

Eco World Development Group Berhad

(8206 | ECW MK) Main | Property

Solid Earnings in 1HFY24


KEY INVESTMENT HIGHLIGHTS

- **1HFY24 earnings within expectations**
- **Solid earnings in 1HFY24**
- **New sales on track**
- **Earnings forecast maintained**
- **Maintain NEUTRAL with an unchanged TP of RM1.63**

1HFY24 earnings within expectations. Eco World Development Group (Eco World) 1HFY24 core net income of RM143.1m came in within expectations, making up 51% and 52% of our and consensus full year estimates respectively. Meanwhile, Eco World declared interim dividend of 2 sen per share.

Solid earnings in 1HFY24. On sequential basis, 2QFY24 core net income was marginally higher at RM72.2m (+1.7%qoq), in line with the marginally higher topline (+3.3%qoq). The higher sequential earnings were mainly due to the higher gross profit margin of 26.5% in 2QFY24 against 23.9% in 1QFY24 due to cost savings from completed projects. That has offset the lower contributions from joint ventures. On yearly basis, 2QFY24 core net income was higher (+16.4%yoy), bringing 1HFY24 cumulative core net income higher at RM143.1m (+20.7%yoy). The higher earnings were mainly due to the contribution from its ongoing projects and newly launched phases as well as better margin. That was more than enough to offset the higher expenses and lower contribution from JV as certain projects are at tail end.

New sales on track. Eco World recorded new sales of RM2.18b in 7MFY24, on track to meet management's new sales target of RM3.5b for FY24. Projects at Iskandar Malaysia are the key sales contributor in 7MFY24, contributing to 61% total new sales. Meanwhile, township projects remain the top sales contributor at 39%, followed by high rise projects at 31%. Meanwhile, Eco Business Parks contributed 19% of total new sales as Eco World is expanding its industrial property development segment. On the other hand, future revenue stood at RM4b, proving earnings visibility for more than 1.5 years.

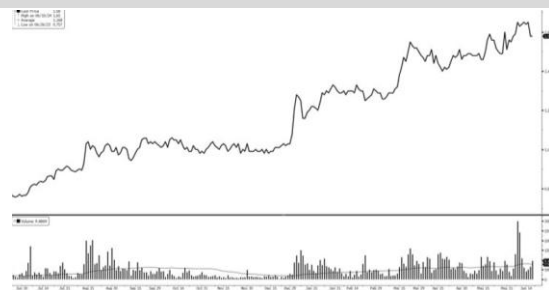
Maintain NEUTRAL with an unchanged TP of RM1.63. We make no changes to our earnings forecast for FY24F/25F/26F. We also maintain our **TP** for Eco World at **RM1.63**, based on 30% discount to RNAV. We see positive earnings outlook and stable sales prospect for Eco World. Nevertheless, we think that positives are largely priced in. Valuation of Eco World is fair at this level, trading close to its latest NTA of RM1.65 per share. Hence, we maintain our **NEUTRAL** call on Eco World. 

Maintain NEUTRAL
Unchanged Target Price: RM1.63

RETURN STATISTICS

Price @ 20 June 2024 (RM)	1.58
Expected share price return (%)	+3.2
Expected dividend yield (%)	+3.8
Expected total return (%)	+7.0

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	1.3	3.2
3 months	5.3	1.9
12 months	95.1	70.7

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	3.8%	3.8%	3.8%

KEY STATISTICS

FBM KLCI	1,592.69
Issue shares (m)	2944.37
Estimated free float (%)	28.37
Market Capitalisation (RM'm)	4,654
52-wk price range	RM0.8–RM1.73
3-mth average daily volume (m)	7.97
3-mth average daily value (RM'm)	12.10
Top Shareholders (%)	
Sinarmas Harta Sdn Bhd	32.92
Liew Kee Sin	9.40
Eco World Development Holdings	7.46
Liew Tian Xiong	7.33

Analyst

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

ECOWORLD: 2QFY24 RESULTS SUMMARY

FYE Oct (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	2QFY24	%YoY	%QoQ	FY24	%YoY
Revenue	555.8	32.1%	3.3%	1093.5	20.8%
Core EBIT	122.8	44.5%	12.1%	232.3	26.8%
Core PBT	100.3	28.4%	7.0%	194.0	23.2%
Net Income	70.4	12.3%	1.1%	140.0	17.0%
Core Net Income	72.2	16.4%	1.7%	143.1	20.7%
EPS (sen)	2.4	12.3%	1.1%	4.8	17.0%
Core EPS (sen)	2.5	16.4%	1.7%	4.9	20.7%
Net DPS (sen)	2.0	0.0%	NA	2.0	0.0%
NTA/share (RM)	1.65	1.2%	1.4%	1.65	1.2%
Net Gearing (x)	0.24	NA	NA	0.24	NA
Core EBIT Margin	22.1%	NA	NA	21.2%	NA
Core PBT Margin	18.0%	NA	NA	17.7%	NA

Source: Company, MIDFR

ECOWORLD RNAV

	Stake	Est remaining GDV (RM m)	WACC (%)	Value (RM m)
Eco Majestic	100%	7,190	10%	276.1
Eco Forest	100%	2,550	10%	106.3
Eco Sanctuary	100%	5,120	10%	204.8
BBCC	40%	6,660	10%	115.8
Eco Grandeur	60%	9,350	10%	191.6
Eco Businss Park V	60%	1,540	10%	41.9
Eco Ardence	50%	5,280	10%	101.4
Eco Botanic & Eco Botanic 2	100%	2,330	10%	105.7
Eco Botanic 3	100%	3,880	10%	150.9
Eco Spring & Eco Summer	100%	3,050	10%	127.1
Eco Tropics	100%	1,800	10%	81.7
Eco Business Park I, II, III	100%	2,700	10%	103.7
Eco Terraces	100%	20	10%	1.1
Eco Meadows	100%	400	10%	20.7
Eco Horizon & Eco Sun	60%	6,340	10%	129.9
Eco Businss Park VI	100%	1,580	10%	71.7
Eco World International	27%	59	10%	0.9
Unbilled sales		4,290	10%	212.5
Total				2,044
Shareholder Funds				4,806
Total RNAV				6,850
Number of shares				2,944
RNAV per share				2.33
Discount				30%
Target Price				1.63

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)	20.1	17.0	16.6	16.4	16.0
NTA/share	1.61	1.62	1.63	1.65	1.66
P/NTA	0.98	0.97	0.97	0.96	0.95
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

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077 (23878 – X)).
 (Bank Pelaburan)
 (A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878 – X)) for distribution to and use by its clients to the extent permitted by applicable law or regulation.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that MIDF Investment believes are reliable at the time of publication. All information, opinions and estimates contained in this report are subject to change at any time without notice. Any update to this report will be solely at the discretion of MIDF Investment.

MIDF Investment makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. MIDF Investment and its affiliates and related BNM and each of their respective directors, officers, employees, connected parties, associates and agents (collectively, "Representatives") shall not be liable for any direct, indirect or consequential loss, loss of profits and/or damages arising from the use or reliance by anyone upon this report and/or further communications given in relation to this report.

This report is not, and should not at any time be construed as, an offer, invitation or solicitation to buy or sell any securities, investments or financial instruments. The price or value of such securities, investments or financial instruments may rise or fall. Further, the analyses contained herein are based on numerous assumptions. This report does not take into account the specific investment objectives, the financial situation, risk profile and the particular needs of any person who may receive or read this report. You should therefore independently evaluate the information contained in this report and seek financial, legal and other advice regarding the appropriateness of any transaction in securities, investments or financial instruments mentioned or the strategies discussed or recommended in this report.

The Representatives may have interest in any of the securities, investments or financial instruments and may provide services or products to any company and affiliates of such BNM mentioned herein and may benefit from the information herein.

This document may not be reproduced, copied, distributed or republished in whole or in part in any form or for any purpose without MIDF Investment's prior written consent. This report is not directed or intended for distribution to or use by any person or entity where such distribution or use would be contrary to any applicable law or regulation in any jurisdiction concerning the person or entity.

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