

Eco World Development Group Berhad

(8206 | ECW MK) Main | Property

Maintain NEUTRAL

Land disposal in Johor

Revised Target Price: RM1.63
(Previously: RM1.51)

KEY INVESTMENT HIGHLIGHTS

- Land disposal in Johor
- Unlock value of landbank
- Stronger prospect for industrial development in Johor
- Earnings forecast maintained
- Maintain **NEUTRAL** with a revised TP of **RM1.63**

Land disposal in Johor. Eco World Development Group (Eco World) announced that its wholly owned subsidiary, Eco Business Park 6 Sdn Bhd had on 7th June 2024 entered into a conditional sale and purchase agreement (SPA) with Microsoft Payments (Malaysia) Sdn Bhd for the disposal of industrial land measuring 123.1 acres located in Kulai, Iskandar Malaysia for a cash consideration of RM402.3m. The land disposal is expected to be completed in 2HCY25.

Unlocking value of landbank. The land measuring 123.1 acres that will be disposed is part of 403.78 acres landbank that Eco World acquired from IOI Properties Group on 18th January 2024. Recall that Eco World acquired 403.78 acres of land from IOI Properties Group for RM211m which translates into purchase consideration of RM12psft. Meanwhile, we view the land disposal positively as it unlocks the value of Eco World's landbank. The land disposal is expected to be positive to Eco World as land disposal to Microsoft Payments (Malaysia) Sdn Bhd is at price of RM75psf which should allow Eco World to record gains from the disposal. Nevertheless, we gather that Eco World would have to incur cost to build infrastructure, land conversion premium and earthworks.

Stronger prospect for industrial development in Johor. The land sale to Microsoft Payments (Malaysia) Sdn Bhd is expected to support development of Business Parks of Eco World in Johor as Microsoft Payments (Malaysia) Sdn Bhd proposed to develop data centres on the land. The setting up of data centres on the land is expected to increase demand for industrial products at Eco World's Business Parks in Johor. Note that Eco World is expanding its industrial property segment with sales from its Eco Business Parks contributing 24% to total new sales in the first four months of FY24. Meanwhile, the land disposal is expected to improve the balance sheet of Eco World. Net gearing is estimated to fall to slightly above 0.2x from 0.28x as of 1QFY24.

Maintain NEUTRAL with a revised TP of RM1.63. We maintain our earnings forecast for FY24F/25F/26F. We revise our **TP** for Eco World to **RM1.63** from RM1.51 as we narrow our RNAV discount to 30% from 35% in view of better prospect for its Business Parks in Johor. We opine that valuation of Eco World is fair at this level, trading at slightly above its latest NTA of RM1.63 per share. Hence, we maintain our **NEUTRAL** call on Eco World.

RETURN STATISTICS

Price @ 10 June 2024 (RM)	1.65
Expected share price return (%)	-1.2
Expected dividend yield (%)	+3.6
Expected total return (%)	+2.4

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	11.5	10.5
3 months	10.0	22.4
12 months	106.3	75.8

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	3.6%	3.6%	3.6%

KEY STATISTICS

FBM KLCI	1,614.37
Issue shares (m)	2944.37
Estimated free float (%)	28.34
Market Capitalisation (RM'm)	4,860
52-wk price range	RM0.78–RM1.7
3-mth average daily volume (m)	7.44
3-mth average daily value (RM'm)	11.09
Top Shareholders (%)	
Sinarmas Harta Sdn Bhd	32.93
Liew Kee Sin	9.40
Eco World Development Holdings	7.47
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
BBC	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%	150.9
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				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)	21.0	17.8	17.4	17.1	16.7
NTA/share	1.61	1.62	1.63	1.65	1.66
P/NTA	1.03	1.02	1.01	1.00	1.00
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