

Malaysia

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Neutral (no change)

Highlighted Companies

Eco World Development Group Bhd ADD, TP RM0.82, RM0.575 close

We like Eco World Development given the strong sales momentum, improving balance sheet and decent dividend yields.

Sime Darby Property Berhad ADD, TP RM0.70, RM0.41 close

We like Sime Darby Property for its healthy balance sheet and steady sales momentum. We believe that its large landbank is an advantage, enabling it to address any changes in future product demand.

Summary Valuation Metrics

P/E (x)	Dec-22F	Dec-23F	Dec-24F
Eco World Development Group Bhd	8.60	8.30	8.30
Sime Darby Property Berhad	11.28	9.72	9.36
P/BV (x)	Dec-22F	Dec-23F	Dec-24F
Eco World Development Group Bhd	0.34	0.33	0.33
Sime Darby Property Berhad	0.30	0.29	0.29
Dividend Yield	Dec-22F	Dec-23F	Dec-24F
Eco World Development Group Bhd	6.96%	6.95%	6.95%
Sime Darby Property Berhad	2.66%	3.09%	3.21%

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Property Development

Developers not excited on property outlook

- Rehda's survey shows that property developers had weaker new property sales/launches in 1H22 vs. 2H21 and are less optimistic on property outlook.
- Developers under our coverage chalked in higher 1H22 new sales vs. 2H21 following easing of lockdowns, and 2H22 new launches likely to be stronger.

Rehda's market outlook survey outcome

- According to The Edge Market's article dated 12 Oct 2022, Real Estate and Housing Developers' Association (Rehda) said that: (i) Peninsular Malaysia's property developers reported a 26% decline in unit launches and a 5% sales drop in 1H22 vs. 2H21; (ii) 48% of developers surveyed by Rehda said they did not plan any launches in 2H22, with the top reason being unfavourable market conditions; (iii) developers to launch more residential properties within the RM250,001 to RM500,000 range in 2H22; and (iv) 44% of developers are pessimistic about consumers' purchasing power in 2H22, and 41% are pessimistic for 1H23. Rehda's latest market outlook survey covered 150 respondents.
- Rehda's survey also revealed that: (i) first-time homebuyers made up 42% of 1H22 property buyers, following by upgraders at 36% and the remaining by investors, (ii) 53% of 1H22 residential new launches were priced at RM250,001 to RM500,000, while most of the unsold units (29%) were priced at RM500,001 to RM600,000, and (iii) top reasons for unsold units are loan rejections, unreleased Bumiputera lots and high pricing/low demand.

Developers under our coverage could be launching more in 2H22

- For property developers under our coverage, we observe 1H22 new property sales were lower c.2% yoy mainly due to fewer new launches (-35% yoy). However, 1H22 new property sales vs. 2H21 were stronger by 10% following economic reopening and easing of lockdowns.
- We expect developers under our coverage to post aggregated FY22F new property sales that are around FY21 level of RM15.2bn, according to the FY22F new property sales target set by the players. Most of the property developers under our coverage are ramping up new launches in 2H22 vs. 1H22, riding on the reopening of borders/economy and timing of approval from authorities. Nonetheless, new launches could be delayed or cancelled depending on macro headwinds, in our view.

Reiterate sector Neutral

- We stay sector Neutral given the potential interest rate hikes (our economist is projecting another two 25bp rate hikes in CY23F), higher property overhang (+2% yoy in 1HCY22, in terms of total overhang value) and escalating construction costs arising from building material and labour shortages. These are balanced by the undemanding valuation of the KLPRP Index, at c.0.4x P/BV as of end-Sep 2022, 1 s.d. below its historical 10-year P/BV of 0.68x.
- We like Sime Darby Property and Eco World Development given their experience within the green building space and massive landbank to cater to changes in consumer preferences. Sector upside risk: stronger-than-expected new sales; downside risk is a weaker macro outlook.

Figure 1: Developers' new property sales/launches trend

RMm	FY21 new sales	FY22F sales target	FY22F planned launches	1H22 new sales	1H21 new sales	2H21 new sales
Eco World Development	3,522	3,500	na	1,900	2,020	1,522
LBS	1,579	1,600	1,775	958	623	956
Mah Sing	1,600	2,000	1,500	1,000	801	799
SP Setia	4,060	4,000	4,040	1,635	2,569	1,491
UEM Sunrise	1,459	1,500	3,300	439	707	752
Sime Darby Property	2,950	2,600	2,800	1,938	1,311	1,639
Total	15,170	15,200	13,415	7,870	8,031	7,139

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: Sector Comparison (Property - Property Development)

Company	Bloomberg Ticker	Recom.	Share price (local curr)	Target Price (local curr)	Market Cap (US\$ m)	Core P/E (x)		3-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)		Dividend Yield (%)	
						CY22F	CY23F		CY22F	CY23F	CY22F	CY23F	CY22F	CY23F
Eco World Development Group Bhd	ECW MK	Add	0.58	0.82	361	8.6	8.3	-3.2%	0.34	0.33	4.0%	4.0%	7.0%	7.0%
Eco World International	ECWI MK	Hold	0.25	0.35	128	na	na	-196.4%	0.22	0.23	-3.6%	-1.7%	0.0%	0.0%
IGB Bhd	IGBB MK	Add	2.25	2.61	433	13.0	11.3	-277.5%	0.50	0.49	3.9%	4.4%	4.4%	4.4%
LBS Bina Group	LBS MK	Add	0.39	0.54	130	4.6	5.2	0.6%	0.37	0.35	9.6%	8.1%	6.5%	5.8%
Mah Sing Group	MSGB MK	Add	0.50	0.75	257	8.7	8.1	11.9%	0.34	0.33	4.0%	4.1%	5.5%	4.8%
MKH Berhad	MKH MK	Hold	1.13	1.34	139	6.6	7.5	-1.1%	0.36	0.35	5.7%	4.7%	3.1%	3.1%
SP Setia	SPSB MK	Add	0.54	1.52	466	11.3	9.5	11.0%	0.15	0.15	1.4%	1.6%	1.8%	2.1%
Sime Darby Property Berhad	SDPR MK	Add	0.41	0.70	595	11.3	9.7	23.7%	0.30	0.29	2.7%	3.0%	2.7%	3.1%
UEM Sunrise Bhd	UEMS MK	Add	0.23	0.40	248	38.1	19.3	na	0.17	0.17	0.5%	0.9%	0.0%	0.0%
UOA Development	UOAD MK	Reduce	1.60	1.68	822	36.1	35.4	-9.5%	0.66	0.67	1.8%	1.9%	2.8%	2.8%
Average						17.8	15.6	-36.9%	0.39	0.38	2.7%	2.9%	3.3%	3.4%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, BLOOMBERG

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Score Range:	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
Description:	Excellent	Very Good	Good	N/A	N/A

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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%

Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.