

## Malaysia

### ADD (no change)

Consensus ratings\*: Buy 8 Hold 1 Sell 0

Current price:	RM0.66
Target price:	RM0.82
Previous target:	RM0.80
Up/downside:	24.2%
CGS-CIMB / Consensus:	-0.3%
Reuters:	ECOW.KL
Bloomberg:	ECW MK
Market cap:	US\$429.2m
	RM1,943m
Average daily turnover:	US\$0.38m
	RM1.67m
Current shares o/s:	2,944m
Free float:	26.8%

\*Source: Bloomberg

### Key changes in this note

- FY22-24F EPS cut by 2-13% to reflect higher losses at Eco World International.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-3	-2.2	-18
Relative (%)	-0.6	-2.8	-12.4

Major shareholders	% held
Sinarmas Harta	32.9
Tan Sri Liew Kee Sin	9.4
Eco World Development Group Bhd	7.5

### Analyst(s)



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# Eco World Development Group Bhd

## Attractive dividend yields in store

- 9MFY10/22 core net profit came in below expectations, due to higher-than-expected share of loss from Eco World International.
- 10MFY10/22 new property sales were stronger at RM3.44bn (vs. RM3.11bn in 10MFY21). Its second interim DPS of 1 sen was above expectation.
- Reiterate Add, with a revised TP of RM0.82, given the decent dividend yields, strong property sales momentum and improving balance sheet.

### Key results highlights

Eco World Development Group's (EWDG) 9MFY10/22 core net profit was below expectations, at 67% of both our and Bloomberg consensus' full-year forecasts, largely due to higher-than-expected share of loss from Eco World International. 9MFY22 core net profit improved 7% yoy, mainly attributed to stronger sales (+8% yoy due to higher percentage of project completion) and higher gross margin (+3.6%-pts yoy on realisation of cost savings from completed/near completion projects). Qoq, 3QFY22 core net profit rose 5%, largely supported by stronger contribution from local JVs on realisation of cost savings (Eco Grandeur and Eco Horizon), and lower tax expense (-30% qoq).

### Stronger 10MFY22 new property sales

10MFY22 new property sales came in at RM3.44bn (vs. RM3.11bn in 10MFY21), representing 98% of its FY22F new sales target of RM3.5bn. The key contributors of 10MFY22 new property sales were Eco Business Park I, II and III (RM446m), Eco Horizon (RM448m), and Eco Majestic (RM401m). We gather that EWDG's industrial product sales (Eco Business Park I, II, III and V) stood at RM730m as of 10MFY22, up 84% yoy on stronger demand, following the reopening of borders in Apr 22. Unbilled sales as at end-Aug 2022 stood at RM4.2bn (vs. RM4.1bn as at end-Aug 2021).

### Declared second interim DPS of 1 sen

EWDG declared a 1 sen second interim DPS, which was unexpected as the group usually declares dividends in 2Q and 4Q. This brings 9MFY22 DPS to 3 sen (vs. 2 sen in 9MFY21). We leave our DPS forecast unchanged pending management's guidance. We expect the group to, at the very least, sustain its FY22F DPS at a similar level as FY21's 4 sen (>5% dividend yield).

### Reiterate Add

Our TP is revised up to RM0.82, as we roll over our valuation year from FY23F to FY24F, still based on P/BV of 0.45x (-0.5 s.d. of its 5-year mean P/BV). We use a 5-year mean P/BV to reflect its trading range pre- and post-Covid-19 lockdowns following business normalisation. Retain Add, given the strong sales momentum and improving balance sheet. The stock is also supported by decent FY22-24F dividend yields of >5%.

### Financial Summary

	Oct-20A	Oct-21A	Oct-22F	Oct-23F	Oct-24F
Total Net Revenues (RMm)	1,997	2,043	2,252	2,146	1,988
Operating EBITDA (RMm)	207.4	232.3	322.4	297.3	277.4
Net Profit (RMm)	160.2	182.7	193.8	212.0	163.6
Core EPS (RM)	0.090	0.078	0.066	0.072	0.056
Core EPS Growth	29.1%	(13.0%)	(16.0%)	9.4%	(22.8%)
FD Core P/E (x)	7.29	8.18	9.42	8.77	10.76
DPS (RM)	0.020	0.040	0.040	0.040	0.040
Dividend Yield	3.03%	6.06%	6.06%	6.06%	6.06%
EV/EBITDA (x)	23.85	18.33	13.66	14.43	15.09
P/FCFE (x)	NA	5.92	NA	10.17	10.18
Net Gearing	65.9%	50.6%	51.0%	46.5%	42.7%
P/BV (x)	0.42	0.41	0.39	0.38	0.36
ROE	5.77%	4.90%	3.99%	4.19%	3.12%
% Change In Core EPS Estimates			(12.8%)	(2.0%)	(2.9%)
CGS-CIMB/Consensus EPS (x)			0.88	0.90	0.68

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 1: Results comparison**

FYE Oct 31	3Q	3Q	yoy %	qoq %	3QFY22	3QFY21	yoy %	Prev.	Comments
(RM m)	FY22	FY21	chg	chg	Cum	Cum	chg	FY22F	
Revenue	444	449	-1%	-12%	1,484	1,377	8%	2,252	Higher yoy on stronger sales and site progress
Operating costs	(385)	(409)	-6%	-11%	(1,283)	(1,252)	3%	(1,930)	
EBITDA	59	40	46%	-22%	201	125	61%	322	
EBITDA margin (%)	13	9			14	9		14	
Depn & amort.	(6)	(6)	7%	27%	(16)	(18)	-10%	(23)	Depreciation expenses mainly related to fixed assets in HQ and sales galleries
EBIT	53	34	53%	-26%	185	107	73%	299	
Interest expense	(25)	(30)	-17%	-4%	(76)	(89)	-15%	(116)	
Interest & invt inc	18	14	27%	-5%	51	41	24%	-	
JV/Associates' contrib	12	17	-27%	>100%	36	106	-66%	94	Local and international JV/associate contributions
Exceptionals	1	0	>100%	-55%	6	0	>100%	-	
<b>Pretax profit</b>	59	36	66%	-8%	203	166	22%	277	<b>Includes exceptional items</b>
Tax	(13)	(1)	>100%	-30%	(47)	(26)	81%	(55)	
Tax rate (%)	22	2			23	16		20	
Minority interests	-	-	nm	nm	-	-	nm	-	
<b>Net profit</b>	46	35	32%	2%	155	140	11%	222	
<b>Core net profit</b>	45	35	29%	5%	149	140	7%	222	<b>9MFY22 core net profit made up 67% of our full-year forecast</b>
EPS (sen)	2	1	32%	2%	5	5	11%	8	
Core EPS (sen)	2	1	29%	5%	5	5	7%	8	


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Re-rating catalysts and key risks to our call.** Steady new property sales momentum and attractive dividend yields are key potential re-rating catalysts for its share price. A sudden deterioration in property market sentiments is the key downside risk to our call.

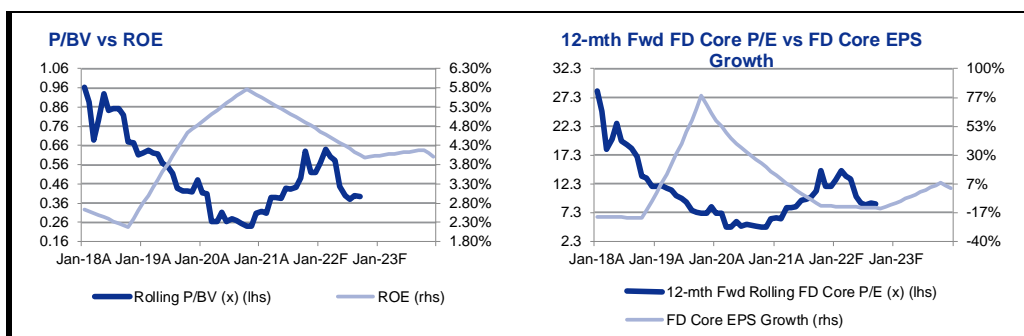
**Figure 2: Earnings revision**

RM m	2021A	2022F			2023F			2024F		
		Old	New	chg	Old	New	chg	Old	New	chg
Revenue	2,043	2,252	2,252	0%	2,146	2,146	0%	1,988	1,988	0%
Core pretax profit	302	277	249	-10%	266	261	-2%	214	209	-2%
Core net profit	231	222	194	-13%	216	212	-2%	169	164	-3%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

		Refinitiv ESG Scores					
ESG in a nutshell		B-	A+	B-	B-	B	C+
		ESG Score	ESG Controversies Score	ESG Combined Score	ESG Environment Pillar Score	ESG Social Pillar Score	ESG Government Pillar Score
EWDG adopted 11 United Nations Sustainable Development Goals (UNSDGs) since FY17. It was included in the FTSE4Good Bursa Malaysia Index in Dec 2020. In FY21, EWDG introduced three new key performance indicators (KPIs) for its sustainability targets and improved its climate change performance/reporting by providing full disclosure of greenhouse gas emissions.							
<b>Keep your eye on</b>	<b>Implications</b>						
EWDG has consolidated 13 material matters into six areas for better focus. Brand reputation/customer satisfaction, corporate governance/transparency, and economic performance are key material issues.	We believe more developers will increase their focus on ESG issues and sustainability frameworks to achieve sustainable development.						
<b>ESG highlights</b>	<b>Implications</b>						
EWDG is ranked among the top 25% in ESG ratings among public-listed companies in FBM Emas that have been assessed by FTSE Russell as of Jun 22. It was included in the FTSE4Good Bursa Malaysia Index in Dec 2020.	There is currently no empirical evidence showing that better ESG ratings result in better share price performance, but we believe adopting better ESG practices is positive for the long term, especially given the growing awareness of its importance in Malaysia.						
<b>Trends</b>	<b>Implications</b>						
In FY21, EWDG adopted three additional UNSDGs — Goal 12 (Responsible Consumption and Production), Goal 15 (Life on Land) and Goal 17 (Partnerships for the Goals).	We expect more developers will work towards reducing their carbon footprint by monitoring and identifying significant sources of greenhouse gas emissions.						
SOURCES: CGS-CIMB RESEARCH, REFINITIV							

## BY THE NUMBERS



### Profit & Loss

(RMm)	Oct-20A	Oct-21A	Oct-22F	Oct-23F	Oct-24F
<b>Total Net Revenues</b>	<b>1,997</b>	<b>2,043</b>	<b>2,252</b>	<b>2,146</b>	<b>1,988</b>
<b>Gross Profit</b>	<b>331</b>	<b>423</b>	<b>497</b>	<b>462</b>	<b>436</b>
<b>Operating EBITDA</b>	<b>207</b>	<b>232</b>	<b>322</b>	<b>297</b>	<b>277</b>
Depreciation And Amortisation	-26	-24	-23	-23	-22
<b>Operating EBIT</b>	<b>182</b>	<b>209</b>	<b>299</b>	<b>275</b>	<b>255</b>
Financial Income/(Expense)	-139	-112	-116	-111	-105
Pretax Income/(Loss) from Assoc.	154	143	66	97	58
Non-Operating Income/(Expense)	0	0	0	0	0
<b>Profit Before Tax (pre-EI)</b>	<b>196</b>	<b>239</b>	<b>249</b>	<b>261</b>	<b>209</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>196</b>	<b>239</b>	<b>249</b>	<b>261</b>	<b>209</b>
<b>Taxation</b>	<b>-36</b>	<b>-57</b>	<b>-55</b>	<b>-49</b>	<b>-45</b>
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>160</b>	<b>183</b>	<b>194</b>	<b>212</b>	<b>164</b>
Minority Interests					
Pref. & Special Div	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>160</b>	<b>183</b>	<b>194</b>	<b>212</b>	<b>164</b>
Recurring Net Profit	265	231	194	212	164
<b>Fully Diluted Recurring Net Profit</b>	<b>314</b>	<b>280</b>	<b>243</b>	<b>261</b>	<b>213</b>

### Cash Flow

(RMm)	Oct-20A	Oct-21A	Oct-22F	Oct-23F	Oct-24F
EBITDA	207.4	232.3	322.4	297.3	277.4
Cash Flow from Invnt. & Assoc.					
Change In Working Capital	476.0	942.2	21.2	(12.5)	(36.6)
Straight Line Adjustment					
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	24.9	(10.6)	(82.9)	(127.3)	(130.0)
Net Interest (Paid)/Received	(154.1)	(136.9)	0.0	0.0	0.0
Tax Paid	(35.7)	(56.1)	(54.9)	(49.3)	(45.2)
<b>Cashflow From Operations</b>	<b>518.5</b>	<b>970.9</b>	<b>205.7</b>	<b>108.3</b>	<b>65.6</b>
Capex	(24.1)	(5.5)	(20.0)	(19.0)	(18.0)
Disposals Of FAs/subsidiaries					
Disposals of Investment Properties					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(122.2)	(137.1)	(303.6)	35.9	77.2
<b>Cash Flow From Investing</b>	<b>(146.3)</b>	<b>(142.5)</b>	<b>(323.6)</b>	<b>16.9</b>	<b>59.2</b>
Debt Raised/(repaid)	(468.2)	(441.6)	100.0	100.0	100.0
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0	0.0
Shares Repurchased					
Dividends Paid					
Preferred Dividends					
Other Financing Cashflow	(25.8)	(136.6)	0.0	0.0	0.0
<b>Cash Flow From Financing</b>	<b>(494.0)</b>	<b>(578.2)</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**BY THE NUMBERS... cont'd**
**Balance Sheet**

(RMm)	Oct-20A	Oct-21A	Oct-22F	Oct-23F	Oct-24F
Total Cash And Equivalents	254	470	452	678	903
Properties Under Development	1,294	666	666	666	666
Total Debtors	850	632	696	664	615
Inventories	710	609	660	633	583
Total Other Current Assets	302	443	451	447	440
<b>Total Current Assets</b>	<b>3,410</b>	<b>2,819</b>	<b>2,926</b>	<b>3,087</b>	<b>3,207</b>
Fixed Assets	0	0	0	0	0
<b>Total Investments</b>	<b>1,384</b>	<b>1,489</b>	<b>1,555</b>	<b>1,652</b>	<b>1,710</b>
Intangible Assets	0	0	0	0	0
Total Other Non-Current Assets	5,533	5,441	5,741	5,702	5,620
<b>Total Non-current Assets</b>	<b>6,916</b>	<b>6,930</b>	<b>7,296</b>	<b>7,354</b>	<b>7,330</b>
Short-term Debt	2,050	1,567	1,667	1,767	1,867
Current Portion of Long-Term Debt					
Total Creditors	1,987	1,729	1,874	1,798	1,657
Other Current Liabilities	5	12	12	12	12
<b>Total Current Liabilities</b>	<b>4,042</b>	<b>3,308</b>	<b>3,553</b>	<b>3,577</b>	<b>3,535</b>
Total Long-term Debt	1,266	1,313	1,313	1,313	1,313
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	0	0	0	0	0
<b>Total Non-current Liabilities</b>	<b>1,266</b>	<b>1,313</b>	<b>1,313</b>	<b>1,313</b>	<b>1,313</b>
Total Provisions	373	363	396	379	354
<b>Total Liabilities</b>	<b>5,681</b>	<b>4,984</b>	<b>5,263</b>	<b>5,270</b>	<b>5,203</b>
<b>Shareholders' Equity</b>	<b>4,645</b>	<b>4,765</b>	<b>4,959</b>	<b>5,171</b>	<b>5,335</b>
Minority Interests					
<b>Total Equity</b>	<b>4,645</b>	<b>4,765</b>	<b>4,959</b>	<b>5,171</b>	<b>5,335</b>

**Key Ratios**

	Oct-20A	Oct-21A	Oct-22F	Oct-23F	Oct-24F
Revenue Growth	(18.9%)	2.3%	10.3%	(4.7%)	(7.4%)
Operating EBITDA Growth	(21.2%)	12.0%	38.8%	(7.8%)	(6.7%)
Operating EBITDA Margin	10.4%	11.4%	14.3%	13.9%	14.0%
Net Cash Per Share (RM)	-1.04	-0.82	-0.86	-0.82	-0.77
BVPS (RM)	1.58	1.62	1.68	1.76	1.81
Gross Interest Cover	1.31	1.86	2.57	2.49	2.44
Effective Tax Rate	18.5%	23.6%	22.1%	18.9%	21.6%
Net Dividend Payout Ratio	36.8%	64.4%	60.8%	55.5%	72.0%
Accounts Receivables Days	157.6	132.3	107.6	115.7	117.7
Inventory Days	143.7	148.7	131.9	140.2	143.5
Accounts Payables Days	475.2	418.8	374.6	397.9	407.5
ROIC (%)	2.71%	3.12%	4.95%	4.34%	4.05%
ROCE (%)	2.22%	2.66%	3.82%	3.38%	3.03%
Return On Average Assets	2.84%	2.94%	3.11%	3.12%	2.56%

**Key Drivers**

	Oct-20A	Oct-21A	Oct-22F	Oct-23F	Oct-24F
Gross profit (%)	16.6%	20.7%	22.0%	21.5%	22.0%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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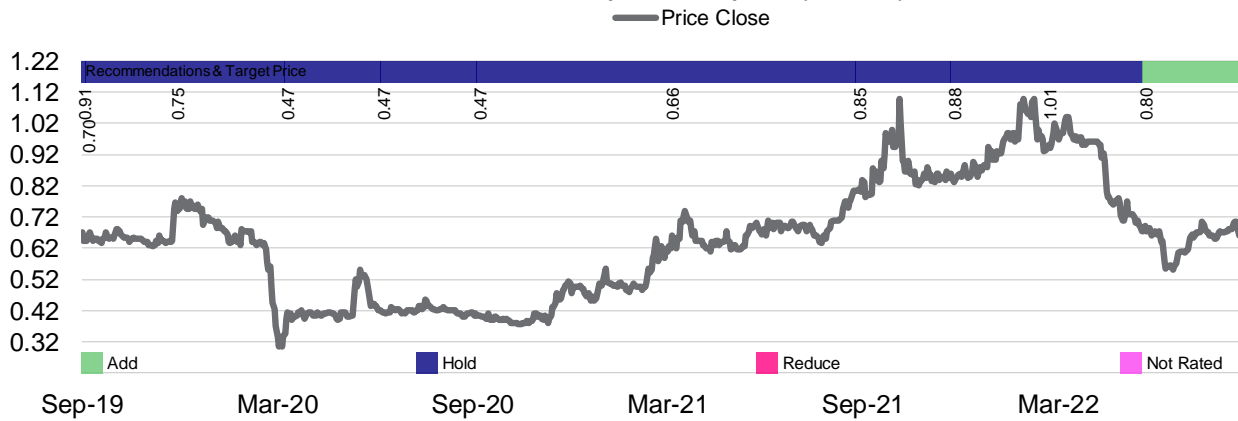
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Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2022		
643 companies under coverage for quarter ended on 30 June 2022		
	Rating Distribution (%)	Investment Banking clients (%)
Add	68.4%	0.8%
Hold	24.6%	0.0%
Reduce	7.0%	0.2%

## Spitzer Chart for stock being researched ( 2 year data )

## Eco World Development Group Bhd (ECW MK)


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Definition:

**Add** The stock's total return is expected to exceed 10% over the next 12 months.

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**Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

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