

Eco World Development Group Berhad

(8206 | ECW MK) Main | Property

Maintain NEUTRAL

Expanding Industrial Land Bank in Johor

Revised Target Price: RM1.02
 (Previously RM0.96)

KEY INVESTMENT HIGHLIGHTS

- **Expanding industrial landbank in Johor**
- **Growing demand for industrial properties**
- **Healthy balance sheet**
- **Earnings forecast maintained**
- **Maintain NEUTRAL with a revised TP of RM1.02**

Expanding industrial landbank in Johor. EcoWorld Development Group (Eco World) announced that its wholly owned subsidiary, Eco Business Park 6 Sdn Bhd, has on 6th September 2023 entered into a conditional sale and purchase agreement with IOI Prima Property Sdn Bhd (a subsidiary of IOI Properties Group Berhad) for acquisition of 403.8 acres of industrial land in Kulai, Johor for cash consideration of RM211m. The land acquisition is expected to complete in 1H CY24.

Growing demand for industrial properties. We are positive on the land acquisition as it allows Eco World to expand its industrial development portfolio amid growing demand for industrial properties. Eco World currently has four business parks under development and Eco World plans to develop the land to be acquired into Eco Business Park VI with a preliminary GDV of RM1.58b. That translates into land cost to GDV ratio of 13%. Acquisition cost of RM12psf is deemed fair as it is close to recent transacted price of industrial land. In November 2022, Paragon Globe Berhad proposed to acquire 42.29 acres of industrial land in Plentong (42km away from Kulai) for consideration of RM71.5m which translated into acquisition cost of RM15.7psf. Meanwhile, the industrial land acquisition is timely considering government launched New Industrial Master Plan 2023 (NIMP 2023) which focusing on developing eco-industrial parks.

Healthy balance sheet. Eco World intends to fund the acquisition through a combination of internal funds and bank borrowings. Balance sheet of Eco World is expected to remain healthy at below 0.4x as net gearing is expected to go up to 0.36x from 0.31x in 2QFY23. Meanwhile, we expect net gearing of Eco World to remain commendable going forward as Eco World will receive dividend of RM213.8m from Eco World International.

Maintain NEUTRAL with a revised TP of RM1.02. We make no changes to our earnings forecast for FY23F/24F/25F as the land acquisition will complete in 1H CY24. We revise our **TP** for Eco World to **RM1.02** from RM0.96 as we update our RNAV and include contribution from latest land acquisition. Our TP is based on 55% discount to RNAV. While we remain positive on Eco World due to the stable new sales prospect which will be driven by its residential and industrial products, we think the positives have been largely priced in. Hence, we maintain our **NEUTRAL** call on Eco World.

RETURN STATISTICS

Price @ 6 Sept 2023 (RM)	1.02
Expected share price return (%)	0.0
Expected dividend yield (%)	4.9
Expected total return (%)	4.9

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	10.9	9.7
3 months	25.9	26.7
12 months	50.0	53.2

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	4.90%	4.90%	4.90%

KEY STATISTICS

FBM KLCI	1,460.62
Issue shares (m)	2944.37
Estimated free float (%)	28.68
Market Capitalisation (RM'm)	3,003
52-wk price range	RM0.5–RM1.11
3-mth average daily volume (m)	5.46
3-mth average daily value (RM'm)	5.23
Top Shareholders (%)	
Sinarmas Harta Sdn Bhd	32.94
Liew Kee Sin	9.41
Eco World Development Holdings	7.47
Liew Tian Xiong	7.34

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ECOWORLD RNAV

	Stake	Est remaining GDV (RM m)	WACC (%)	Value (RM m)
Eco Majestic	100%	7190	10%	276.1
Eco Forest	100%	2550	10%	106.3
Eco Sanctuary	100%	5120	10%	204.8
BGCC	40%	6660	10%	115.8
Eco Grandeur	60%	9350	10%	191.6
Eco Businss Park V	60%	1540	10%	41.9
Eco Ardence	50%	5280	10%	101.4
Eco Botanic & Eco Botanic 2	100%	2330	10%	105.7
Eco Spring & Eco Summer	100%	3050	10%	127.1
Eco Tropics	100%	1800	10%	81.7
Eco Business Park I, II, III	100%	2700	10%	103.7
Eco Terraces	100%	20	10%	1.1
Eco Meadows	100%	400	10%	20.7
Eco Horizon & Eco Sun	60%	6340	10%	129.9
Eco Businss Park VI	100%	1580	10%	71.7
Eco World International	27%	59	10%	0.9
Unbilled sales		4290	10%	212.5
Total				1,893
Shareholder Funds				4,806
Total RNAV				6,699
Number of shares				2,944
RNAV per share				2.28
Discount				55%
Target Price				1.02

Source: MIDF Research

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)	12.6	13.0	10.6	10.6	10.5
NTA/share	1.62	1.61	1.62	1.63	1.64
P/NTA	0.63	0.63	0.63	0.63	0.62
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