expected total return (%)	**27.3**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-0.7	1.3
3 months	1.5	-1.0
12 months	-16.1	-11.5

KEY STATISTICS	
FBM KLCI	1,467.31
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)	1,943
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)	2.67
3-mth average daily value (RM'm)	1.71
Top Shareholders (%)	
Sinarmas Harta Sdn Bhd	32.94
Liew Kee Sin	9.41
Eco World Development Holdings	7.47
Liew Tian Xiong	7.33

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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	6.1	6.1	6.1
Core PER	9.4	7.3	8.1	9.3	7.0
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: 3QFY22 RESULTS SUMMARY

FYE Oct (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	3QFY22	%YoY	%QoQ	FY22	%YoY
Revenue	444.0	-1.1%	-12.4%	1484.3	7.8%
Core EBIT	70.6	45.2%	-21.3%	236.5	59.0%
Core PBT	58.0	62.9%	-5.4%	196.7	18.6%
Net Income	46.4	32.0%	1.6%	155.4	11.1%
Core Net Income	45.1	28.7%	5.3%	149.4	6.9%
EPS (sen)	1.6	32.0%	1.6%	5.3	11.1%
Core EPS (sen)	1.5	28.7%	5.3%	5.1	6.9%
Net DPS (sen)	1.0	NA	NA	3.0	NA
NTA/share (RM)	1.6	NA	NA	1.6	NA
Net Gearing (x)	0.4	NA	NA	0.4	NA
Core EBIT Margin	15.9%	NA	NA	15.9%	NA
Core PBT Margin	13.1%	NA	NA	13.3%	NA

Source: Company, MIDFR

ECOWORLD RNAV

Landbank/Buildings	Location	Remaining GDV	Methodology	Stake	Value (RM m)
Ongoing Projects					
Eco Forest	Semenyih, Selangor	2639	DCF @ WACC 10%	100%	475.5
Eco Horizon & Eco Sun	Batu Kawan, Penang	6675	DCF @ WACC 10%	100%	1088.1
Eco Majestic	Semenyih, Selangor	7407	DCF @ WACC 10%	100%	858.7
Eco Sanctuary	Telok Panglima Garang, Selangor	5327	DCF @ WACC 10%	100%	621.8
Eco Botanic	Taman Bukit Indah, Johor	2827	DCF @ WACC 10%	100%	393.3
Eco Tropics	Pasir Gudang, Johor	2041	DCF @ WACC 10%	100%	245.0
Eco Spring & Summer	Johor	3320	DCF @ WACC 10%	100%	404.7
Eco Business Park I, II, III	Johor	3504	DCF @ WACC 10%	100%	406.4
Eco Terraces	Paya Terubong, Penang Island	31	DCF @ WACC 10%	100%	7.4
Eco Meadows	Seberang Prai, Penang	416	DCF @ WACC 10%	100%	62.5
Bukit Bintang City Centre	Jalan Hang Tuah, KL	7223	DCF @ WACC 10%	40%	266.9
Eco Ardence	Klang, Selangor	6138	DCF @ WACC 10%	50%	280.7
Eco Grandeur/Business Park V	Ijok, Selangor	12124	DCF @ WACC 10%	60%	656.4
Eco World International	UK and Australia	10948	DCF @ WACC 10%	27%	591.2
Unbilled Sales	All projects except EWI projects	3623	DCF @ WACC 10%	100%	606.4
Total Properties Value					**7571.3**
Investment Properties					19.9
Fixed Assets					155.4
Cash					954.3
Other Assets (except deferred tax assets)					2059.9
Total Liabilities (excl. deferred tax liabilities)					-4459.0
Total RNAV (RM m)					**6394.5**
No of shares (m)					2944.4
RNAV per share (RM)					**2.17**
Discount					63%
Target Price (RM)					**0.80**

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 *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