

PP14767/09/2012(030761)

Eco World Development Bhd (ECW)

“Brewing storm in Greece could weigh on Eco World International Projects’

According to the Star Biz dated 3rd July 2015, Eco World Investment Ltd (ECWIL), a private vehicle controlled by Tan Sri Liew Kee Sin, is targeting to launch three London property projects within the next 2 years. Major approvals from London authorities are now in place. The 3 projects, London City Island, Embassy Gardens and Wardian London, have a total GDV of £2.257 billion. It will be part finance by CIMB Bank and Maybank Investment. Although the management is quite optimistic on the sales target as they predict most of the units sold process to be settled prior to the launches, we are cautiously worried that the situation in Eurozone may somehow or rather dent the sentiment of property market in London. Hence, will or may affect the new launches or new property development undertaken by the company post listing.

- **Eco World International Berhad (EWI).** To recap, ECW will scrap the Eco World International (EWI) SPAC listing and instead go for IPO listing via market capitalization method. The application process completion is expected within the next 3 months and the first quarter of next year is set as the listing target date (earlier target listing is by the end of this year). At this stage, it intends to list its overseas projects in London and Australia. The IPO aims to raise a higher sum of RM2.0 billion as oppose to RM1.5 billion initially from the SPAC proposal. Under the proposed corporate exercise, ECW may take up to circa 30% stake in EWI.
- **Rational of the separate listing.** Tan Sri Liew had reiterated his views for separate listing in the analyst briefing on 17th June 2015. This is to allow the company (Eco World) to expand its business internationally without burdening the balance sheet of its local business company, ECW, and hence, keeping its net gearing at

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UNDER REVIEW (TP: TBD)

Current Price (RM)	RM1.46
New Target Price (RM)	TBD
Previous Target Price (RM)	NA
Previous Recommend.	NA
Upside To Target Price	NA
Dividend Yield (FY15F)	TBD

Stock Code

Bloomberg	ECW MK
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Stock & Market Data

Listing	MAIN MARKET	
Sector	Property	
Shariah Compliance	Yes	
Issued Shares (mn)	2,364	
Market Cap (RM mn)	3,452	
YTD Chg In Share Price	-15.3%	
Beta (x)	2.85	
52-week Hi/Lo (RM)	RM2.21	RM1.43
3M Average Volume ('000 shares)	2,04	
Estimated Free Float	16.6%	

Major Shareholders

Sinarmas Harta Sdn Bhd	32.02%
Eco World Development	25.64%
Liew Tian Xiong	11.27%

manageable level. Of note, as at 30th April 2015, net gearing of ECW stood at 0.53x with net profit of RM11.8 million at the back of RM417.8 million revenue for 2QFY15. ECW managed to rake-in RM1.187 billion in property sales in YTD 31 May 2015 which accounted 40% of ECW's internal target of RM3 billion for FY15. 52.5% or RM622.8 million came from projects in Klang Valley with the remaining 47.5% or RM563.8 million from Iskandar Malaysia.

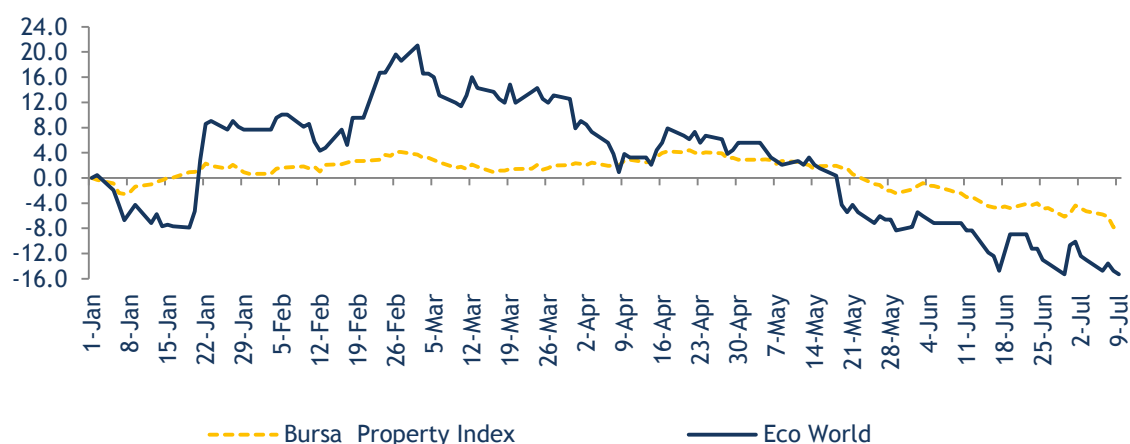
- Key events undertaken.** On 11th of January 2015, ECWIL has entered into a 75:25 JV agreement with Ballymore Group International to form a JV company name Eco World Ballymore to acquire and develop 3 residential schemes in Central London with combined GDV of £2.256 billion. These are 1) London City Island on the Leamouth Peninsula in East London (GDV: £616 million), 2) Warden London in Canary Wharf (GDV: £611 million), and 3) Embassy Garden in Nine-Elms (GDV: £1.029 million). In May 2015, Eco World Sydney Development Pty Ltd (EW Sydney), a 100% subsidiary of Eco World Development Bhd, had acquired West Village, Paramatta in Sydney to develop 397 units of apartments with GDV of \$AUD 300 million. With 4 projects secured, of which one project launched and the other 3 to be launched by end of 2015, EWI's prospects and earnings visibility are seen strong and intact. The only concern is the sentiment of the property market especially with what is happening in Eurozone where its debt debacle could dent the sentiment of property market in London and perhaps Australia.
- Receptions on projects are exceptional.** So far, Eco World Ballymore has officially launched London City Island phase 2 in London, Kuala Lumpur and Singapore on 30 May 2015. The reception on these two blocks was exceptional with 84% take-up rate. To date, it has recorded strong sales value of about £210 million for the phase 2. We understand that, Eco World Ballymore will be launching a 3rd block of 228 apartments shortly following the successful launch of its first 2 blocks. The total GDV for the 3 blocks of apartments totaling 645 units of apartments is £350.8 million. We are of the view that this aggressive move will bear fruits given their reputable management team and experience in London (Battersea projects). According to the management, the English National Ballet and English National decision's to move to London City Island from their current place in Kensington is a testimony to the cultural vibrancy and ever-expanding arts scene of East London and thus, a plus point to EWI. On the other hand, the Warden London, which previously known as Arrowhead Quay, will be launched by the end of 2015. This project involves 624 private residential units with GDV of £611 million. Embassy Garden phase 2 is comprised of 709 private residential apartments across 3 building with 27,968 sqft of retail and business space. It is set for preview in July 2015 with official launching in September 2015. The company expects bulk of buyers for these 3 London projects will be international buyers with only 10% Malaysian.
- View and outlook.** We believe ECW is on-course to replicate the success story of SP Setia as ECW management team is currently led by former SP Setia directors and executives with local and international property market experience. But we are concerned that the brewing debt debacle in Greece may result in a domino effect to neighboring country's economy i.e. London. The prolong crisis may weaken the Euro currency with corresponding increase to other currencies. We think pound will not be spared of this gyration. For London, as reported in the Bloomberg news dated 7th July 2015, pound has reached a seven-year high against euro in early July and hence, may

weigh on the UK economy. We are of the view that the contagion effect could or may hit property market sentiment sooner or later in London as the cost of doing business would increase and thus, may incur cost over-run. This may be added with a risk of weaker-than expected property sales post EWI listing. Even though the price of ECW has been hammered by 5% since the beginning of July, we are positive and still interested in the ECW given its good long-term prospects due to aggressive expansion plan and good business model, apart from reputable management team. Our earnings estimates and target price will be determined in due course pending our assessment on the Group's earning and business prospect in the up-coming report.

Table 1: 2015 Financial Performances

FYE 31 October (RM' Million)	1Q15	2Q15	q-o-q	1H15
Revenue	158.0	417.8	164%	575.8
Gross Profit	39.4	102.8	161%	142.2
Other Operating Income	1.5	7.9	414%	9.4
Selling & Marketing Expenses	-19.5	-35.3	81%	-54.8
Administrative Expenses	-12.3	-47.9	291%	-60.2
Finance Costs	-3.55	-9.73	174%	-13.28
Profit before Tax	5.64	17.70	214%	23.31
Taxation	-2.7	-5.9	119%	-8.5
Net Profit	3.0	11.8	298%	14.8
Basic Earnings per Share (Sen)	0.60	0.79	32%	1.50
Net Gearing/cash (x)	0.5	1.7		2.2
Gross Profit Margin (%)	24.9	24.6		24.7
PBT Margin (x)	3.6	4.2		4.0
Net Profit Margin (%)	1.9	2.8		2.6

Source: Company, Bursa Malaysia, M&A Securities

KLCI Property Index vs. ECW
(YTD Performance 2015)

Source: Bloomberg, M&A Securities

M&A Securities

STOCK RECOMMENDATIONS

BUY	Share price is expected to be $\geq +10\%$ over the next 12 months.
TRADING BUY	Share price is expected to be $\geq +10\%$ within 3-months due to positive newsflow.
HOLD	Share price is expected to be between -10% and $+10\%$ over the next 12 months.
SELL	Share price is expected to be $\geq -10\%$ over the next 12 months.

SECTOR RECOMMENDATIONS

OVERWEIGHT	The sector is expected to outperform the FBM KLCI over the next 12 months.
NEUTRAL	The sector is expected to perform in line with the FBM KLCI over the next 12 months.
UNDERWEIGHT	The sector is expected to underperform the FBM KLCI over the next 12 months.

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