

COMPANY RESULTS

EcoWorld Development (ECW MK)

2QFY24: Results In Line; Likely Can Achieve Close To RM4b Sales In FY24

ECW's 1HFY24 net profit increased 19% yoy. Including an industrial land sale to Microsoft, ECW's achieved RM2.67b sales (74% of its sales target of RM3.5b), suggesting that it may surpass this target and potentially hit around RM4b, reaching its all-time high sales in FY17. Maintain BUY. Target price: RM2.05.

2QFY24 RESULTS

Year to 31 Oct (RMm)	2QFY24 (RMm)	1QFY24 (RMm)	2QFY23 (RMm)	qoq % chg	yoy % chg	1HFY24 (RMm)	yoy % chg
Revenue	555.8	537.8	420.8	3.3	32.1	1,093.5	20.8
Gross Profit	147.5	128.3	107.6	14.9	37.1	275.8	17.9
Opex	(50.4)	(54.6)	(44.0)	(7.7)	14.5	(104.9)	12.4
EBIT	122.8	108.2	86.2	13.4	42.5	231.0	25.1
Net Interest	(29.6)	(30.1)	(28.8)	(1.8)	2.7	(59.6)	1.0
Shares of JV & Associates	7.0	14.3	21.4	(50.8)	(67.3)	21.3	(35.4)
PBT	98.5	92.4	78.8	6.6	25.0	191.0	20.4
Taxation	(28.5)	(22.8)	(16.1)	24.9	76.6	(51.3)	31.7
PATAMI	70.0	69.6	62.7	0.6	11.7	139.7	16.7
Core PATAMI	71.8	70.9	62.7	1.2	14.5	142.7	19.2
Margin %	%	%	%	ppt	ppt	%	ppt
EBIT margin (%)	22.1	20.1	20.5	2.0	1.6	21.1	0.7
PATAMI margin (%)	12.9	13.2	14.9	(0.6)	(2.3)	13.1	(0.2)

Source: EcoWorld Development, UOB Kay Hian

RESULTS

• **In line.** Eco World Development (ECW) reported 2QFY24 core net profit of RM71.8m (+1.2% qoq, +14.5% yoy) on revenue of RM555.8m (+3.3% qoq, +32% yoy). 1HFY24 net profit was RM142.7m (+19%), accounting for 49% of our and 51% of consensus forecasts.

We derive RM142.7m in core net profit for 1HFY24 after excluding exceptional items amounting to RM3m mainly on impairment losses on receivables. EBIT margin saw some expansion qoq and yoy thanks to cost savings realised from completed phases. PATAMI margin fell qoq and yoy on lower share of JV/associate profit due to losses from Eco World International (ECWI) on the impairment losses on receivables.

• **Declare dividend of 2 sen** (2QFY23: 2 sen; 3QFY23: 2 sen; 4QFY23: 2 sen). We understand that total dividend expected this year is at least 6 sen (our forecast: 6.3 sen), representing a decent dividend yield of 4%.

KEY FINANCIALS

Year to 31 Oct (RMm)	2022	2023	2024F	2025F	2026F
Net turnover	2,044	2,227	2,393	2,561	2,792
EBITDA	282	408	423	453	494
Operating profit	260	388	407	438	480
Net profit (rep./act.)	157	189	294	322	350
Net profit (adj.)	238	273	294	322	350
EPS (sen)	8.1	9.3	10.0	10.9	11.9
PE (x)	19.5	17.0	15.8	14.5	13.3
P/B (x)	1.0	1.0	1.0	0.9	0.9
EV/EBITDA (x)	20.9	14.5	13.9	13.0	11.9
Dividend yield (%)	3.2	3.8	4.0	4.0	4.4
Net margin (%)	7.7	8.5	12.3	12.6	12.5
Net debt/(cash) to equity (%)	31.0	25.2	25.7	26.8	27.1
Interest cover (x)	2.9	3.3	3.6	3.7	3.8
ROE (%)	3.3	4.0	6.1	6.5	6.9
Consensus net profit	-	-	278	308	330
UOBKH/Consensus (x)	-	-	1.06	1.05	1.06

Source: EcoWorld Development Bhd, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM1.58
Target Price	RM2.05
Upside	+29.7%

COMPANY DESCRIPTION

Property developer with exposure in the Klang Valley, Iskandar Malaysia and Penang.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	ECW MK
Shares issued (m):	2,945.3
Market cap (RMm):	4,653.6
Market cap (US\$m):	988.8
3-mth avg daily t'over (US\$m):	2.6

Price Performance (%)

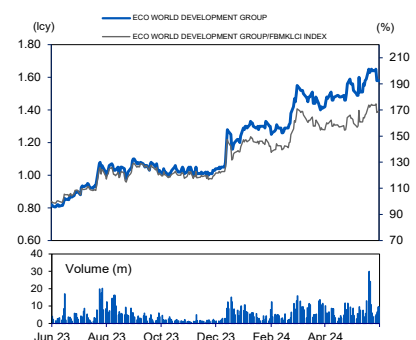
52-week high/low	RM1.65/RM0.805			
1mth	3mth	6mth	1yr	YTD
1.3	7.5	53.4	97.5	50.5

Major Shareholders

Sinarماس Harta Sdn Bhd	32.9
Liew Kee Sin	9.4
Eco World Development Holdings	7.5

FY24 NAV/Share (RM)	1.65
FY24 Net Debt/Share (RM)	0.42

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- Secured RM2.26b worth of property sales for 7MFY24 (Nov 23-May 24).** The Johor region contributed 61% of the sales or RM1.3b (already achieved 84% of Johor's FY23 sales), mostly from its Duduk Project in Eco Botanic township. Klang Valley contributed RM611m sales (or 28% of total sales) largely driven by the newly-launched Eco Grandeur's commercial units, which garnered a 60% take-up rate (launched in Jan 24). Other recent launches (in 2QFY24) include Santai - Eco Spring, which achieved a take-up rate of >50% when it was launched in Mar 24, and Sa.Young 2 - Eco Botanic, which saw a take-up rate of >40% when it was launched in May 24.
- The industrial segment recorded sales of RM420m (19% of total sales).** This includes the sale of cluster and semi-dee factories and small plots of industrial land for built-to-suit factories, particularly at Eco Business Park (EBP) I in Iskandar Malaysia and EBP V in the Klang Valley. These products cater specifically to the needs of local SMEs and larger industrialists, providing flexible options for business expansion and operations. One of the most significant transactions in this segment was the sale of 123 acres of industrial land for RM402m. This deal highlights ECW's ability to attract major multinational corporations to its industrial parks.
- Including industrial land sale to Microsoft (announced in Jun 24), ECW achieved RM2.67b sales (74% of its sales target of RM3.5b).** Thus, we think ECW may surpass its own sales target of RM3.5b. We estimate FY24 sales at RM4b, reaching its all-time high sales in FY17. Note that ECW's inventory and net gearing level (0.24x) have been on a downtrend, suggesting a healthy balance sheet. Furthermore, most of its projects contributing to sales are now highly matured projects. Thus, ECW was able to generate RM470m in net cash flow from operating activities in 1HFY24 (1HFY24: 3.4x of PAT RM142.7m).
- Looking forward, ECW is well-positioned for sustained growth with an emphasis on expanding its landbank and increasing its market share across various segments.** The company has already launched several new projects and has more in the pipeline, targeting different market segments with competitive pricing and strategic locations. In 2HFY24, ECW expects to launch Se.duduk D'Kajang, part of the Duduk series with GDV of RM500m.

EARNINGS REVISION/RISK

- Forecast unchanged.** We expect FY24 earnings to increase by 8% driven by: a) an improvement in the recognition of progressive billings, b) higher sales and launches, c) higher unbilled sales of RM4b (+10% qoq; 1.8x cover ratio), and d) completion of several projects. For FY25, we expect earnings to grow at a higher rate of 9% as we expect margin expansion from the recognition of the higher-margin Microsoft industrial land sales.

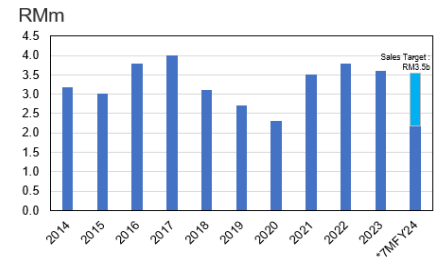
VALUATION/RECOMMENDATION

- Maintain BUY with an unchanged target price of RM2.05.** Our target price is based on an unchanged 40% discount to RNAV of RM3.42 and implies 14-22x FY24-26F PE (lower than its 10-year average of 32x; lower than current peers' average of 22x FY24F PE) and 0.9x-1.3x FY24-26F P/B (10-year average: 0.9x). Notably, during the property upcycle back in 2012-14, ECW traded at a premium of 1.6x P/B (+3SD to mean) and 30% discount to its RNAV. We like ECW for its improving balance sheet and ROE, dividend yield of 4-5% as well as its leading position in the property sector.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

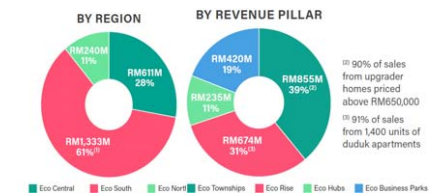
<ul style="list-style-type: none"> Environmental <ul style="list-style-type: none"> ECW reduced Greenhouse Gas (GHG) emissions by 36% in FY22. Social <ul style="list-style-type: none"> 100% of ECW's suppliers for building materials and main contractors are local. Governance <ul style="list-style-type: none"> Good company transparency along with an Anti-Bribery and Anti-Corruption Policy.

PROPERTY SALES



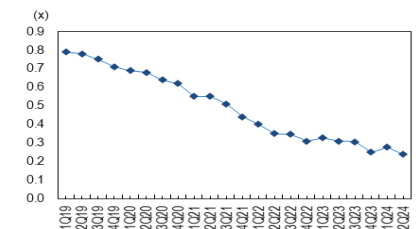
Source: Eco World Development

YTD SALES BY REGION AND TYPE



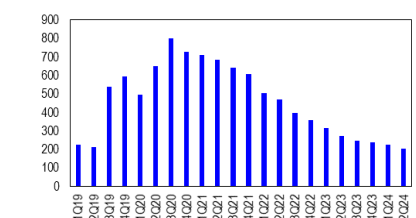
Source: Eco World Development, UOB Kay Hian

NET GEARING LEVEL



Source: Eco World Development, UOB Kay Hian

COMPLETED INVENTORY LEVEL



Source: Eco World Development, UOB Kay Hian

ASSUMPTIONS

	FY24F	FY25F	FY26F
Sales (RMb)	4.0	3.7	3.7
Take-up rate (%)	80	80	80
EBIT margin (%)	17.0	17.1	17.2

Source: UOB Kay Hian

RNAV TARGET PRICE OF RM2.05/SHARE

NPV of Development Profits	(RMm)
Central Region	2,487
Southern Region	2,127
Northern Region	348
EcoWorld International (27%)	321
Total	5,284
Shareholders' Funds	4,774
RNAV	10,057.6
Existing Share base	2,944
RNAV/share	3.42
Discount	40%
Target Price (RM/share)	2.05

Source: Eco World Development, UOB Kay Hian

PROFIT & LOSS

Year to 31 Oct (RMm)	2023	2024F	2025F	2026F
Net turnover	2,227	2,393	2,561	2,792
EBITDA	408	423	453	494
Deprec. & amort.	20	17	15	14
EBIT	388	407	438	480
Associate contributions	5	100	109	109
Net interest income/(expense)	(123)	(119)	(124)	(128)
Pre-tax profit	270	387	423	461
Tax	(81)	(93)	(102)	(111)
Minorities	0	0	0	0
Net profit	189	294	322	350
Net profit (adj.)	273	294	322	350

CASH FLOW

Year to 31 Oct (RMm)	2023	2024F	2025F	2026F
Operating	825	406	423	481
Pre-tax profit	270	387	423	461
Tax	(81)	(93)	(102)	(111)
Deprec. & amort.	20	17	15	14
Associates	(5)	(100)	(109)	(109)
Working capital changes	497	75	72	98
Non-cash items	123	119	124	128
Other operating cashflows	0	0	0	0
Investing	(253)	(153)	(203)	(204)
Capex (growth)	(250)	(150)	(200)	(200)
Capex (maintenance)	(3)	(3)	(3)	(4)
Investments	0	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	0	0	0	0
Financing	(551)	(203)	(212)	(233)
Dividend payments	(177)	(184)	(188)	(205)
Issue of shares	0	0	0	0
Proceeds from borrowings	(252)	100	100	100
Others/interest paid	(123)	(119)	(124)	(128)
Net cash inflow (outflow)	20	48	7	44
Beginning cash & cash equivalent	1,316	1,336	1,384	1,392
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	1,336	1,384	1,392	1,436

BALANCE SHEET

Year to 31 Oct (RMm)	2023	2024F	2025F	2026F
Fixed assets	135	122	111	101
Other LT assets	6,592	6,842	7,151	7,460
Cash/ST investment	1,336	1,384	1,392	1,436
Other current assets	1,676	1,748	1,821	1,921
Total assets	9,739	10,096	10,475	10,918
ST debt	731	831	931	1,031
Other current liabilities	2,078	2,225	2,370	2,568
LT debt	1,801	1,801	1,801	1,801
Other LT liabilities	378	378	378	378
Shareholders' equity	4,751	4,861	4,995	5,141
Minority interest	0	0	0	0
Total liabilities & equity	9,739	10,096	10,475	10,918

KEY METRICS

Year to 31 Oct (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	18.3	17.7	17.7	17.7
Pre-tax margin	12.1	16.2	16.5	16.5
Net margin	8.5	12.3	12.6	12.5
ROA	2.0	3.0	3.1	3.3
ROE	4.0	6.1	6.5	6.9
Growth				
Turnover	9.0	7.4	7.1	9.0
EBITDA	44.6	3.8	7.0	9.0
Pre-tax profit	19.6	43.4	9.3	8.9
Net profit	20.4	55.4	9.3	8.9
Net profit (adj.)	14.8	7.6	9.3	8.9
EPS	14.8	7.6	9.3	8.9
Leverage				
Debt to total capital	34.8	35.1	35.4	35.5
Debt to equity	53.3	54.1	54.7	55.1
Net debt/(cash) to equity	25.2	25.7	26.8	27.1
Interest cover (x)	3.3	3.6	3.7	3.8

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