Eco World Development Group Berhad

(8206 | ECW MK) Main | Property

Decent New Sales

Maintain **BUY**

Unchanged **Target Price: RM0.87**

KEY INVESTMENT HIGHLIGHTS

- **1QFY23 earnings slightly below our expectation**
- **Softer earnings in 1QFY23**
- **New sales driven by sales of industrial product**
- **Reduced earnings forecast for FY23F**
- **Maintain BUY with an unchanged TP of RM0.87**

RETURN STATISTICS	
Price @ 23rd March 2023 (RM)	0.71
Expected share price return (%)	22.5
Expected dividend yield (%)	7.0
Expected total return (%)	**29.5**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	2.9	6.3
3 months	10.1	10.8
12 months	-28.3	-18.8

1QFY23 earnings slightly below our expectation. EcoWorld Development Group (EcoWorld) 1QFY23 core net income of RM56.6m came in within consensus expectation but slightly below ours, making up 22.5% and 19% of consensus and our full year forecast. The slight negative deviation could be attributed to the lower than expected contribution from joint venture (JV) in 1QFY23.

Softer earnings in 1QFY23. On sequential basis, 1QFY23 core net earnings was lower at RM56.6m (-31.1%qoq) partly due to lower contribution from JV (-40%qoq). The weaker contribution from JV was mainly due to substantial completion of several phases of Eco Grandeur and Eco Ardence in 4QFY22. On yearly basis, 1QFY23 core net earnings was lower (-8%yoy), in line with lower topline (-9.1%yoy) mainly due to slower progress billing. Work progress in construction site was slower in 1QFY23 due to the Chinese New Year break in January 2023. Besides, the lower earnings were also owing to higher finance costs (+24.9%yoy) due to higher financing rate.

New sales driven by sales of industrial product. EcoWorld recorded new sales of RM1.346b in the first four months of FY23, on track to meet new sales target of RM3.5b for FY23. New sales were mainly driven by sales of industrial product as it makes up 59% to total new sales. Notably, EcoWorld inked a strategic sale of 92 acres of industrial lands at Eco Business Parks II in Iskandar Malaysia to Haitian Group. Meanwhile, sale of residential properties contributed to 41% to total new sales. Meanwhile, future revenue increased to RM4.031b as at Feb 2023 from RM3.577b as at October 2022.

Maintain BUY with unchanged TP of RM0.87. We revise our FY23F earnings by -4.3% to factor in lower contribution from JV. We make no changes to our FY24 earnings forecast. We maintain our **TP** for EcoWorld at **RM0.87**, based on 60% discount to RNAV. We are positive on EcoWorld due to its stable new sales outlook which driven by sales of residential and industrial properties. Besides, balance sheet of EcoWorld is healthy with improving net gearing of 0.3x from 0.6x in FY20. Meanwhile, dividend yield is attractive at 7%.

INVESTMENT STATISTICS			
FYE Oct	2023E	2024F	2025F
Revenue	2,639	2,715	2,792
Operating Profit	278	292	279
Profit Before Tax	401	397	389
Core PATAMI	284	282	286
Core EPS	9.63	9.58	9.71
DPS	5.00	5.00	5.00
Dividend Yield	7.04%	7.04%	7.04%

KEY STATISTICS	
FBM KLCI	1,410.98
Issue shares (m)	2944.37
Estimated free float (%)	28.69
Market Capitalisation (RM'm)	2,090.50
52-wk price range	RM0.5–RM1.07
3-mth average daily volume (m)	2.54
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

Analyst
Jessica Low Jze Tieng
jessica.low@midf.com.my

ECOWORLD: 4QFY22 RESULTS SUMMARY

FYE Oct (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	1QFY23	%YoY	%QoQ	FY23	%YoY
Revenue	484.7	-9.1%	-13.3%	484.7	-9.1%
Core EBIT	98.2	28.8%	0.1%	98.2	28.8%
Core PBT	79.4	2.6%	-23.2%	79.4	2.6%
Net Income	57.0	-10.0%	>100%	57.0	-10.0%
Core Net Income	56.6	-8.0%	-31.1%	56.6	-8.0%
EPS (sen)	1.9	-10.0%	>100%	1.9	-10.0%
Core EPS (sen)	1.9	-8.0%	-31.1%	1.9	-8.0%
Net DPS (sen)	0.0	NA	-100.0%	0.0	NA
NTA/share (RM)	1.6	NA	NA	1.6	NA
Net Gearing (x)	0.3	NA	NA	0.3	NA
Core EBIT Margin	20.3%	NA	NA	20.3%	NA
Core PBT Margin	16.4%	NA	NA	16.4%	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

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023E	2024F	2025F
Revenue	2,043	2,044	2,639	2,715	2,792
Core EBIT	264	335	278	292	279
Core PBT	294	300	401	397	389
Net Income	183	157	284	282	285
Core Net Income	238	231	284	282	286
Core EPS (sen)	8.1	7.9	9.6	9.6	9.7
Core PER (x)	8.8	9.0	7.4	7.4	7.3
NTA/share	1.62	1.61	1.62	1.63	1.64
P/NTA	0.44	0.44	0.44	0.44	0.43

Balance Sheet (RM'm)	2021A	2022A	2023E	2024F	2025F
Investment in joint ventures	1373	1292	1312	1325	1338
Inventories	4168	3789	3334	2868	2919
Total non-current assets	**6930**	**6487**	**6701**	**6963**	**7116**
Short-term inventories	1275	958	986	967	976
Cash and bank balances	785	1316	1336	1145	1266
Other assets	760	639	694	1314	1648
Total Assets	**9749**	**9400**	**9718**	**10389**	**11006**
LT Borrowings	1313.2	1727.0	1657.9	1575.0	1685.3
ST Borrowings	1542.8	1056.3	929.6	969.5	1192.5
Other Liabilities	2128	1878	2367	3045	3294
Total Liability	4984	4661	4954	5589	6171
Share capital	3615	3615	3615	3615	3615
Other Equity	1150	1124	1148	1185	1219
Total Equity	**4765**	**4738**	**4763**	**4800**	**4834**
Equity + Liability	**9749**	**9400**	**9718**	**10389**	**11006**

Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
Cash flows from operating activities					
Net income before taxation	239	226	401	397	389
Net cash from operating activities	971	936	927	938	919
Cash flows from investing activities					
Addition to inventories	-96	-131	-135	-132	-114
Net cash used in investing activities	-63	-218	-223	-198	-151
Cash flows from financing activities					
Drawdown of bank borrowings	324	926	787	535	482
Net cash from/(used in) financing activities	-578	-237	-408	-425	-416
Net increase/(decrease) in cash and cash equivalents	329	481	296	314	352
Cash and cash equivalent at 1 January	425	754	1235	1531	1846
Cash and cash equivalent at 1 December	754	1235	1531	1846	2198

Profitability Margins	2021A	2022A	2023E	2024F	2025F
Core EBIT margin	12.9%	16.4%	10.5%	10.8%	10.0%
Core PBT margin	14.4%	14.7%	15.2%	14.6%	13.9%
PAT margin	8.9%	7.7%	10.7%	10.4%	10.2%
Core PATAMI margin	11.6%	11.3%	10.7%	10.4%	10.2%
ROE	5.0%	4.9%	6.0%	5.9%	5.9%
ROA	2.4%	2.5%	2.9%	2.7%	2.6%

Source: Bloomberg, MIDF

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 BNM 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 BNM 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