



## Eco World Development Group Berhad

(8206 | ECW MK) Main | Property

### Stable New Sales


#### KEY INVESTMENT HIGHLIGHTS

- **1QFY24 earnings within expectations**
- **Resilient earnings**
- **Strong new sales momentum**
- **Earnings forecast maintained**
- **Downgrade to NEUTRAL with a revised TP of RM1.51**

**1QFY24 earnings within expectations.** Eco World Development Group (Eco World) 1QFY24 core net income of RM70.9m came in within expectations, making up 25% and 26% of our and consensus' full year estimates respectively.

**Resilient earnings.** Sequentially, 1QFY24 core net income eased to RM70.9m (-19.9%qoq), in line with lower topline (-36.3%qoq). The lower earnings on sequential basis were due to high base in 4QFY23 which was lifted by earnings recognition of land sale in Eco Business Park II. Nevertheless, the earnings decline was cushioned by lower marketing and administrative expenses. On a yearly basis, 1QFY24 earnings were higher at RM70.9m (+25.3%yoy). The higher earnings in 1QFY24 were underpinned by earnings recognition from its ongoing projects namely Eco Botanic, Eco Botanic 2, Eco Spring, Eco Tropics, Eco Business Park 1, Eco Business Park 2, Eco Business Park 3, Eco Majestic, Eco Forest and Eco Sanctuary.

**Strong new sales momentum.** New sales of Eco World were encouraging as Eco World registered new sales of RM1.26b for the first four months in FY24, which made up 36% of management new sales target of RM3.5b for FY24. Projects at southern part of Malaysia contributed 57% of new sales, projects at central region contributed to 30% of new sales while the remaining 13% of sales were contributed by projects at northern part of Malaysia. Meanwhile, balance sheet of Eco World remains healthy with net gearing at 0.28x in 1QFY24, making Eco World well-positioned to acquire landbank.

**Downgrade to NEUTRAL with a revised TP of RM1.51.** We maintain our earnings forecast for FY24F/25F/26F. We revise our **TP** for Eco World to **RM1.51** from RM1.33 as we narrow our RNAV discount to 35% from 43% in view of the stable new sales momentum and its growing exposure to the improving Iskandar Malaysia property market. Nevertheless, we downgrade our call on Eco World to **NEUTRAL** from BUY as we believe that the positives have been largely priced in. Valuation of Eco World is fair at this level, trading at 92% to its latest NTA of RM1.63 per share. Meanwhile, we continue to see stable new sales outlook for Eco World, driven by residential and industrial projects. 

## Downgrade to NEUTRAL

(Previously BUY)

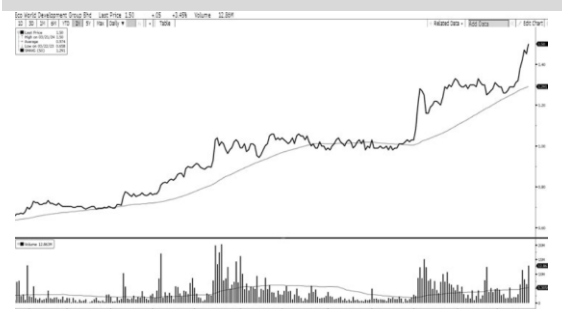
## Revised Target Price: RM1.51

(Previously: RM1.33)

#### RETURN STATISTICS

|                                 |      |
|---------------------------------|------|
| Price @ 21 March 2024 (RM)      | 1.50 |
| Expected share price return (%) | +0.7 |
| Expected dividend yield (%)     | +4.0 |
| Expected total return (%)       | +4.7 |

#### SHARE PRICE CHART



| Price performance (%) | Absolute | Relative |
|-----------------------|----------|----------|
| 1 month               | 15.4     | 16.2     |
| 3 months              | 42.9     | 37.5     |
| 12 months             | 119      | 99.8     |

#### INVESTMENT STATISTICS

| FYE Oct           | 2024F | 2025F | 2026F |
|-------------------|-------|-------|-------|
| Revenue           | 2,715 | 2,792 | 2,849 |
| Operating Profit  | 275   | 272   | 274   |
| Profit Before Tax | 383   | 386   | 388   |
| Core PATAMI       | 280   | 284   | 291   |
| Core EPS          | 9.50  | 9.64  | 9.88  |
| DPS               | 6.00  | 6.00  | 6.00  |
| Dividend Yield    | 4.0%  | 4.0%  | 4.0%  |

#### KEY STATISTICS

|                                  |             |
|----------------------------------|-------------|
| FBM KLCI                         | 1,541.41    |
| Issue shares (m)                 | 2944.37     |
| Estimated free float (%)         | 28.32       |
| Market Capitalisation (RM'm)     | 4,416       |
| 52-wk price range                | RM0.6–RM1.5 |
| 3-mth average daily volume (m)   | 5.04        |
| 3-mth average daily value (RM'm) | 6.4         |
| Top Shareholders (%)             |             |
| Sinarmas Harta Sdn Bhd           | 32.94       |
| Liew Kee Sin                     | 9.41        |
| Eco World Development Holdings   | 7.47        |
| Liew Tian Xiong                  | 7.34        |

#### Analyst

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**ECOWORLD: 1QFY24 RESULTS SUMMARY**

| FYE Oct (RM'm, unless otherwise stated) | Quarterly Results |       |         | Cumulative |       |
|---|-------------------|-------|---------|------------|-------|
|   | 1QFY24            | %YoY  | %QoQ    | FY24       | %YoY  |
| Revenue                                 | 537.8             | 10.9% | -36.3%  | 537.8      | 10.9% |
| Core EBIT                               | 109.5             | 11.6% | 5.6%    | 109.5      | 11.6% |
| Core PBT                                | 93.7              | 18.0% | -11.0%  | 93.7       | 18.0% |
| Net Income                              | 69.6              | 22.2% | 2014.4% | 69.6       | 22.2% |
| Core Net Income                         | 70.9              | 25.3% | -19.9%  | 70.9       | 25.3% |
| EPS (sen)                               | 2.4               | 22.2% | 2014.4% | 2.4        | 22.2% |
| Core EPS (sen)                          | 2.4               | 25.3% | -19.9%  | 2.4        | 25.3% |
| 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                        | 20.4%             | NA    | NA      | 20.4%      | NA    |
| Core PBT Margin                         | 17.4%             | NA    | NA      | 17.4%      | NA    |

Source: Company, MIDFR

**ECOWORLD RNAV**

|                              | Stake | Est remaining GDV (RM m) | WACC (%) | Value (RM m) |
|------------------------------|-------|--------------------------|----------|--------------|
| Eco Majestic                 | 100%  | 7,190                    | 10%      | 276.1        |
| Eco Forest                   | 100%  | 2,550                    | 10%      | 106.3        |
| Eco Sanctuary                | 100%  | 5,120                    | 10%      | 204.8        |
| BBCC                         | 40%   | 6,660                    | 10%      | 115.8        |
| Eco Grandeur                 | 60%   | 9,350                    | 10%      | 191.6        |
| Eco Businss Park V           | 60%   | 1,540                    | 10%      | 41.9         |
| Eco Ardence                  | 50%   | 5,280                    | 10%      | 101.4        |
| Eco Botanic & Eco Botanic 2  | 100%  | 2,330                    | 10%      | 105.7        |
| Eco Botanic 3                | 100%  | 3,880                    | 10%      | 150.9        |
| Eco Spring & Eco Summer      | 100%  | 3,050                    | 10%      | 127.1        |
| Eco Tropics                  | 100%  | 1,800                    | 10%      | 81.7         |
| Eco Business Park I, II, III | 100%  | 2,700                    | 10%      | 103.7        |
| Eco Terraces                 | 100%  | 20                       | 10%      | 1.1          |
| Eco Meadows                  | 100%  | 400                      | 10%      | 20.7         |
| Eco Horizon & Eco Sun        | 60%   | 6,340                    | 10%      | 129.9        |
| Eco Businss Park VI          | 100%  | 1,580                    | 10%      | 71.7         |
| Eco World International      | 27%   | 59                       | 10%      | 0.9          |
| Unbilled sales               |       | 4,290                    | 10%      | 212.5        |
| <b>Total</b>                 |       |                          |          | <b>2,044</b> |
| Shareholder Funds            |       |                          |          | 4,806        |
| Total RNAV                   |       |                          |          | 6,850        |
| Number of shares             |       |                          |          | 2,944        |
| RNAV per share               |       |                          |          | 2.33         |
| Discount                     |       |                          |          | 35%          |
| <b>Target Price</b>          |       |                          |          | <b>1.51</b>  |

Source: MIDF Research

**FINANCIAL SUMMARY**

| <b>Income Statement (RM'm)</b>                       | <b>2022A</b> | <b>2023A</b> | <b>2024F</b> | <b>2025F</b> | <b>2026F</b> |
|--|--------------|--------------|--------------|--------------|--------------|
| Revenue  | 2,044        | 2,227        | 2,715        | 2,792        | 2,849        |
| Core EBIT  | 335          | 389          | 275          | 272          | 274          |
| Core PBT   | 300          | 354          | 383          | 386          | 388          |
| Net Income   | 157          | 189          | 280          | 283          | 289          |
| Core Net Income                                      | 231          | 273          | 280          | 284          | 291          |
| Core EPS (sen)                                       | 7.9          | 9.3          | 9.5          | 9.6          | 9.9          |
| Core PER (x)   | 19.1         | 16.2         | 15.8         | 15.6         | 15.2         |
| NTA/share  | 1.61         | 1.62         | 1.63         | 1.65         | 1.66         |
| P/NTA  | 0.93         | 0.93         | 0.92         | 0.91         | 0.90         |
| <b>Balance Sheet (RM'm)</b>                          | <b>2022A</b> | <b>2023A</b> | <b>2024F</b> | <b>2025F</b> | <b>2026F</b> |
| Investment in joint ventures                         | 1292         | 1057         | 1067         | 1078         | 1110         |
| Inventories  | 3789         | 3213         | 2763         | 2813         | 4078         |
| <b>Total non-current assets</b>                      | <b>6487</b>  | <b>5666</b>  | <b>5887</b>  | <b>6017</b>  | <b>6348</b>  |
| Short-term inventories                               | 958          | 990          | 970          | 980          | 1048         |
| Cash and bank balances                               | 1316         | 1337         | 1146         | 1266         | 1249         |
| Other assets   | 639          | 910          | 1409         | 1341         | 1141         |
| <b>Total Assets</b>                                  | <b>9400</b>  | <b>8903</b>  | <b>9412</b>  | <b>9603</b>  | <b>9787</b>  |
| LT Borrowings  | 1727.0       | 1800.9       | 1710.8       | 1830.6       | 1958.7       |
| ST Borrowings  | 1056.3       | 730.7        | 762.1        | 937.4        | 1003.1       |
| Other Liabilities                                    | 1878         | 1598         | 2128         | 1990         | 1944         |
| Total Liability                                      | 4661         | 4129         | 4601         | 4758         | 4906         |
| Share capital  | 3615         | 3615         | 3615         | 3615         | 3615         |
| Other Equity   | 1124         | 1159         | 1196         | 1230         | 1266         |
| <b>Total Equity</b>                                  | <b>4738</b>  | <b>4774</b>  | <b>4811</b>  | <b>4845</b>  | <b>4881</b>  |
| <b>Equity + Liability</b>                            | <b>9400</b>  | <b>8903</b>  | <b>9412</b>  | <b>9603</b>  | <b>9787</b>  |
| <b>Cash Flow (RM'm)</b>                              | <b>2022A</b> | <b>2023A</b> | <b>2024F</b> | <b>2025F</b> | <b>2026F</b> |
| Cash flows from operating activities                 |              |              |              |              |              |
| Net income before taxation                           | 226          | 270          | 383          | 386          | 388          |
| Net cash from operating activities                   | 936          | 572          | 950          | 931          | 912          |
| Cash flows from investing activities                 |              |              |              |              |              |
| Addition to inventories                              | -131         | -339         | -332         | -286         | -246         |
| Net cash used in investing activities                | -218         | -691         | -615         | -467         | -355         |
| Cash flows from financing activities                 |              |              |              |              |              |
| Drawdown of bank borrowings                          | 926          | 856          | 1327         | 1194         | 1075         |
| Net cash from/(used in) financing activities         | -237         | -442         | -461         | -451         | -456         |
| Net increase/(decrease) in cash and cash equivalents | 481          | -560         | -126         | 12           | 101          |
| Cash and cash equivalent at 1 January                | 754          | 1235         | 675          | 549          | 562          |
| Cash and cash equivalent at 1 December               | 1235         | 675          | 549          | 562          | 663          |
| <b>Profitability Margins</b>                         | <b>2022A</b> | <b>2023A</b> | <b>2024F</b> | <b>2025F</b> | <b>2026F</b> |
| Core EBIT margin                                     | 16.4%        | 17.5%        | 10.1%        | 9.7%         | 9.6%         |
| Core PBT margin                                      | 14.7%        | 15.9%        | 14.1%        | 13.8%        | 13.6%        |
| PAT margin   | 7.7%         | 8.5%         | 10.3%        | 10.1%        | 10.1%        |
| Core PATAMI margin                                   | 11.3%        | 12.3%        | 10.3%        | 10.2%        | 10.2%        |
| ROE  | 4.9%         | 5.7%         | 5.8%         | 5.9%         | 6.0%         |
| ROA  | 2.5%         | 3.1%         | 3.0%         | 3.0%         | 3.0%         |

Source: Bloomberg, MIDF

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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 <i>rise</i> 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 <i>fall</i> 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