

Eco World Development Group Berhad

(8206 | ECW MK) Main | Property

New Sales in Line


KEY INVESTMENT HIGHLIGHTS

- **1HFY23 earnings deemed within expectations**
- **Higher contribution from JV**
- **New sales in line**
- **Earnings forecast maintained**
- **Maintain BUY with an unchanged TP of RM0.87**

1HFY23 earnings deemed within expectations. EcoWorld Development Group (EcoWorld) 1HFY23 core net income of RM119m deemed within our expectation despite it made up 42% of our full year forecast as we expect stronger earnings in the coming quarters. Meanwhile, EcoWorld announced dividend of 2sen per share which is in line with our expectation.

Higher contribution from JV. Sequentially, 2QFY23 core net earnings were higher at RM62m (+9.5%qoq) despite lower topline as earnings were supported by lower expenses, higher contribution from JV and lower finance costs. On yearly basis, 2QFY23 core net earnings were higher at RM62m (+44.8%yoy), bringing cumulative core net income in 1HFY23 to RM119m (+13.7%yoy). The higher earnings in 1HFY23 were mainly contributed by higher earnings from joint ventures namely Eco Grandeur, Eco Business Park V, Eco Ardence and Eco Horizon. That has mitigated the impact of higher finance costs.

New sales in line. EcoWorld registered new sales of RM2.4b in the first seven months of FY23, which is on track to meet management new sales target of RM3.5b for FY23. New sales in 7MFY23 were mainly contributed by residential projects that priced above RM650k which contributed to 40% to total sales. Besides, new sales momentum was also driven by Eco Business Park which contributed to 35% to total sales. Meanwhile, future revenue increased to RM4.29b from RM4.03b as at Feb 2023.

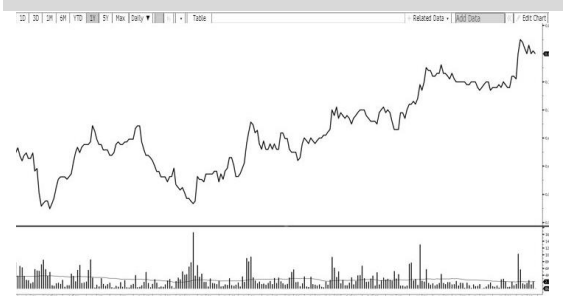
Maintain BUY with unchanged TP of RM0.87. We make no changes to our earnings forecast for FY23F/24F/25F. We expect stronger earnings in the coming quarters due to higher contribution from JV. We maintain our target price for EcoWorld at **RM0.87**, based on 60% discount to RNAV. We remain positive on EcoWorld due to the stable new sales prospect which will be driven by its residential and industrial products. Besides, balance sheet is healthy with net gearing of 0.3x in 2QFY23. Meanwhile, dividend yield is attractive at 6.1%. Hence, we maintain our **BUY** call on EcoWorld. 

Maintain BUY
Unchanged Target Price: RM0.87

RETURN STATISTICS

Price @ 22 nd June 2023 (RM)	0.82
Expected share price return (%)	6.1
Expected dividend yield (%)	6.1
Expected total return (%)	12.2

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	6.7	9.3
3 months	8.8	17.8
12 months	18.5	23.9

INVESTMENT STATISTICS

FYE Oct	2023E	2024F	2025F
Revenue	2,639	2,715	2,792
Operating Profit	278	292	279
Profit Before Tax	401	397	389
Core PATAMI	284	282	286
Core EPS	9.63	9.58	9.71
DPS	5.00	5.00	5.00
Dividend Yield	6.1%	6.1%	6.1%

KEY STATISTICS

FBM KLCI	1,394.67
Issue shares (m)	2944.37
Estimated free float (%)	28.69
Market Capitalisation (RM'm)	2,414
52-wk price range	RM0.5–RM0.84
3-mth average daily volume (m)	2.08
3-mth average daily value (RM'm)	1.57
Top Shareholders (%)	
Sinarmas Harta Sdn Bhd	32.94
Liew Kee Sin	9.41
Eco World Development Holdings	7.47
Liew Tian Xiong	7.33

Analyst

 Jessica Low Jze Tieng
 jessica.low@midf.com.my

ECOWORLD: 2QFY23 RESULTS SUMMARY

FYE Oct (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	2QFY23	%YoY	%QoQ	FY23	%YoY
Revenue	420.8	-17.0%	-13.2%	905.6	-13.0%
Core EBIT	85.0	-5.2%	-13.4%	183.2	10.4%
Core PBT	78.1	27.5%	-1.6%	157.5	13.6%
Net Income	62.7	37.3%	10.0%	119.7	9.8%
Core Net Income	62.0	44.8%	9.5%	118.6	13.7%
EPS (sen)	2.1	37.3%	10.0%	4.1	9.8%
Core EPS (sen)	2.1	44.8%	9.5%	4.0	13.7%
Net DPS (sen)	2.0	0.0%	NA	2.0	0.0%
NTA/share (RM)	1.6	NA	NA	1.6	NA
Net Gearing (x)	0.3	NA	NA	0.3	NA
Core EBIT Margin	20.2%	NA	NA	20.2%	NA
Core PBT Margin	18.6%	NA	NA	17.4%	NA

Source: Company, MIDFR

ECOWORLD RNAV

Landbank/Buildings	Location	Remaining GDV	Methodology	Stake	Value (RM m)
Ongoing Projects					
Eco Forest	Semenyih, Selangor	2639	DCF @ WACC 10%	100%	475.5
Eco Horizon & Eco Sun	Batu Kawan, Penang	6675	DCF @ WACC 10%	100%	1088.1
Eco Majestic	Semenyih, Selangor	7407	DCF @ WACC 10%	100%	858.7
Eco Sanctuary	Telok Panglima Garang, Selangor	5327	DCF @ WACC 10%	100%	621.8
Eco Botanic	Taman Bukit Indah, Johor	2827	DCF @ WACC 10%	100%	393.3
Eco Tropics	Pasir Gudang, Johor	2041	DCF @ WACC 10%	100%	245.0
Eco Spring & Summer	Johor	3320	DCF @ WACC 10%	100%	404.7
Eco Business Park I, II, III	Johor	3504	DCF @ WACC 10%	100%	406.4
Eco Terraces	Paya Terubong, Penang Island	31	DCF @ WACC 10%	100%	7.4
Eco Meadows	Seberang Prai, Penang	416	DCF @ WACC 10%	100%	62.5
Bukit Bintang City Centre	Jalan Hang Tuah, KL	7223	DCF @ WACC 10%	40%	266.9
Eco Ardence	Klang, Selangor	6138	DCF @ WACC 10%	50%	280.7
Eco Grandeur/Business Park V	Ijok, Selangor	12124	DCF @ WACC 10%	60%	656.4
Eco World International	UK and Australia	10948	DCF @ WACC 10%	27%	591.2
Unbilled Sales	All projects except EWI projects	3623	DCF @ WACC 10%	100%	606.4

Total Properties Value	7571.3
Investment Properties	19.9
Fixed Assets	155.4
Cash	954.3
Other Assets (except deferred tax assets)	2059.9
Total Liabilities (excl. deferred tax liabilities)	-4459.0
Total RNAV (RM m)	6394.5
No of shares (m)	2944.4
RNAV per share (RM)	2.17
Discount	60%
Target Price (RM)	0.87

Source: MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023E	2024F	2025F
Revenue	2,043	2,044	2,639	2,715	2,792
Core EBIT	264	335	278	292	279
Core PBT	294	300	401	397	389
Net Income	183	157	284	282	285
Core Net Income	238	231	284	282	286
Core EPS (sen)	8.1	7.9	9.6	9.6	9.7
Core PER (x)	10.2	10.4	8.5	8.6	8.4
NTA/share	1.62	1.61	1.62	1.63	1.64
P/NTA	0.50	0.51	0.50	0.50	0.50
Balance Sheet (RM'm)	2021A	2022A	2023E	2024F	2025F
Investment in joint ventures	1373	1292	1312	1325	1338
Inventories	4168	3789	3334	2868	2919
Total non-current assets	6930	6487	6701	6963	7116
Short-term inventories	1275	958	986	967	976
Cash and bank balances	785	1316	1336	1145	1266
Other assets	760	639	694	1314	1648
Total Assets	9749	9400	9718	10389	11006
LT Borrowings	1313.2	1727.0	1657.9	1575.0	1685.3
ST Borrowings	1542.8	1056.3	929.6	969.5	1192.5
Other Liabilities	2128	1878	2367	3045	3294
Total Liability	4984	4661	4954	5589	6171
Share capital	3615	3615	3615	3615	3615
Other Equity	1150	1124	1148	1185	1219
Total Equity	4765	4738	4763	4800	4834
Equity + Liability	9749	9400	9718	10389	11006
Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
Cash flows from operating activities					
Net income before taxation	239	226	401	397	389
Net cash from operating activities	971	936	927	938	919
Cash flows from investing activities					
Addition to inventories	-96	-131	-135	-132	-114
Net cash used in investing activities	-63	-218	-223	-198	-151
Cash flows from financing activities					
Drawdown of bank borrowings	324	926	787	535	482
Net cash from/(used in) financing activities	-578	-237	-408	-425	-416
Net increase/(decrease) in cash and cash equivalents	329	481	296	314	352
Cash and cash equivalent at 1 January	425	754	1235	1531	1846
Cash and cash equivalent at 1 December	754	1235	1531	1846	2198
Profitability Margins	2021A	2022A	2023E	2024F	2025F
Core EBIT margin	12.9%	16.4%	10.5%	10.8%	10.0%
Core PBT margin	14.4%	14.7%	15.2%	14.6%	13.9%
PAT margin	8.9%	7.7%	10.7%	10.4%	10.2%
Core PATAMI margin	11.6%	11.3%	10.7%	10.4%	10.2%
ROE	5.0%	4.9%	6.0%	5.9%	5.9%
ROA	2.4%	2.5%	2.9%	2.7%	2.6%

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