

30 March 2018 | 1QFY18 Results Review

Eco World Development Group

Attractive valuation

Upgrade to BUY
(Previously: Neutral)
Adjusted Target Price (TP): RM1.48
(Previously RM1.60)

INVESTMENT HIGHLIGHTS

- **1QFY18 earnings slightly below expectations**
- **Higher earnings in 1QFY18**
- **New sales at RM500m**
- **Earnings estimate reduced**
- **Upgrade to BUY with a revised TP of RM1.48**

1QFY18 earnings slightly below expectations. Eco World Development Group (ECOWLD) 1QFY18 core net income of RM25.8m came in slightly below expectations, making up 14% of our and consensus full year estimates. The negative deviation could be attributed to the slower than expected progress billing in 1QFY18.

Higher earnings in 1QFY18. ECOWLD recorded lower topline of RM563.6m (-4.9%yoy) in 1QFY18 as large number of completed properties were progressively handed over from 2QFY17 to 4QFY17. Nevertheless, core net income of RM25.8m climbed 20%yoy from core net income of RM21.5m in 1QFY17. Note that we have excluded one off gain of RM94.8m from dilution of equity interest in Paragon Pinnacle in our 1QFY17 core net income calculation. The higher earnings in 1QFY18 were mainly due to lower marketing and administrative expenses which more than offset the higher finance costs. Meanwhile, unbilled sales of RM6.3b provide 2 years of earnings visibility.

New sales at RM500m. ECOWLD registered new sales of RM500m in 1QFY18 which is weaker than new sales of RM1.83b in 4QFY17 as previous quarter sales were boosted by the "EcoWorld DNA" campaign which involved the concurrent launch of 5 projects. The new sales in 1QFY18 made up 14% of management sales target of RM3.5b. New sales have picked up to RM602m as at Feb 2018 and management is maintaining its sales target of RM3.5b.

Upgrade to BUY with a revised TP of RM1.48. We reduced our FY18/19 earnings forecast by 14%/7% to factor in slower progress billing. Our TP is revised to RM1.48 from RM1.60 as we widen our RNAV discount to 35% from 30%. However, we are upgrading ECOWLD to BUY from NEUTRAL as value has emerged following the recent decline in share price. Valuation of ECOWLD is attractive as ECOWLD is trading at 31% discount to its latest book value of RM1.45 per share. Meanwhile, new sales are also expected to pick up in the coming quarters.

RETURN STATS

Price (29 March 2018)	RM1.00
Target Price	RM1.48
Expected Share Price Return	48.0%
Expected Dividend Yield	0.0%
Expected Total Return	48.0%

STOCK INFO

KLCI	1,856.35
Bursa / Bloomberg	8206 / ECW MK
Board / Sector	Main/ Properties
Syariah Compliant	Yes
Issued shares (mil)	2,944.37
Market cap. (RM'm)	2,944.37
Price over NA	0.69
52-wk price Range	RM0.97 - RM1.72
Beta (against KLCI)	0.92
3-mth Avg Daily Vol	1.25m
3-mth Avg Daily Value	RM1.57m
Major Shareholders (%)	
Sinarmas Harta Sdn Bhd	32.94
Liew Tian Xiong	17.08
Eco World Development	14.70
EPF	5.29

INVESTMENT STATISTICS

FYE Oct	2015A	2016A	2017A	2018F	2019F
Revenue	1,712	2,546	2,925	2,944	2,670
EBIT	96	237	383	270	200
PBT	74	193	283	244	236
Net Income	44	129	210	163	165
Core Net Income	44	129	113	163	165
EPS (sen)	2.64	5.43	7.25	5.52	5.59
Core EPS (sen)	2.65	5.44	3.91	5.52	5.59
Net DPS (sen)	0.0	0.0	0.0	0.0	0.6
Net Dvd Yield	0.0	0.0	0.0	0.0	0.6
Core PER	37.7	18.4	25.6	18.1	17.9
NTA/share (RM)	1.33	1.38	1.45	1.50	1.55
P/NTA	0.75	0.72	0.69	0.67	0.65
Core ROE	1.4%	3.4%	2.7%	3.7%	3.6%
Core ROA	0.6%	1.5%	1.1%	1.8%	1.9%

Source: Company, Forecast by MIDF Research

DAILY PRICE CHART



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Source: Bloomberg

1QFY18 RESULTS SUMMARY

FYE Oct (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	1QFY18	%YoY	%QoQ	1QFY18	%YoY
Revenue	563.6	-4.9%	-37.3%	563.6	-4.9%
Core EBIT	64.6	21.2%	-28.1%	64.6	21.2%
Core PBT	41.6	12.6%	-25.2%	41.6	12.6%
Net Income	24.1	-79.3%	-28.5%	24.1	-79.3%
Core Net Income	25.8	20.0%	-18.7%	25.8	20.0%
EPS (sen)	0.8	-80.4%	-28.5%	0.8	-80.4%
Core EPS (sen)	0.9	13.5%	-18.7%	0.9	13.5%
Net DPS (sen)	0.0	NA	NA	0.0	NA
NTA/share (RM)	1.5	NA	NA	1.5	NA
Net Gearing (x)	0.7	NA	NA	0.7	NA
Core EBIT Margin	11.5%	NA	NA	11.5%	NA
Core PBT Margin	7.4%	NA	NA	7.4%	NA

Source: Company, MIDF Research Forecast

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					35%	
Target Price (RM)					1.48	

Source: MIDF Research Forecast

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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.