

14 December 2018 | 4QFY18 Results Review

Eco World Development Group

Ended FY18 on a positive note


INVESTMENT HIGHLIGHTS

- **FY18 earnings within expectations**
- **Strong earnings in 4QFY18**
- **New property sales of RM3.1b**
- **Maintain BUY with an unchanged TP of RM1.48**

FY18 earnings within expectations. Eco World Development Group (ECOWLD) FY18 core net income of RM167.2m came in within expectations, making up 103% and 104% of our and consensus full year estimates respectively.

Strong earnings in 4QFY18. On sequential basis, 4QFY18 core net income was higher at RM68.5m (+78.8%qoq), mainly due to higher sales achieved in 4QFY18 following the success of ECOWLD's #OnlyEcoWorld Campaign. The higher sequential earnings were also driven by higher contribution from joint ventures (+104%qoq). That brought cumulative earnings in FY18 to RM167.2m (+47.8%yoy). The higher earnings in FY18 were mainly contributed by lower selling and marketing expenses (-55.8%yoy), lower administrative expenses (-17.6%yoy) and higher contribution from joint ventures (Eco Grandeur, Eco Horizon, Eco Ardence and Bukit Bintang City Centre). Meanwhile, unbilled sales of RM4.6b provide 2 years of earnings visibility.

New property sales of RM3.1b. ECOWLD recorded new property sales of RM1.11b in 4QFY18, higher than new property sales of RM1.08b in 3QFY18. The strong sales in 4QFY18 were driven by #OnlyEco World Campaign and EcoWorld Help2Own financing package. That brought total new sales to RM3.1b in FY18 which is slightly below management new sales target of RM3.5b. Looking ahead, ECOWLD targets to achieve total new sales of RM6b over the next two years.

Maintain BUY with an unchanged TP of RM1.48. We fine-tuned our earnings forecast for FY19 by +7% post release of FY18 figures. We also introduce our FY20 earnings forecast. Our TP is maintained at RM1.48, based on 35% discount to RNAV. Nevertheless, we maintain our BUY recommendation on ECOWLD as valuation of ECOWLD remains attractive at 35% discount to latest book value of RM1.50 per share. Besides, earnings outlook for FY19 is expected to be supported by higher contribution from joint ventures and EWI. 

Maintain BUY

Unchanged Target Price (TP): RM1.48

RETURN STATS	
Price (13 December 2018)	RM0.99
Target Price	RM1.45
Expected Share Price Return	46.5%
Expected Dividend Yield	0.0%
Expected Total Return	46.5%

STOCK INFO	
KLCI	1,676.00
Bursa / Bloomberg	8206 / ECW MK
Board / Sector	Main/ Properties
Syariah Compliant	Yes
Issued shares (mil)	2,944.37
Market cap. (RM'm)	2,914.92
Price over NA	0.84
52-wk price Range	RM0.96 - RM1.5
Beta (against KLCI)	0.84
3-mth Avg Daily Vol	0.39m
3-mth Avg Daily Value	RM0.43m
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	2016A	2017A	2018A	2019F	2020F
Revenue	2,546	2,925	2,172	2,625	2,700
EBIT	237	383	262	190	186
PBT	193	283	219	254	270
Net Income	129	210	166	178	189
Core Net Income	129	113	167	178	189
EPS (sen)	5.43	7.25	5.62	6.04	6.42
Core EPS (sen)	5.44	3.91	5.68	6.04	6.42
Net DPS (sen)	0.0	0.0	0.0	0.6	0.6
Net Dvd Yield	0.0	0.0	0.0	0.6	0.6
Core PER	18.2	25.3	17.4	16.4	15.4
NTA/share (RM)	1.38	1.45	1.50	1.56	1.62
P/NTA	0.72	0.68	0.66	0.64	0.61
Core ROE	3.4%	2.7%	3.8%	3.9%	4.0%
Core ROA	1.5%	1.1%	1.6%	1.7%	1.8%

Source: Company, Forecast by MIDF Research

DAILY PRICE CHART



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Source: Bloomberg

4QFY18 RESULTS SUMMARY

FYE Oct (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	4QFY18	%YoY	%QoQ	FY18	%YoY
Revenue	607.6	-32.8%	24.0%	2171.8	-26.0%
Core EBIT	72.7	-19.1%	37.9%	262.1	-8.8%
Core PBT	79.1	42.1%	65.8%	219.0	17.7%
Net Income	68.5	103.3%	77.9%	165.6	-21.0%
Core Net Income	68.5	115.8%	78.8%	167.2	47.8%
EPS (sen)	2.3	103.3%	77.9%	5.6	-23.7%
Core EPS (sen)	2.3	115.8%	78.8%	5.7	45.5%
Net DPS (sen)	0.0	NA	NA	0.0	NA
NTA/share (RM)	1.5	NA	NA	1.5	NA
Net Gearing (x)	0.8	NA	NA	0.8	NA
Core EBIT Margin	12.0%	NA	NA	12.1%	NA
Core PBT Margin	13.0%	NA	NA	10.1%	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.