

# Eco World Development Group Berhad

(8206 | ECW MK) Main | Property

## Ended FY23 on A Positive Note

### KEY INVESTMENT HIGHLIGHTS

- **FY23 earnings within our expectation**
- **Ended FY23 on a positive note**
- **New sales surpassed expectation**
- **Earnings forecast fine-tuned**
- **Upgrade to BUY with an unchanged TP of RM1.14**

**FY23 earnings within our expectation.** Eco World Development Group (Eco World) FY23 core net income of RM272.9m came in above consensus expectation but within ours, making up 107% and 102% of consensus and our estimates respectively. Note that we have excluded mainly impairment loss in our core net income calculations. Meanwhile, Eco World announced dividend of 2sen per share, bringing total dividend to 6sen per share in FY23 which translates into dividend yield of 6%.

**Ended FY23 on a positive note.** Sequentially, 4QFY23 core net income was higher at RM88.5m (+34.2%qoq), in line with higher topline (+77.1%qoq) mainly due to earnings recognition of land sale in Eco Business Park II and higher contribution from JV particularly BBCC. Nevertheless, earnings growth was partly negated by higher expenses and lower contribution from JV. On yearly basis, 4QFY23 core net income was higher (+7.9%yoy), bringing full year core net income to RM272.9m (+17.9%yoy). The higher earnings in FY23 were mainly due to land sales in Eco Business Park II and higher contribution from JV. That has more than enough to offset the impact of higher finance cost and higher selling and marketing expenses.

**New sales surpassed expectation.** Eco World recorded total new sales of RM3.6b in FY23 which is slightly ahead of its new sales target of RM3.5b. Eco townships contributed highest new sales at 43% followed by eco business parks at 29%. Looking ahead, Eco World sets new sales target for FY24 at RM3.5b and expects sales to be driven by its townships, high-rise and industrial projects in FY24. Meanwhile, balance sheet of Eco World is improving with net gearing fell to 0.25x in FY23 from 0.31x in FY22, giving it financial muscle for future land banking exercise.

**Upgrade to BUY with an unchanged TP of RM1.14.** We fine-tuned our earnings forecast for FY24/25F by +6.0%/+5.8% post release of FY23 full year figures. We also introduce FY26F forecast. Our **TP** is unchanged at **RM1.14**, based on 50% discount to RNAV. We upgrade Eco World to **BUY** from NEUTRAL due to the attractive share price upside and attractive dividend yield of 6%. Besides, new sales outlook is expected to remain solid, driven by industrial and residential project. Meanwhile, the potential land banking exercise will further drive earnings growth in the near-term.

**Upgrade to BUY**

(Previously NEUTRAL)

**Unchanged Target Price: RM1.14**

### RETURN STATISTICS

Price @ 14 Dec 2023 (RM)	1.00
Expected share price return (%)	14.0
Expected dividend yield (%)	6.0
<b>Expected total return (%)</b>	<b>20.0</b>

### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-3.8	-4.1
3 months	-7.4	0.0
12 months	51.5	54.3

### INVESTMENT STATISTICS

FYE Oct	2024F	2025F	2026F
Revenue	2,715	2,792	2,849
Operating Profit	275	272	274
Profit Before Tax	383	386	388
Core PATAMI	280	284	291
Core EPS	9.50	9.64	9.88
DPS	6.00	6.00	6.00
Dividend Yield	6.00%	6.00%	6.00%

### KEY STATISTICS

FBM KLCI	1,456.26
Issue shares (m)	2944.37
Estimated free float (%)	27.92
Market Capitalisation (RM'm)	2,944
52-wk price range	RM0.6–RM1.12
3-mth average daily volume (m)	2.48
3-mth average daily value (RM'm)	2.57
Top Shareholders (%)	
Sinarmas Harta Sdn Bhd	32.94
Liew Kee Sin	9.41
Eco World Development Holdings	8.23
Liew Tian Xiong	7.34

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## ECOWORLD: 4QFY23 RESULTS SUMMARY

FYE Oct (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	4QFY23	%YoY	%QoQ	FY23	%YoY
Revenue	844.5	51.0%	77.1%	2226.9	9.0%
Core EBIT	103.7	5.7%	1.5%	389.1	16.3%
Core PBT	105.3	1.9%	15.8%	353.8	17.9%
Net Income	3.3	85.1%	-95.0%	189.3	20.4%
Core Net Income	88.5	7.9%	34.2%	272.9	17.9%
EPS (sen)	0.1	85.1%	-95.0%	6.4	20.4%
Core EPS (sen)	3.0	7.9%	34.2%	9.3	18.0%
Net DPS (sen)	2.0	0.0%	0.0%	6.0	20.0%
NTA/share (RM)	1.6	NA	NA	1.6	NA
Net Gearing (x)	0.3	NA	NA	0.3	NA
Core EBIT Margin	12.3%	NA	NA	17.5%	NA
Core PBT Margin	12.5%	NA	NA	15.9%	NA

Source: Company, MIDFR

## 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
BCC	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 Business Park VI	100%	1580	10%	71.7

Eco World International	27%	59	10%	0.9
Unbilled sales		4290	10%	212.5
<b>Total</b>				<b>1893</b>
Shareholder Funds				4806
Total RNAV				6699
Number of shares				2944
RNAV per share (RM)				2.28
Discount				50%
Target Price (RM)				1.14

Source: MIDF Research

**FINANCIAL SUMMARY**

<b>Income Statement (RM'm)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
Revenue	2,044	2,227	2,715	2,792	2,849
Core EBIT	335	389	275	272	274
Core PBT	300	354	383	386	388
Net Income	157	189	280	283	289
Core Net Income	231	273	280	284	291
Core EPS (sen)	7.9	9.3	9.5	9.6	9.9
Core PER (x)	12.7	10.8	10.5	10.4	10.1
NTA/share	1.61	1.62	1.63	1.65	1.66
P/NTA	0.62	0.62	0.61	0.61	0.60
<b>Balance Sheet (RM'm)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
Investment in joint ventures	1292	1057	1067	1078	1110
Inventories	3789	3213	2763	2813	4078
<b>Total non-current assets</b>	<b>6487</b>	<b>5666</b>	<b>5887</b>	<b>6017</b>	<b>6348</b>
Short-term inventories	958	990	970	980	1048
Cash and bank balances	1316	1337	1146	1266	1249
Other assets	639	910	1409	1341	1141
<b>Total Assets</b>	<b>9400</b>	<b>8903</b>	<b>9412</b>	<b>9603</b>	<b>9787</b>
LT Borrowings	1727.0	1800.9	1710.8	1830.6	1958.7
ST Borrowings	1056.3	730.7	762.1	937.4	1003.1
Other Liabilities	1878	1598	2128	1990	1944
Total Liability	4661	4129	4601	4758	4906
Share capital	3615	3615	3615	3615	3615
Other Equity	1124	1159	1196	1230	1266
<b>Total Equity</b>	<b>4738</b>	<b>4774</b>	<b>4811</b>	<b>4845</b>	<b>4881</b>
<b>Equity + Liability</b>	<b>9400</b>	<b>8903</b>	<b>9412</b>	<b>9603</b>	<b>9787</b>
<b>Cash Flow (RM'm)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
Cash flows from operating activities					
Net income before taxation	226	270	383	386	388
Net cash from operating activities	936	572	950	931	912
Cash flows from investing activities					
Addition to inventories	-131	-339	-332	-286	-246
Net cash used in investing activities	-218	-691	-615	-467	-355
Cash flows from financing activities					
Drawdown of bank borrowings	926	856	1327	1194	1075
Net cash from/(used in) financing activities	-237	-442	-461	-451	-456
Net increase/(decrease) in cash and cash equivalents	481	-560	-126	12	101
Cash and cash equivalent at 1 January	754	1235	675	549	562
Cash and cash equivalent at 1 December	1235	675	549	562	663
<b>Profitability Margins</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
Core EBIT margin	16.4%	17.5%	10.1%	9.7%	9.6%
Core PBT margin	14.7%	15.9%	14.1%	13.8%	13.6%
PAT margin	7.7%	8.5%	10.3%	10.1%	10.1%
Core PATAMI margin	11.3%	12.3%	10.3%	10.2%	10.2%
ROE	4.9%	5.7%	5.8%	5.9%	6.0%
ROA	2.5%	3.1%	3.0%	3.0%	3.0%

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