

PROPERTY

PETALING JAYA: Eco World Development Group Bhd's (EcoWorld Malaysia) earnings prospects are expected to remain solid, underpinned by its sales momentum and growing exposure to the improving Iskandar Malaysia property market in Johor.

UOB Kay Hian (UOBKH) Research said the property developer may surpass its own sales target of RM3.5bil for its current financial year ending Oct 31, 2024 (FY24).

"We estimate that FY24 sales may reach at least RM3.6bil. It is worth noting that both EcoWorld Malaysia's inventory and net gearing level have been on a declining trend, suggesting a healthy balance sheet.

"Furthermore, the majority of its projects contributing to sales are now highly matured projects."

The research house added that it expects more industrial launches for the group in the future.

EcoWorld Malaysia's industrial project, called Eco Business Park (EBP), contributed RM298mil to sales (or 24% of the first quarter of FY24). Most of the products sold were cluster and semi-d factories in Iskandar Malaysia, Johor and the Klang Valley.

"There is strong demand in both areas, with many inquiries coming from both local and foreign industrialists (mainly from China) looking for large pieces of industrial land, especially in Iskandar Malaysia, for their business expansion.

"This should bode well for its upcoming project, EBP VI in Kulai, Iskandar Malaysia, which is planned to be launched towards end-FY24 and early-FY25."

UOBKH Research said it expects FY24

Solid earnings prospects for EcoWorld Malaysia

Developer likely to surpass sales target of RM3.5bil

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UOB Kay Hian Research

revenue to increase by 7%, driven by an improvement in the recognition of progressive billings, more launches, higher unbilled sales of RM3.9bil and completion of several projects.

"We expect net profit to rise by 8% on the easing of raw material prices. There could be more upside to our earnings forecast if sales are stronger than expected and launches of industrial projects are earlier than expected."

For the first quarter of FY24 (1Q24), the property developer saw its revenue rise by 11% to RM537.79mil from the RM484.73mil

reported in the previous corresponding quarter.

Net profit, on the other hand, surged by 22% to RM69.63mil for the quarter under review compared with RM57mil recorded in 1Q23.

The growth in its bottom line was attributed to the higher interest income earned from the placement of excess funds by the group's Malaysian operations and better contributions from its joint ventures.

The group has cash balances of over RM1bil as of the end of its 1Q24.

Separately, MIDF Research said EcoWorld

Malaysia registered new sales of RM1.26bil for the first four months of FY24, which made up 36% of its new sales target of RM3.5bil for FY24.

"Projects at the southern part of Malaysia contributed 57% of new sales, projects in the central region contributed 30% to new sales, while the remaining 13% of sales were contributed by projects at the northern part of Malaysia.

"Meanwhile, EcoWorld Malaysia's balance sheet remains healthy with net gearing at 0.28 times in the first quarter of FY24, making it well-positioned to acquire landbank."

Additionally, Kenanga Research noted that EcoWorld Malaysia has successfully penetrated the high-end market.

"They are now 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, the group has four diversified revenue pillars, namely Eco Townships, Eco Business Parks, Eco Rise and Eco Hubs."