

29 June 2018 | 2QFY18 Result Review

Eco World Development Group

Expect stronger 2HFY18

Maintain BUY

Unchanged Target Price (TP): RM1.48


INVESTMENT HIGHLIGHTS

- **1HFY18 earnings deemed within expectations**
- **Expect stronger 2HFY18**
- **1HFY18 new sales at RM923m**
- **Maintain BUY with an unchanged TP of RM1.48**

1HFY18 earnings deemed within expectations. Eco World Development Group (ECOWLD) 1HFY18 core net income of RM60.4m deemed within expectations despite it makes up 37% and 34% of our and consensus full year estimates as earnings in 2HFY18 is expected to be stronger.

Expect stronger 2HFY18. ECOWLD recorded core net income of RM34.6m in 2QFY18 (+2.4%yoy), bringing cumulative core net income to RM60.4m (+9.3%yoy) in 1HFY18. The earnings growth in 1HFY18 was driven by lower selling and marketing as well as administrative expenses which has more than offset the higher finance costs. Besides, higher contribution from JV projects (Bukit Bintang City Centre, Eco Grandeur and Eco Ardence) also contributed to the earnings growth. Looking forward, earnings in 2HFY18 are expected to be stronger due to increasing contribution from JV while contribution from EcoWorld International Berhad (EWI) is expected to be positive in 2HFY18. Meanwhile, unbilled sales of RM5.9b provide 2 years of earnings visibility.

1HFY18 new sales at RM923m. ECOWLD registered new sales of RM423m in 2QFY18, lower than new sales of RM500m in 1QFY18. Buying interest was slightly weaker in 2QFY18 due to uncertainties on the outcome of GE14. New sales in 1HFY18 make up 26% of management new sales target of RM3.5b. Nevertheless, ECOWLD received encouraging response to its newly launched #OnlyEcoWorld Campaign and EcoWorld Help2Own financing package which is expected to catch up on ECOWLD sales target of RM3.5b.

Maintain BUY with an unchanged TP of RM1.48, based on 35% discount to RNAV. We also maintain our earnings forecast for FY18/19 as we expect earnings in 2HFY18 to be stronger on the back of higher contribution from JV and EWI. Valuation of ECOWLD remains attractive, trading at 17% discount to latest book value of RM1.46 per share. Hence, we are maintaining our BUY recommendation on ECOWLD. 

RETURN STATS	
Price (28 June 2018)	RM1.21
Target Price	RM1.48
Expected Share Price Return	22.3%
Expected Dividend Yield	0.0%
Expected Total Return	22.3%

STOCK INFO	
KLCI	1665.68
Bursa / Bloomberg	8206 / ECW MK
Board / Sector	Main/ Properties
Syariah Compliant	Yes
Issued shares (mil)	2,944.37
Market cap. (RM'm)	3,622
Price over NA	0.85
52-wk price Range	RM0.97 - RM1.68
Beta (against KLCI)	0.77
3-mth Avg Daily Vol	1.50m
3-mth Avg Daily Value	RM1.79m
Major Shareholders (%)	
Sinarmas Harta Sdn Bhd	32.94
Liew Tian Xiong	17.08
Eco World Development	14.70
EPF	5.48

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	0.5
Core PER	45.6	22.2	31.0	21.9	21.7
NTA/share (RM)	1.33	1.38	1.45	1.50	1.55
P/NTA	0.91	0.88	0.83	0.81	0.78
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	
	2QFY18	%YoY	%QoQ	1HFY18	%YoY
Revenue	498.7	-25.6%	-11.5%	1062.3	-15.9%
Core EBIT	72.5	7.1%	12.3%	137.0	13.3%
Core PBT	50.6	1.0%	21.5%	92.2	6.0%
Net Income	34.5	2.3%	43.0%	58.5	-60.9%
Core Net Income	34.6	2.4%	33.9%	60.4	9.3%
EPS (sen)	1.2	0.6%	43.0%	2.0	-62.7%
Core EPS (sen)	1.2	0.7%	33.9%	2.1	5.8%
Net DPS (sen)	0.0	NA	NA	0.0	NA
NTA/share (RM)	1.5	NA	NA	1.5	NA
Net Gearing (x)	0.8	NA	NA	0.8	NA
Core EBIT Margin	14.5%	NA	NA	12.9%	NA
Core PBT Margin	10.1%	NA	NA	8.7%	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 Arden	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.