



Eco World Development Group Berhad

(8206 | ECW MK) Main | Property

Expanding Presence in Johor


KEY INVESTMENT HIGHLIGHTS

- **Land acquisition in Johor**
- **Expanding presence in Johor**
- **Limited impact on balance sheet**
- **Earnings forecast maintained**
- **Upgrade to BUY with a revised target price of RM1.33**

Land acquisition in Johor. Eco World Development Group (Eco World) announced that Eco Botanic 3 Sdn Bhd (EB3SB), a wholly owned subsidiary of Eco World had on 18th January 2024 entered into a conditional development agreement with Permodalan Darul Ta'zim Sdn Bhd (PDT) where PDT agreed to nominate EB3SB to acquire 240.314 acres of freehold land in Iskandar Malaysia. EBS3SB has also entered into a conditional sale and purchase agreement with River Retreat Sdn Bhd to acquire the land for a purchase consideration of RM450.1m. The proposed land acquisition is expected to complete by end of CY24.

Expanding presence in Johor. We view the land acquisition positively as it allows Eco World to strengthen its presence in Johor. The new land is located next to Eco World's Eco Botanic and Eco Botanic 2 townships in Iskandar Malaysia while Eco World plans to develop the land into a mixed residential and commercial township development, to be known as Eco Botanic 3. Estimated GDV for the project is RM3.88b while the target buyers of Eco Botanic 3 are mainly first-time home buyers and M40 group. The land acquisition cost translates into price per square feet of RM43 which is higher than land acquisition price of RM35psf Eco World paid in 2019 for Eco Botanic 2 which we deem fair given the land appreciation and improving outlook for property landscape in Johor.

Limited impact on balance sheet. Eco World intends to fund the land acquisition via internal funds. Nevertheless, impact to balance sheet is limited due to staggered payment terms. Immediate capital outlay would be 3% of purchase price while 97% of the balance purchase price to be paid over a 5-year period. We estimate net gearing to inch up marginally to 0.26x from 0.25x as of FY23. Balance sheet of Eco World remains healthy which will continue to give Eco World financial muscle for future landbanking exercise.

Upgrade to BUY with a revised TP of RM1.33. We make no changes to our earnings forecast for FY24-26F. Our **target price** is revised to **RM1.33** from RM1.30 after factoring in contribution from Eco Botanic 3. Our TP is based on unchanged 43% discount to RNAV. We upgrade Eco World to **BUY** from NEUTRAL as we believe the recent decline in share price provides an attractive entry point. We continue to see decent new sales outlook for Eco World which will be driven by industrial and residential project. Meanwhile, dividend yield is estimated at 5%. 

Upgrade to BUY

Previously NEUTRAL

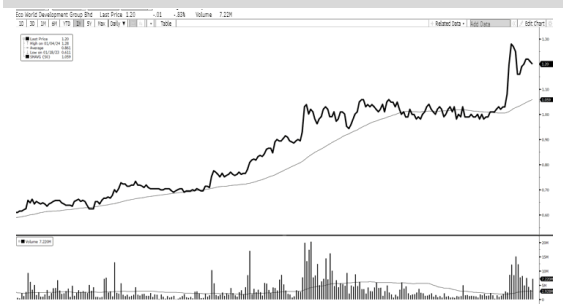
Revised Target Price: RM1.33

Previously RM1.30

RETURN STATISTICS

Price @ 18 Jan 2024 (RM)	1.20
Expected share price return (%)	+10.8
Expected dividend yield (%)	+5.0
Expected total return (%)	+15.8

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	18.8	17.7
3 months	14.3	12.5
12 months	84.6	86.7

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	5.00%	5.00%	5.00%

KEY STATISTICS

FBM KLCI	1,479.18
Issue shares (m)	2944.37
Estimated free float (%)	27.92
Market Capitalisation (RM'm)	3,533
52-wk price range	RM0.6–RM1.32
3-mth average daily volume (m)	2.93
3-mth average daily value (RM'm)	3.28
Top Shareholders (%)	
Sinarmas Harta Sdn Bhd	32.94
Liew Kee Sin	9.41
Eco World Development Holdings	8.23
Liew Tian Xiong	7.34

Analyst

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

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 Botanic 3	100%	3880	10%	149.0
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				2042
Shareholder Funds				4806
Total RNAV				6848
Number of shares				2944
RNAV per share				2.33
Discount				43%
Target Price (RM)				1.33

Source: MIDF Research

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024F	2025F	2026F
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)	15.3	12.9	12.6	12.5	12.1
NTA/share	1.61	1.62	1.63	1.65	1.66
P/NTA	0.75	0.74	0.73	0.73	0.72
Balance Sheet (RM'm)	2022A	2023A	2024F	2025F	2026F
Investment in joint ventures	1292	1057	1067	1078	1110
Inventories	3789	3213	2763	2813	4078
Total non-current assets	6487	5666	5887	6017	6348
Short-term inventories	958	990	970	980	1048
Cash and bank balances	1316	1337	1146	1266	1249
Other assets	639	910	1409	1341	1141
Total Assets	9400	8903	9412	9603	9787
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
Total Equity	4738	4774	4811	4845	4881
Equity + Liability	9400	8903	9412	9603	9787
Cash Flow (RM'm)	2022A	2023A	2024F	2025F	2026F
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
Profitability Margins	2022A	2023A	2024F	2025F	2026F
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