

26 June 2020

Eco World Dev. Group

1HFY20 Below Expectations

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1HFY20 CNP of RM54.9m came in below our (28%) and consensus (30%) expectations on weaker than expected JV contributions. YTD, ECOWLD sales of RM975m for 8-month period is broadly within (49% of FY20 estimate), while EWINT (27%-owned associate) sales of RM808m* are also deemed broadly within forecast with sales expected to pick up in the 2H after the lull due to Covid-19. No dividends, as expected. All in, we lower FY20E CNP by 21% on lower JV contributions while FY21E remains unchanged. Downgrade to MP (from OP) following the share price recovery (+5.1% from our last update), on a lower TP of RM0.395 (based on PBV of 0.27x) from RM0.410.

1HFY20 CNP of RM54.9m came in below our (28%) and consensus (30%) expectations. Top-line came in at 49%, but the deviation from our estimate was due to weaker-than-expected associate and JV contributions locally and also from EWINT. The Group achieved sales of RM975m as at mid-June 2020 (eight and a half-month period) making up 49% for FY20 target of RM2.0b, which is broadly in line as we expect strong sales momentum in 2HFY20 given the lull in 2QFY20 due to Covid-19. Meanwhile, EWINT (27% associate) recorded RM808m* sales (37% of FY20E sales target for RM2.2b) and is also deemed within expectations given stronger momentum in the coming months with a potential BtR sale to be concluded by year end. No dividends, as expected.

Results' highlights. YoY-Ytd, top-line was down by 15% on lower recognitions due to the MCO, which delayed construction progress in 2QFY20. As a result, CNP declined by 23% despite lower operating cost (-12%) and slight improvement in associate JV contributions (+10%). QoQ, top-line declined by 36% due to similar reasons mentioned above. Operating cost also declined in tandem, by 37% due to lesser operations, administration and selling activities during the MCO period. However, weaker contributions from JV and associates (-37%) and higher effective tax rate, resulted in CNP declining by 36%. Meanwhile, net gearing stood at 0.68x as of end-Apr 2020.

Outlook. We maintain FY20 sales target of RM4.2b in line with management's target, and FY21 sales at RM6.0b. Details of maiden dividends in FY20 will likely gain more clarity in 2HFY20 when there is a clearer picture on the Covid-19 situation. There were delays for resumption of physical work and construction in local sites, which only fully resumed in mid-June 2020. We have accounted for this in our estimates previously as we expected slow resumption of work progress for up to 3 months.

Lower FY20E CNP on weaker-than-expected JV contributions. All in, we lower FY20 earnings by 21% to RM157m and leave FY21E unchanged, as we tone down our contributions from local JVs, as well as from EWINT due to lower estimated contribution from BtR sales in FY20 as we opt to be conservative given the challenging market. Unbilled sales of RM4.6b provide over two years' visibility.

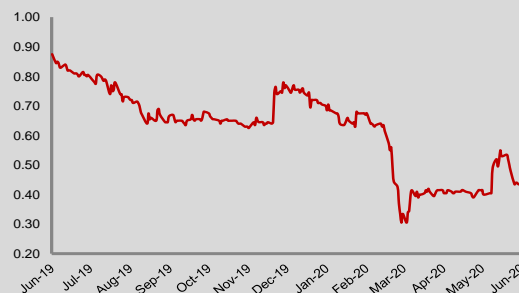
Downgrade to MARKET PERFORM (from OUTPERFORM) following the share price recovery of 5.1% since our last upgrade in March 2020. Our TP is lowered to RM0.395 (from RM0.410) to a lower P/BV of 0.27x (-2.0SD) from 0.28x (-2.0 SD) on an adjusted BV/share of RM1.47 (from RM1.48) after imputing a 40% discount to its latest available inventory level of completed properties, in view of the prevailing market down cycle and the pre-existing challenging property climate. We expect 3QFY20 to remain challenging albeit some improvements QoQ, while 4QFY20 should normalise if there are no further hiccups in work progress and the economy in coming months.

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

MARKET PERFORM ↓

Price : RM0.415
Target Price : RM0.395 ↓

Share Price Performance



KLCI 1,489.20
YTD KLCI chg -6.3%
YTD stock price chg -44.3%

Stock Information

Shariah Compliant Yes
Bloomberg Ticker ECW MK EQUITY
Market Cap (RM m) 1,221.9
Shares Outstanding 2,944.4
52-week range (H) 0.86
52-week range (L) 0.30
3-mth avg daily vol: 15,032,410
Free Float 23%
Beta 1.7

Major Shareholders

Sinarماس Harta Sdn B 32.9%
Sin Liew Kee 9.4%
Liew Tian Xiong 7.3%

Summary Earnings Table

FYE Oct (RM m)	2019A	2020E	2021E
Turnover	2,462	1,807	1,844
EBIT	223	214	190
PBT	266	212	242
Net Profit (NP)	203	157	184
Core NP	201	157	184
Consensus (CNP)	n.a.	182.5	184.3
Earnings Revision	n.a.	-21%	n.a.
Core EPS (sen)	6.8	5.3	6.3
Core EPS growth (%)	21	-22	18
NDPS (sen)	0.0	0.8	0.9
BVPS (RM)	1.5	1.5	1.6
Core PER (x)	6.1	7.8	6.6
Price/BV (x)	0.3	0.3	0.3
Net Gearing (x)	0.72	0.66	0.69
Dividend Yield (%)	0.0	1.9	2.3

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OTHER POINTS

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

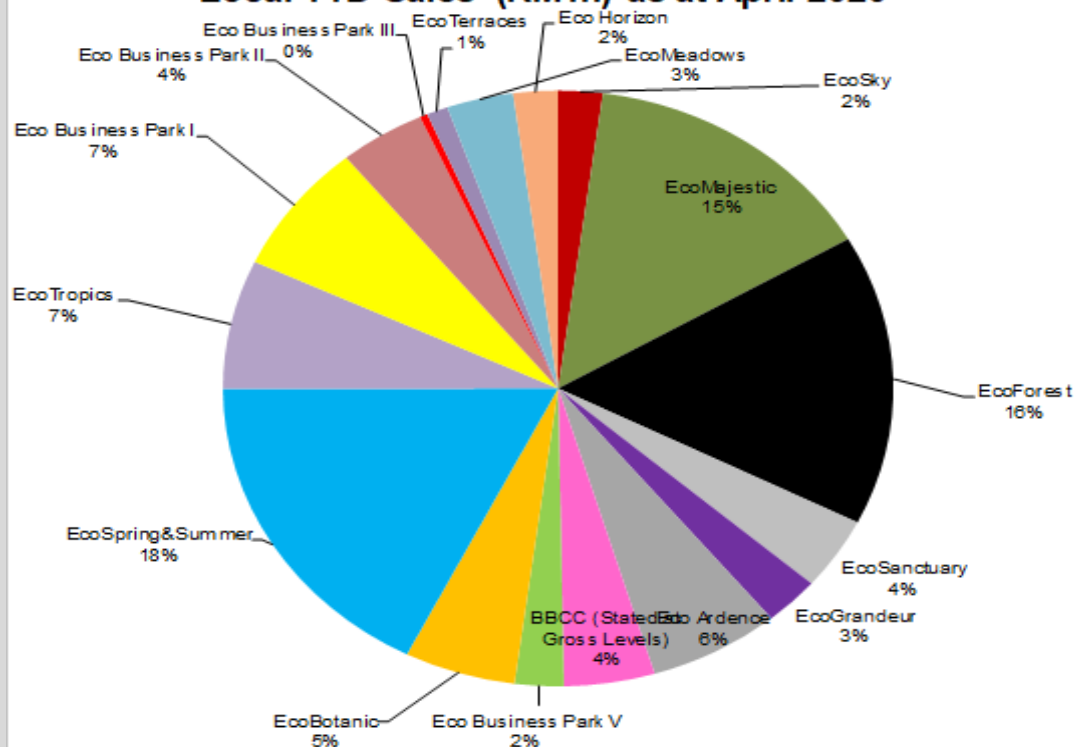
Results Highlights

FYE: 31st Oct (RMm)	2Q20	1Q20	QoQ	2Q19	YoY	1H19	1H20	Ytd-YoY
Revenue	345.4	537.9	-36%	543.2	-36%	1034.4	883.3	-15%
Op costs w/o depn/amort	-315.9	-505.1	-37%	-480.2	-34%	-936.5	-820.9	-12%
Other Op Income	14.9	14.1	5%	14.0	6%	26.6	29.0	9%
EBITDA	44.4	47.0	-6%	77.0	-42%	124.5	91.4	-27%
EBIT	38.6	41.0	-6%	67.0	-42%	108.3	79.5	-27%
Finance Cost	-24.5	-26.5	-8%	-24.9	-2%	-50.3	-51.0	1%
Associate + JV	16.3	25.9	-37%	13.9	17%	38.2	42.2	10%
FV/one-offs	0.0	0.2	-100%	0.0	n.m.	0.0	0.2	n.m.
Pretax profit	30.4	40.5	-25%	56.0	-46%	96.2	70.9	-26%
Taxation	-9.0	-6.8	31%	-14.8	-39%	-24.7	-15.8	-36%
Minority Interests	0.0	0.0	n.m.	0.0	n.m.	0.0	0.0	n.m.
Net profit	21.4	33.7	-36%	41.2	-48%	71.5	55.1	-23%
Core net profit	21.4	33.5	-36%	41.2	-48%	71.5	54.9	-23%
EPS (sen)	0.73	1.14	-36%	1.40	-48%	2.430	1.867	-23%
DPS (sen)	0.0	0.0		0.0		0.0	0.0	
NTA/share (RM)	1.56	1.55		1.49		1.49	1.56	
Net gearing/(cash) (x)	0.68	0.69		0.78		0.78	0.68	
EBITDA margin	12.9%	8.7%		14.2%		12.0%	10.4%	
EBIT Margin	11.2%	7.6%		12.3%		10.5%	9.0%	
Pretax margin	8.8%	7.5%		10.3%		9.3%	8.0%	
Effective tax rate	29.6%	16.9%		26.4%		25.7%	22.3%	

Source: Company, Kenanga Research

1H20 Property Sales

Local YTD Sales (RM'm) as at April 2020



Source: Company, Kenanga Research

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Peer Comparison

Name	Last Price	Market	Shariah	Current	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)		Net Div.Yld. (%)	Target	Rating
	(RM)	Cap (RM'm)	Compliant	FYE	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.	1-Yr. Fwd.	Price (RM)	
PROPERTY DEVELOPERS UNDER COVERAGE																		
ECO WORLD DEVELOPMENT GROUP	0.415	1,221.9	Y	10/2020	-26.6%	2.1%	-22.0%	17.6%	6.1	7.8	6.6	0.3	0.3	4.4%	1.9%	0.395	MP	
IOI PROPERTIES GROUP BHD	1.00	5,506.1	Y	06/2020	-20.0%	18.6%	-19.1%	28.7%	8.3	10.3	8.0	0.3	0.3	2.9%	3.0%	1.21	OP	
LBS BINA GROUP BHD	0.36	537.5	Y	12/2020	15.2%	2.5%	8.5%	5.2%	6.5	7.9	7.2	0.4	0.4	5.6%	4.2%	0.330	MP	
MAGNA PRIMA BHD	0.78	257.8	Y	12/2020	-13.0%	33.9%	-115.9%	-126.8%	N.A.	N.A.	N.A.	0.5	0.6	-5.2%	0.0%	0.520	UP	
MAH SING GROUP BHD	0.52	1,262.4	Y	12/2020	-20.6%	49.0%	-45.9%	108.5%	11.6	21.7	10.2	0.4	0.4	1.7%	5.8%	0.450	MP	
MALAYSIAN RESOURCES CORP BHD	0.47	2,073.7	Y	12/2020	-36.4%	42.7%	174.3%	70.8%	87.0	79.7	31.8	0.4	0.4	1.4%	0.0%	0.750	OP	
SIME DARBY PROPERTY BHD	0.69	4,692.6	Y	12/2019	-49.3%	6.6%	-42.1%	21.1%	6.6	11.4	9.5	0.5	0.5	4.3%	2.6%	0.880	OP	
SP SETIA BHD	0.87	3,517.0	Y	12/2020	-9.2%	19.0%	13.8%	81.4%	13.8	12.0	6.6	0.2	0.2	2.0%	2.5%	0.860	OP	
SUNWAY BHD	1.35	6,616.9	Y	12/2020	-14.9%	32.5%	-34.1%	43.5%	10.4	15.8	11.0	0.7	0.7	4.4%	3.2%	1.68	OP	
UEM SUNRISE BHD	0.43	1,951.1	Y	12/2020	-39.6%	6.7%	-70.2%	25.9%	6.3	6.9	8.0	0.3	0.3	1.4%	0.0%	0.565	OP	
UOA DEVELOPMENT BHD	1.70	3,342.2	Y	12/2020	6.6%	15.7%	-9.0%	13.3%	9.2	9.4	8.3	0.7	0.7	7.0%	8.2%	1.79	OP	
Simple Average					-18.9%	20.8%	-14.7%	26.3%	16.6	18.3	10.7	0.4	0.4	2.7%	2.9%			
*SIMEPROP change of FY-end from 30-Jun to 31-Dec. Our historical numbers are based on FY18A while 1-Yr and 2-Yr Fwd are based on FY19E and FY20E figures																		
CONSENSUS NUMBERS																		
GLOMAC BHD	0.28	216.6	Y	04/2020	33.2%	-0.8%	43.7%	-0.7%	14.7	10.2	10.3	0.2	n.a.	2.0%	3.2%	0.30	N.A	
MATRIX CONCEPTS HOLDINGS BHD	1.74	1,451.5	Y	03/2020	5.3%	1.2%	2.9%	-0.6%	6.6	6.5	6.5	0.9	1.0	15.7%	6.9%	1.98	BUY	
PARAMOUNT CORP BHD	0.91	556.1	Y	12/2020	-3.4%	11.6%	n.a.	n.a.	5.3	n.a.	10.1	0.3	0.4	38.9%	2.2%	0.90	N.A	
TAMBUN INDAH LAND BHD	0.53	229.7	Y	12/2020	6.1%	9.9%	-17.6%	14.1%	4.7	5.7	5.0	0.4	0.3	6.2%	7.0%	0.69	BUY	
TITIJAYA LAND BHD	0.26	331.3	Y	06/2020	-52.0%	8.0%	-73.3%	51.7%	9.9	37.2	24.5	0.3	0.3	0.7%	96.2%	0.28	N.A	
YONG TAI BHD	0.07	67.0	Y	06/2020	53.9%	18.4%	-686.7%	-140.0%	N.A.	N.A.	N.A.	0.1	0.1	-5.0%	0.0%	0.11	N.A	
YONG TAI BHD	0.42	1,221.9	Y	10/2020	-26.6%	2.1%	-22.0%	17.6%	6.1	7.8	6.6	0.3	0.3	4.4%	1.9%	0.40	MP	

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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