

18 December 2020

Eco World Dev. Group

FY20 Above Expectations

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FY20 CNP of RM240m came in above our (109%) and consensus (148%) expectations on stronger-than-expected top-line. YTD, ECOWLD's sales of RM2.3b came above (115% of FY20 estimate), while EWINT (27%-owned associate)'s sales of RM1.4b* is below as Btr sale was differed. Maiden dividends of 2.0 sen is above our expectation of 1.1 sen. FY21E CNP is increased marginally on higher top-line but with lower margin in anticipation of margin compression from a new product mix catering to the more affordable segment. Downgrade to MP (from OP) on an unchanged higher TP of RM0.490 (based on PBV of 0.34x).

FY20 CNP of RM240m came in above our and consensus expectations at 109% and 148%, respectively. Top-line came in above our expectation at 110% and but CNP margin was in-line with our estimate at 12%, while the deviation from consensus estimate was due to stronger-than-expected CNP margin of 12% (vs. consensus 8.7% after accounting for one-offs). FY20 Group sales of RM2.3b is also above our and management's target of RM2.0b (+115%) as the Group recorded strong sales in 2H20 (85% of FY20 sales). EWINT (27% associate) recorded RM1.4b* sales (63% of FY20E sales target of RM2.2b) which were below expectation as we expected lumpy sales from BTR sale to be concluded by FY20. FY20 maiden dividend of 2.0 sen was announced which came in above (+181%) our expectation of 1.1 sen.

Results' highlights. YoY-Ytd, top-line was down by 19% due to the multiple MCO phases which impacted operations mostly in 2QFY2 and 3QFY20. However, CNP was up by 20% post accounting for one-off write-down of inventories of RM99m. QoQ, top-line was up by 33% on increased work progress in 4QFY20 vs. 3QFY20 post the MCOs. As a result, CNP was up by 34% on similar reasons mentioned above as well as on increased associate and JV contributions. Meanwhile, net gearing stood at 0.61x as of end-Oct 2020, a marginal decrease QoQ from 0.64x.

Outlook. FY21 sales target of RM5.1b in FY21 with RM2.875b from ECOWLD to be driven by products targeted for the M40 category which are more affordable, within the RM300-900k range, while EWINT is targeting FY21 sales of RM2.2b which will be driven by Btr sales which were initially targeted for FY20.

FY21E CNP is raised marginally by 2% to RM246m on increased top-line (+25%) on expectations of stronger sales in FY21 but on lower CNP margin of 10.6% (from 13%) due to lower-margin products (affordable pricing range) suited for the M40 Group, in line with current market condition. We also introduce FY22E CNP of RM260m. FY21-22E dividend of 2.1-2.2 sen imply 4.1-4.4% yield. Unbilled sales of RM3.7b provide c.two years' visibility.

Downgrade to MP (from OP) on an unchanged TP to RM0.490 on our PBV valuation of 0.34x (-1.5SD) on an adjusted BV/share of RM1.46 after imputing a 40% discount to its latest available inventory level of completed properties. We downgrade our call in-line with the challenging property market climate. Although we believe the Group may be able to push sales targets and thus revenue, we expect margin compressions in the near term to dampen its bottom-lines.

Risks to our call include: (i) weaker-than-expected property sales, and (ii) higher-than-expected overheads/finance.

MARKET PERFORM

Price : RM0.505
Target Price : RM0.490

Share Price Performance



KLCI 1,674.35
YTD KLCI chg 5.4%
YTD stock price chg -32.2%

Stock Information

Shariah Compliant Yes
Bloomberg Ticker ECW MK EQUITY
Market Cap (RM m) 1,486.9
Shares Outstanding 2,944.4
52-week range (H) 0.80
52-week range (L) 0.30
3-mth avg daily vol: 9,298,034
Free Float 22%
Beta 1.6

Major Shareholders

Sinarmas Harta Sdn Bhd 32.9%
Sin Liew Kee 9.4%
Eco World Development 8.5%

Summary Earnings Table

FYE Oct (RM m)	2020E	2021E	2022E
Turnover	2,462	2,311	2,552
EBIT	223	314	348
PBT	266	323	342
Net Profit (NP)	203	246	260
Core NP	201	246	260
Consensus (CNP)	n.a.	189	166
Earnings Revision	n.a.	+2%	n.a.
Core EPS (sen)	8.2	8.3	8.8
Core EPS growth (%)	20	2	6
NDPS (sen)	2.0	2.1	2.2
BVPS (RM)	1.57	1.62	1.69
Core PER (x)	6.2	6.1	5.7
Price/BV (x)	0.3	0.3	0.3
Net Gearing (x)	0.61	0.63	0.66
Dividend Yield (%)	4.0	4.1	4.4

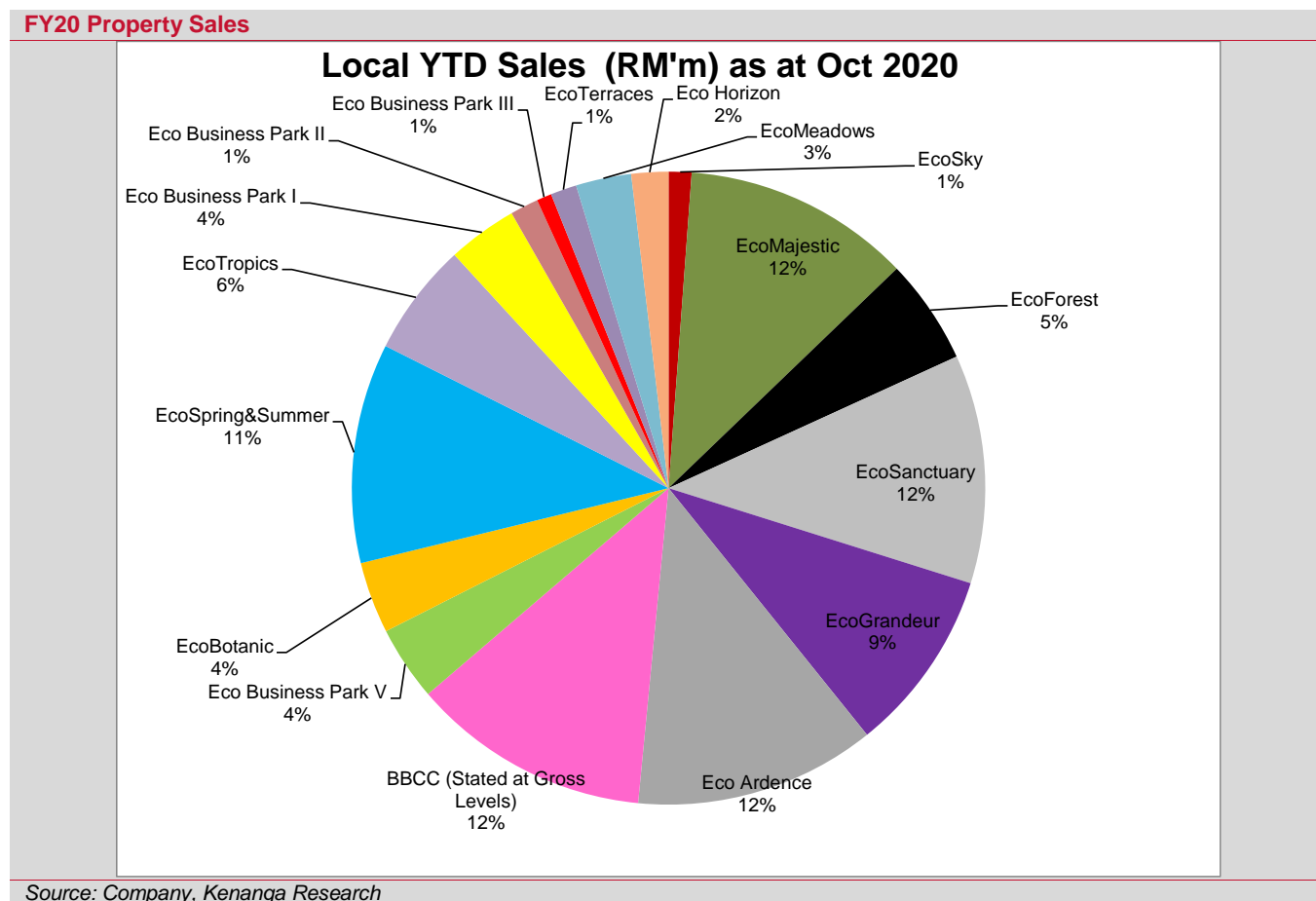
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OTHER POINTS

*Before accounting for ECOWLD's effective stake of 27% in EWINT

Results Highlights								
FYE: 31st Oct (RM m)	4Q20	3Q20	QoQ	4Q19	YoY	FY19	FY20	Ytd-YoY
Revenue	635.5	477.9	33%	906.5	-30%	2462.3	1996.7	-19%
Op costs w/o depn/amort	-637.2	-466.1	37%	-854.6	-25%	-2265.5	-1924.2	-15%
Other Op Income	13.6	15.5	-12%	11.2	21%	51.2	58.1	13%
EBITDA	11.8	27.3	-57%	63.1	-81%	248.0	130.5	-47%
EBIT	11.8	21.3	-44%	63.1	-81%	223.4	112.6	-50%
Finance Cost	-18.5	-24.0	-23%	-27.1	-32%	-101.9	-93.5	-8%
Associate + JV	80.7	27.1	198%	66.0	22%	142.0	149.9	6%
FV/one-offs	0.0	0.0	n.a.	2.5	-100%	2.5	0.2	-93%
Pretax profit	74.0	24.4	204%	104.4	-29%	266.0	169.2	-36%
Taxation	-7.5	-10.5	-29%	-23.0	-67%	-62.6	-33.9	-46%
Minority Interests	0.0	0.0	n.a.	0.0	n.a.	0.0	0.0	n.a.
Net profit	66.5	13.8	381%	81.5	-18%	203.4	135.3	-33%
Core net profit	106.0	79.2	34%	79.0	34%	201.0	240.2	20%
EPS (sen)	3.60	2.69	34%	2.77	30%	6.91	8.16	18%
Diluted EPS (sen)	0.0	0.0	n.a.	0.0	n.a.	0.0	0.0	n.a.
DPS (sen)	0.0	0.0		0.0		0.0	0.0	
NTA/share (RM)	1.59	1.57		1.50		1.50	1.59	
Net gearing/(cash) (x)	0.61	0.64		0.72		0.72	0.61	
EBITDA margin	1.9%	5.7%		7.0%		10.1%	6.5%	
EBIT Margin	1.9%	4.5%		7.0%		9.1%	5.6%	

Source: Company, Kenanga Research



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Peer Comparison

Name	Last Price	Market Cap (RM'm)	Shariah Compliant	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)		Net Div.Yld. (%)	Target Price (RM)	Rating
	(RM)				1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.			
PROPERTY DEVELOPERS UNDER COVERAGE																		
ECO WORLD DEVELOPMENT GROUP	0.505	1,486.9	Y	10/2021	15.7%	10.5%	2.3%	5.9%	6.2	6.1	5.7	0.3	0.3	4.8%	4.2%	0.490	MP	
IOI PROPERTIES GROUP BHD	1.62	8,920.0	Y	06/2021	-2.2%	-1.6%	10.3%	1.2%	14.5	13.1	12.9	0.5	0.5	3.7%	1.9%	0.970	MP	
LBS BINA GROUP BHD	0.430	671.5	Y	12/2020	-43.3%	22.6%	-22.6%	45.2%	10.0	12.6	8.8	0.5	0.5	3.9%	2.3%	0.330	UP	
MAH SING GROUP BHD	0.915	2,221.3	Y	12/2020	-21.5%	59.1%	-65.8%	365.0%	22.3	65.4	13.9	0.6	0.6	1.1%	0.5%	1.05	OP	
MALAYSIAN RESOURCES CORP BHD	0.510	2,250.1	Y	12/2020	-17.1%	8.9%	-80.6%	833.3%	N.A.	510.0	39.2	0.5	0.5	0.1%	0.1%	0.650	OP	
SIME DARBY PROPERTY BHD	0.740	5,032.6	Y	12/2020	-49.3%	6.6%	-89.9%	297.9%	7.1	69.8	17.6	0.5	0.5	0.8%	2.8%	0.540	MP	
SP SETIA BHD	1.07	4,340.7	Y	12/2020	-29.9%	15.3%	-93.0%	1553.4%	17.8	243.2	15.3	0.3	0.3	-2.4%	0.1%	0.680	UP	
SUNWAY BHD	1.58	7,724.5	Y	12/2020	-16.6%	32.8%	-43.5%	38.0%	12.2	21.6	15.6	0.8	0.8	3.7%	2.3%	1.54	OP	
UEM SUNRISE BHD	0.505	2,554.5	Y	12/2020	-55.1%	25.2%	-91.4%	219.9%	7.3	74.6	23.3	0.3	0.3	0.4%	0.0%	0.430	MP	
UOA DEVELOPMENT BHD	1.76	3,737.8	Y	12/2020	6.6%	15.7%	-9.0%	13.3%	9.5	9.8	9.3	0.7	0.7	7.0%	8.0%	1.82	OP	
Simple Average					-21.3%	19.5%	-48.3%	337.3%	11.9	102.6	16.2	0.5	0.5	2.3%	2.2%			

Source: Kenanga Research

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Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%
NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

******Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.***

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