Eco World Development Group Berhad

(8206 | ECW MK) Property | Property

Maintain BUY

Strong new sales

***Revised* Target Price: RM0.87**
(From RM0.80)

KEY INVESTMENT HIGHLIGHTS

- **FY22 earnings above expectations**
- **Strong earnings in 4QFY22**
- **New sales target of RM3.5b for FY23**
- **Earnings forecast revised upwards**
- **Maintain BUY a revised TP of RM0.87**

FY22 earnings above expectations. Eco World Development Group (ECOWLD) FY22 core net income of RM231.5m came in above expectations, making up 111% and 110% of our and consensus expectations. The positive deviation could be attributed to the stronger than expected progress billing in 4QFY22. Note that we have excluded mainly impairment loss on investment in a JV in our core net income calculations. Meanwhile, ECOWLD announced dividend of 2 sen per share, bringing total dividend payout to 5 sen per share in FY22 which translates into attractive dividend yield of 7.6%.

Strong earnings in 4QFY22. Sequentially, 4QFY22 core net earnings surged to RM82.1m (+82.1%qoq), in line with higher topline (+26%qoq) mainly due to acceleration of progress billing in 4QFY22. Besides, earnings growth was also supported by higher contribution from JV as a result of higher profit from Eco Grandeur and Eco Ardence. That brought cumulative FY22 core net earnings to RM231.5m (-2.7%yoy) while topline was little-changed. Core earnings were marginally lower in FY22 mainly due to lower contribution from Malaysian JV as some JV projects were at near completion phase. On the other hand, ECOWLD's future revenue stood at RM3.6b in 4QFY22 while net gearing improved to 0.31x in 4QFY22 from 0.35x in 3QFY22.

New sales target of RM3.5b for FY23. ECOWLD recorded new sales of RM3.84b for FY22, above its new sales target of RM3.5b for FY22. Note that sales in FY22 is also higher than new sales of RM3.5b in FY21. Bulk of the new sales in FY22 were contributed by residential properties at 61%, followed by industrial properties (20%) and commercial properties (12%). Looking ahead, ECOWLD sets new sales target of RM3.5b for FY23 by expanding its residential as well as industrial properties which typically command better margin.

Maintain BUY a revised TP of RM0.87. We revise our FY23F forecast by +7.7% to factor in the higher progress billing. We also introduce our earnings forecast for FY24. We revise our **TP** for ECOWLD from RM0.80 to **RM0.87** as we peg narrower discount of 60% from 63% previously due to stable new sales outlook. We maintain our **BUY** call on ECOWLD we see positive earnings outlook which is expected to support by decent new sales achieved. Meanwhile, dividend yield is attractive at 7.6%.

RETURN STATISTICS	
Price @ 16 Dec 2022 (RM)	0.66
Expected share price return (%)	31.8
Expected dividend yield (%)	7.6
Expected total return (%)	**39.4**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	1.6	0.3
3 months	5.7	-2.2
12 months	-25.0	-24.1

KEY STATISTICS	
FBM KLCI	1,478.54
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– RM1.14
Beta vs FBM KLCI (x)	0.97
3-mth average daily volume (m)	2.82
3-mth average daily value (RM'm)	1.72
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	2020A	2021A	2022A	2023F	2024F
Revenue	1,997	2,043	2,044	2,639	2,715
EBIT	271	264	335	278	292
PBT	297	294	300	420	434
Net Income	160	183	157	297	308
Core Net Income	265	238	231	297	308
EPS (sen)	5.44	6.21	5.34	10.10	10.45
Core EPS (sen)	8.99	8.08	7.86	10.10	10.45
Net DPS (sen)	2.0	4.0	5.0	5.0	5.0
Net Dvd Yield	3.0	6.1	7.6	7.6	7.6
Core PER	7.3	8.2	8.4	6.5	6.3
NTA/share (RM)	1.59	1.62	1.61	1.68	1.74
P/NTA	0.42	0.41	0.41	0.39	0.38
Core ROE	5.7%	5.0%	4.9%	6.0%	6.0%
Core ROA	2.6%	2.4%	2.5%	3.2%	3.3%

Source: Company, MIDFR

ECOWORLD: 4QFY22 RESULTS SUMMARY

FYE Oct (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	4QFY22	%YoY	%QoQ	FY22	%YoY
Revenue	559.3	-16.0%	26.0%	2043.6	0.0%
Core EBIT	98.1	-14.7%	39.0%	334.6	26.9%
Core PBT	103.3	-19.6%	78.2%	300.0	1.9%
Net Income	1.8	-95.8%	-96.2%	157.2	-14.0%
Core Net Income	82.1	-16.3%	82.1%	231.5	-2.7%
EPS (sen)	0.1	-95.8%	-96.2%	5.3	-14.0%
Core EPS (sen)	2.8	-16.3%	82.1%	7.9	-2.7%
Net DPS (sen)	2.0	0.0%	100.0%	5.0	25.0%
NTA/share (RM)	1.6	NA	NA	1.6	NA
Net Gearing (x)	0.3	NA	NA	0.3	NA
Core EBIT Margin	17.5%	NA	NA	16.4%	NA
Core PBT Margin	18.5%	NA	NA	14.7%	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					60%
Target Price (RM)					**0.87**

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