

22 March 2024

# Eco World Dev. Group

## Robust Sales in 1QFY24

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**ECOWLD's 1QFY24 results met expectations. Its 1QFY24 core net profit grew 22% YoY on improved margins and reduced overseas losses. It is on track to meet its FY24 sales target of RM3.5b with RM1.3b achieved in 1QFY24. We keep our forecasts but raise our TP by 20% to RM1.20 (from RM1.00). Maintain UNDERPERFORM.**

ECOWLD's 1QFY24 core net profit of RM69.6m met expectations, coming in at 24% and 26% of our full-year forecast and the full-year consensus estimate, respectively.

**YoY**, its 1QFY24 revenue increased by 11% due to higher contributions from active and newly launched phases. Its core net profit grew by a strong 22% as higher interest income and the turnaround in EWINT (on favourable forex movements), more than offset a high base from a year ago due to bumper profit recognition from completed units.

**QoQ**, its 1QFY24 revenue declined 36% from a bumper quarter previously due to the completion of its 92-acre industrial land sale in Eco Business Park II. However, its 1QFY24 core net profit only declined by 18% as lower contributions from Malaysian JVs (from a high base in 4QFY23 due the handover of completed BBCC units) were cushioned by the turnaround in EWINT.

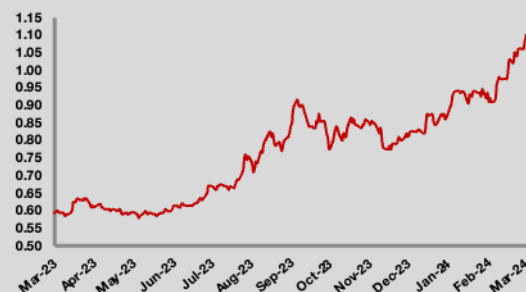
**Briefing highlights.** Although the group appears to be much within in meeting its sales target of RM3.5b (1QFY24 at RM1.3b), they sought to keep their FY24 expectations for now.

1. With the 1QFY24 sales at 36% of the full-year target, the group's focus remains to improve returns from its landbanks by achieving higher margins or maximizing yield of developed lands while continuing to sustain good dividends for shareholders. The group also appears to have a greater appetite for land acquisition, mainly in Klang Valley and Iskandar Malaysia, backed by their lower reported gearing of 0.28x.
2. EWINT, its 27%-owned joint venture, reported sales of RM243.0m in its 1QFY24, on track to meet its full-year sales target of RM850.0m. That said, caution prevails in future launches due to challenging conditions in the UK property market. Similarly, at the group level, the emphasis remains on prioritizing sustainable profits rather than pursuing aggressive top-line expansion.
3. "Duduk," its product line emphasizing lifestyle-oriented offerings in established townships, is set for expansion in FY24. Following the introduction of Sa.Young D' Eco Botanic in Iskandar Malaysia, EcoWorld Malaysia's Duduk series now spans across the Central, Northern, and Southern regions. Moreover, more Duduk products are scheduled for launch in the upcoming quarters in both the Klang Valley and Iskandar Malaysia.
4. On the industrial products side, specifically Eco Business Parks, sales amounted to RM298.0m in 1QFY24. The group is confident that this positive momentum will continue. With the upcoming launch of Eco Business Park IV in Kulai, Johor, planned for FY25, they are strategically positioned to capitalize on the strong interest expressed by both local and international industrialists.

## UNDERPERFORM ↔

**Price :** RM1.50  
**Target Price :** RM1.20 ↑

### Share Price Performance



KLCI 1,541.41  
YTD KLCI chg 6.0%  
YTD stock price chg 42.9%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	ECW MK Equity
Market Cap (RM m)	4,416.6
Shares Outstanding	2,944.4
52-week range (H)	1.50
52-week range (L)	0.70
3-mth avg. daily vol.	5,037,302
Free Float	28%
Beta	1.1

### Major Shareholders

Sinarmas Harta Sdn Bhd	32.9%
Liew Kee Sin	9.4%
Eco World Development	7.5%

### Summary Earnings Table

FY Oct (RM m)	2023A	2024F	2025F
Turnover	2,226.9	2,352.0	2,512.5
Operating Profit	305.8	423.4	452.3
Profit Before Tax	270.0	380.5	394.3
<b>Net Profit</b>	<b>189.3</b>	<b>285.4</b>	<b>295.7</b>
<b>Core Net Profit</b>	<b>271.3</b>	<b>285.4</b>	<b>295.7</b>
Consensus (NP)	-	271.9	299.4
Earnings Revision	-	0.1%	0.2%
Core EPS (sen)	9.2	9.7	10.0
Core EPS Growth (%)	13.9	5.2	3.6
NDPS (sen)	6.0	6.0	6.0
BVPS (RM)	1.6	1.7	1.7
PER (x)	16.3	15.5	14.9
PBV (x)	0.9	0.9	0.9
Net Gearing (x)	0.4	0.4	0.3
Net Div. Yield (%)	4.0	4.0	4.0



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5. The group has successfully penetrated the high-end market, and now they are strategically expanding their product range and increasing market share to cater to the demands of the Malaysian real estate market. While maintaining their focus on high-end segments, they are also expanding into promising areas. Currently, ECOWLD has four diversified revenue pillars, namely Eco Townships, Eco Business Parks, Eco Rise, and Eco Hubs.

**Forecasts.** Relatively unchanged post-model updates.

**Valuations.** Against an unchanged 50% discount to RNAV (vs. an average of 55% for its peers), we raise our TP to RM1.20 (from RM1.00) as we updated our RNAV to account for the group's new sizeable additions to the group's pipeline, being Eco Botanic 3 (RM3.88b) and Eco Business Park 6 (RM1.58b) while also updating our unbilled sales inputs given the group's strong success in pushing its product launches. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 5).

**Investment case.** We like ECOWLD for: (i) its strong branding attached to its products' high quality, strong resale value, and well received contemporary designs, (ii) strong responsiveness to cater to market conditions with a highly flexible product portfolio (i.e. affordable homes, aspirational-priced homes), and (iii) timely presence to tap into Johor's booming industrial scene. There is a good chance for a special dividend (we project to the tune of 7 sen/share assuming a 60% payout) following a lumpy dividend of RM214m from EWINT. However, its valuations have become fair after the recent run-up in its share price. Maintain **UNDERPERFORM.**

**Risks to our call include:** (i) recovery in the local property market, (ii) easing mortgage rates improving affordability, (iii) lower construction cost, and (iv) better overseas operations.

### Results Highlights

	1Q	4Q	QoQ	1Q	YoY	1Q	1Q	YoY
FYE Oct (RM m)	FY24	FY23	Chg	FY23	Chg	FY24	FY23	Chg
Revenue	537.8	844.5	-36.3%	484.7	10.9%	537.8	484.7	10.9%
Cost of Sales	-409.4	-669.4	-38.8%	-358.4	14.2%	-409.4	-358.4	14.2%
<b>Gross Profit</b>	<b>128.3</b>	<b>175.1</b>	<b>-26.7%</b>	<b>126.3</b>	<b>1.6%</b>	<b>128.3</b>	<b>126.3</b>	<b>1.6%</b>
Other income	34.5	35.1	-1.9%	21.6	59.3%	34.5	21.6	59.3%
Selling and marketing	-7.0	-43.3	-83.9%	-6.3	10.5%	-7.0	-6.3	10.5%
Administrative expenses	-47.6	-66.4	-28.3%	-43.1	10.5%	-47.6	-43.1	10.5%
EWINT Impairment Loss	0.0	-82.0	-100.0%	0.0	N.M.	0.0	0.0	N.M.
<b>Operating Profit</b>	<b>108.2</b>	<b>18.5</b>	<b>485.5%</b>	<b>98.6</b>	<b>9.8%</b>	<b>108.2</b>	<b>98.6</b>	<b>9.8%</b>
JV - Malaysia	18.6	47.0	-60.5%	23.4	-20.5%	18.6	23.4	-20.5%
JV - International	1.3	-7.5	-117.0%	-5.2	-124.4%	1.3	-5.2	-124.4%
Associate	-5.6	-4.6	20.9%	-6.6	-15.8%	-5.6	-6.6	-15.8%
Finance costs	-30.1	-33.3	-9.6%	-30.3	-0.7%	-30.1	-30.3	-0.7%
<b>Pre-tax Profit</b>	<b>92.4</b>	<b>20.1</b>	<b>360.9%</b>	<b>79.8</b>	<b>15.8%</b>	<b>92.4</b>	<b>79.8</b>	<b>15.8%</b>
Taxation	-22.8	-16.8	36.0%	-22.8	0.0%	-22.8	-22.8	0.0%
Minority Interests	0.0	0.0	N.M.	0.0	N.M.	0.0	0.0	N.M.
<b>Net Profit</b>	<b>69.6</b>	<b>3.3</b>	<b>2014.4%</b>	<b>57.0</b>	<b>22.2%</b>	<b>69.6</b>	<b>57.0</b>	<b>22.2%</b>
Exceptional	0.0	82.0	-100.0%	0.0	N.M.	0.0	0.0	N.M.
<b>Core Net Profit</b>	<b>69.6</b>	<b>85.3</b>	<b>-18.4%</b>	<b>57.0</b>	<b>22.2%</b>	<b>69.6</b>	<b>57.0</b>	<b>22.2%</b>
Dividend Per Share (sen)	0.0	2.0	-100.0%	0.0	N.M.	0.0	0.0	N.M.
Net Gearing	0.28	0.25		0.33		0.28	0.33	
Gross Profit margin	23.9%	20.7%		26.1%		23.9%	26.1%	
Operating Profit margin	20.1%	2.2%		20.3%		20.1%	20.3%	
Pretax margin	17.2%	2.4%		16.5%		17.2%	16.5%	
Core net profit margin	12.9%	10.1%		11.8%		12.9%	11.8%	
Effective tax rate	-24.7%	-83.6%		-28.6%		-24.7%	-28.6%	

Source: Company, Kenanga Research

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ECOWLD's RNAV and TP					
Location	Project	Stake (%)	Remaining Area (acres)	Remaining GDV (RM b)	NPV of Profit (RM m effective)
<b>Subsidiary</b>					
Central	EcoSky	100%	-	-	-
Central	Saujana Glenmarie	100%	-	-	-
Central	Eco Majestic	100%	301.8	6.89	287.5
Central	Eco Forest	100%	136.0	1.51	86.1
Central	Eco Sanctuary	100%	36.1	4.00	166.9
Central	Se.Duduk D'Kajang	100%	6.9	0.50	36.5
South	Eco Botanic & Eco Botanic 2	100%	77.5	2.10	119.8
South	Eco Botanic 3	100%	240.2	3.88	221.3
South	Eco Spring and Summer	100%	66.0	2.16	123.2
South	Eco Tropics	100%	380.5	2.16	123.2
South	Eco Business Park 1, 2, 3	100%	367.6	1.80	102.7
North	Eco Terraces	100%	-	0.02	1.5
North	Eco Meadows	100%	15.4	0.48	32.6
<b>Joint Venture</b>					
Central	Eco Grandeur	60%	796.3	7.75	194.0
Central	Eco Business Park 5	60%	296.8	2.09	71.5
Central	Eco Business Park 6	60%	403.8	1.58	54.1
Central	Eco Ardence	50%	122.6	5.06	144.3
Central	BBCC	40%	7.6	6.39	145.8
North	Eco Horizon&Sun	60%	198.5	4.81	140.0
			<b>3,453.5</b>	<b>53.18</b>	<b>2,050.9</b>
<b>EWINT (27% JV)</b>			246.3		26.1
<b>Unbilled Sales</b>					
ECOWLD (effective)		100%		<b>2,481</b>	<b>187.5</b>
Shareholders Fund (FY23)					<b>4,796.0</b>
Total RNAV (RM m)					7,060.5
Number of shares					2,944.4
RNAV/share					2.40
Discount to RNAV					50%
<b>Target Price (RM)</b>					<b>1.20</b>
BV/share (1 yr Fwd) (RM)					1.62
EPS (1yr Fwd) (RM)					0.09
ROE					5.68%
Implied PBV (x)					1.3

Source: Company, Kenanga Research

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## Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)		ROE		Net Div. (sen)		
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	
<b>PROPERTY DEVELOPERS</b>																				
ECO WORLD DEVELOPMENT GROUP	UP	1.50	1.20	-20.0%	4,416.6	Y	10/2024	9.7	10.0	5.2%	3.6%	15.5	14.9	0.9	5.9%	6.0	4.0%			
IOI PROPERTIES GROUP BHD	UP	2.19	1.75	-20.1%	12,058.5	N	06/2024	14.1	14.4	23.5%	2.0%	15.5	15.2	0.5	3.4%	4.5	2.1%			
MAH SING GROUP BHD	OP	1.10	1.11	0.9%	2,670.5	Y	12/2024	9.4	10.1	5.7%	8.0%	11.7	10.9	0.7	6.0%	4.0	3.6%			
MKH BHD	OP	1.34	2.11	57.5%	773.7	Y	09/2024	18.0	20.1	41.8%	11.2%	7.4	6.7	0.4	5.3%	6.0	4.5%			
S P SETIA BHD	MP	1.26	0.800	-36.5%	5,610.7	Y	12/2024	5.9	6.1	16.0%	2.7%	21.4	20.8	0.3	1.9%	5.5	4.4%			
SIME DARBY PROPERTY BHD	MP	0.850	0.840	-1.2%	5,780.7	Y	12/2024	6.0	6.4	1.7%	7.5%	14.3	13.3	0.6	3.9%	3.0	3.5%			
SUNWAY BHD	UP	3.47	2.51	-27.7%	19,126.9	Y	12/2024	14.6	14.7	26.0%	1.2%	23.8	23.6	1.3	6.0%	6.0	1.7%			
UOA DEVELOPMENT BHD	MP	1.87	1.79	-4.3%	4,657.1	Y	12/2024	10.6	10.4	19.3%	-2.1%	17.6	18.0	0.8	4.5%	6.5	3.5%			
<b>SECTOR AGGREGATE</b>					<b>55,094.6</b>					<b>17.3%</b>	<b>3.1%</b>	<b>17.4</b>	<b>16.9</b>	<b>0.7</b>	<b>4.6%</b>		<b>3.4%</b>			

Source: Kenanga Research

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**Stock ESG Ratings:**

	Criterion	Rating				
<b>GENERAL</b>	Earnings Sustainability & Quality	★	★	★		
	Community Investment	★	★	★		
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	☆		
	Anti-Corruption Policy	★	★	☆		
	Emissions Management	★	★	☆		
<b>SPECIFIC</b>	Product Quality & Safety	★	★	★	★	☆
	Effluent/Water Management	★	★	★		
	Waste Management	★	★	★		
	Biodiversity & Conservation	★	★	★	☆	
	Green Building	★	★	★	☆	
	Supply Chain Management	★	★	★	☆	
<b>OVERALL</b>		★	★	★		

☆ denotes half-star  
★ -10% discount to TP  
★★ -5% discount to TP  
★★★ TP unchanged  
★★★★ +5% premium to TP  
★★★★★ +10% premium to TP

**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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