

21 September 2018 | 3QFY18 Result Review

## Eco World Development Group

### Strong property sales in 3QFY18


#### INVESTMENT HIGHLIGHTS

- **9MFY18 earnings deemed within expectations**
- **Higher cumulative earnings in 9MFY18**
- **Strong property sales in 3QFY18**
- **Maintain BUY with an unchanged TP of RM1.48**

**9MFY18 earnings deemed within expectations.** Eco World Development Group (ECOWLD) 9MFY18 core net income of RM98.7m is deemed as within expectations despite it makes up only 61% and 57% of our and consensus full year estimates respectively as we expect a stronger 4Q performance.

**Higher cumulative earnings in 9MFY18.** ECOWLD registered core net income of RM38.3m in 3QFY18, growing 10.9%qoq. The stronger sequential earnings were due to higher contribution from JV and EcoWorld International Berhad (EWI). That brought cumulative earnings to RM98.7m in 9MFY18, increasing 21.3%yoy. The earnings growth in 9MFY18 was mainly underpinned by lower expenses and higher contribution from JV projects (Bukit Bintang City Centre, Eco Grandeur and Eco Ardence) and EWI. Meanwhile, unbilled sales of RM4.5b provide less than 2 years of earnings visibility. Looking forward, we expect 4QFY18 earnings to be stronger due to better contribution from JV and EWI.

**Strong property sales in 3QFY18.** ECOWLD recorded strong new property sales of RM1.08b in 3QFY18 against new sales of RM423m in 2QFY18. The strong sales in 3QFY18 were driven by its #OnlyEcoWorld Campaign and EcoWorld Help2Own financing package. Cumulative new sales of RM2b for 9MFY18 makes up 57% of management new sales target of RM3.5b. Management is maintaining its new sales target of RM3.5b.

**Maintain BUY with an unchanged TP of RM1.48.** We make no changes to our earnings forecasts for FY18/19. Our TP for ECOWLD is also unchanged at RM1.48, based on 35% discount to RNAV. We maintain our BUY recommendation on ECOWLD as valuation of ECOWLD remains attractive at a 20% discount to its latest book value of RM1.47 per share. Meanwhile, outlook for earnings and new property sales are also stable. 

**Maintain BUY**

**Unchanged Target Price (TP): RM1.48**

#### RETURN STATS

Price (20 Sept 2018)	RM1.18
Target Price	RM1.48
Expected Share Price Return	25.4%
Expected Dividend Yield	0.0%
<b>Expected Total Return</b>	<b>25.4%</b>

#### STOCK INFO

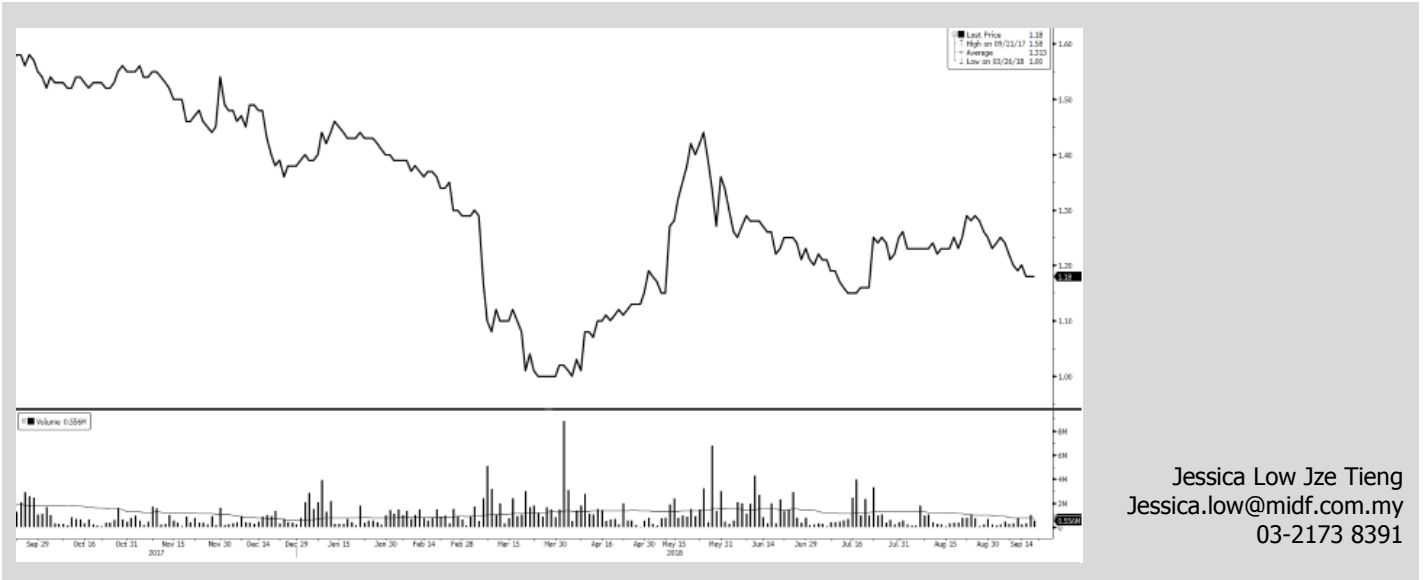
KLCI	1,803.7
Bursa / Bloomberg	8206 / ECW MK
Board / Sector	Main/ Properties
Syariah Compliant	Yes
Issued shares (mil)	2,944.37
Market cap. (RM'm)	3,474.35
Price over NA	0.85
52-wk price Range	RM0.98 - RM1.59
Beta (against KLCI)	0.59
3-mth Avg Daily Vol	0.76m
3-mth Avg Daily Value	RM0.93m
Major Shareholders (%)	
Sinarmas Harta Sdn Bhd	32.94
Liew Tian Xiong	17.08
Eco World Development	14.54
EPF	5.59

## 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	44.5	21.7	30.2	21.4	21.1
NTA/share (RM)	1.33	1.38	1.45	1.50	1.55
P/NTA	0.89	0.86	0.81	0.79	0.76
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

**3QFY18 RESULTS SUMMARY**

FYE Oct (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	3QFY18	%YoY	%QoQ	9MFY18	%YoY
Revenue	490.0	-35.8%	-1.7%	1552.3	-23.4%
Core EBIT	52.7	-31.2%	-27.3%	189.7	-3.9%
Core PBT	47.7	10.0%	-5.6%	139.9	7.3%
Net Income	38.5	47.4%	11.8%	97.1	-44.8%
Core Net Income	38.3	46.7%	10.9%	98.7	21.3%
EPS (sen)	1.3	47.4%	11.8%	3.3	-47.0%
Core EPS (sen)	1.3	46.7%	10.9%	3.4	18.7%
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	10.8%	NA	NA	12.2%	NA
Core PBT Margin	9.7%	NA	NA	9.0%	NA

Source: Company, MIDF Research Forecast

## ECOWORLD RNAV

Landbank/Buildings	Location	Remaining GDV	Methodology	Stake	Value (RM m)	
<b>Ongoing Projects</b>						
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	
<b>Remaining Landbank</b>		<b>Size (ac)</b>	<b>Size (Sq ft)</b>	<b>Price (RM/sqft)</b>	<b>Stake</b>	<b>Value (RM m)</b>
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
<b>Total Properties Value</b>					<b>9096.7</b>	
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	
<b>Total RNAV (RM m)</b>					<b>6056.0</b>	
No of shares (m)					2364.3	
<b>RNAV per share (RM)</b>					<b>2.56</b>	
Warrants @ RM2.08					525.4	
Placement @ RM1.30					591.1	
Fully Diluted No of Shares					3480.7	
<b>FD RNAV Per Share</b>					<b>2.27</b>	
Discount					35%	
<b>Target Price (RM)</b>					<b>1.48</b>	

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.