

Malaysia

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Overweight *(no change)*

Highlighted Companies

Eco World Development Group Bhd

ADD, TP RM1.34, RM1.19 close

The group has balanced exposure between Klang Valley and the southern region of Johor. It offers mixed products of landed residential, industrial and increasingly affordable high-rise homes.

Mah Sing Group

ADD, TP RM1.10, RM0.85 close

Mah Sing is an increasingly prominent developer in the affordable homes segment under its M-series products. It offers above industry average ROE, at 6.1%.

Sime Darby Property Berhad

ADD, TP RM0.88, RM0.675 close

We like Sime Darby Property for its strong demand momentum, large landbank in Klang Valley, exposure to industrial products and low gearing ratio of 0.27x as at Sep 23.

Summary Valuation Metrics

P/E (x)	Dec-23F	Dec-24F	Dec-25F
Eco World Development Group Bhd	14.26	12.35	11.15
Mah Sing Group	9.98	8.97	8.62
Sime Darby Property Berhad	12.62	12.68	11.26
P/BV (x)	Dec-23F	Dec-24F	Dec-25F
Eco World Development Group Bhd	0.72	0.71	0.69
Mah Sing Group	0.56	0.54	0.52
Sime Darby Property Berhad	0.47	0.46	0.45
Dividend Yield	Dec-23F	Dec-24F	Dec-25F
Eco World Development Group Bhd	4.34%	5.11%	5.46%
Mah Sing Group	4.02%	4.50%	4.62%
Sime Darby Property Berhad	3.17%	3.16%	3.55%

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Property Development

MOU on Johor-Singapore Economic Zone

- Malaysia and Singapore signed an MOU on the Johor-Singapore Special Economic Zone, with a potential initiative to adopt a passport-free system.
- Key developers with landbank in Johor are UEM Sunrise, EWDG, SP Setia and Mah Sing.
- Maintain Overweight. Our top picks are Sime Darby Property and EWDG.

Signed MOU on the Johor-Singapore Economic Zone

- On 11 Jan 2024, Malaysia and Singapore signed a Memorandum of Understanding (MOU) for the Johor-Singapore Special Economic Zone (JS SEZ). According to news reports, the MOU will work on developing a framework which will lead to a full-fledged agreement on the SEZ, with more updates to be expected at the 11th Malaysia-Singapore Leaders' Retreat, slated for later in the year. Although there were no firm details, in a joint statement, both governments stated that one of the initiatives would be to adopt a passport-free QR code clearance system in both countries.
- This, in our view, will positively complement the ongoing construction of the Rapid Transit System Link (RTS Link) project between Johor Bahru and Singapore, by means of facilitating more seamless connectivity and expediting clearance of people at land checkpoints. Other notable initiatives, in our view, as proposed by the former Deputy Minister of International Trade and Industry, would be ferry connections between Forest City in Johor and Raffles Marina in Tuas, and between Pasir Gudang and Changi.

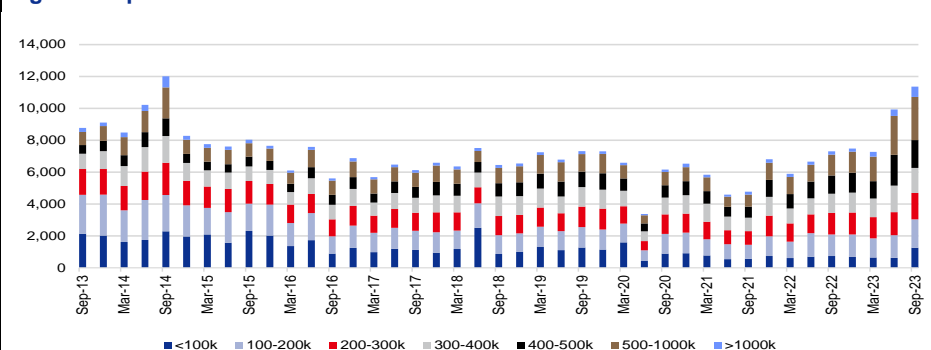
Positive spillover on properties in Johor

- In terms of the property sector, UEM Sunrise has the largest landbank in Johor, mainly in Iskandar Puteri with c.7,631 acres as at Sep 23. Eco World Development (EWDG) has landbank in various locations in Johor, across Iskandar Puteri, Pasir Gudang and Kulai with a total landbank of 1,377 acres as at end-Oct 23. Other key developers with landbank in Johor are SP Setia, Mah Sing, IOI Properties and Sunway Berhad (Fig 2). Properties in Johor are already experiencing a rebound, as seen in the spike in sales of residential properties since Mar 23 (Fig 1).

Reiterate Overweight on the sector

- We reiterate Overweight on the property sector, on the back of sustained sales demand and improving operating environment. Our top pick is Sime Darby Property (Add, TP RM0.88) on strong demand momentum for its products, large landbank in Klang Valley, and strong balance sheet position (0.27x net gearing as at end-Sep 23). Downside risks include wider-than-expected losses from Battersea JV and delays in planned launches.
- We also like EWDG for its balanced exposure in Klang Valley and Johor, and its mixed portfolio of landed residential, industrial and affordable duduk series developments. Reiterate Add with TP of RM1.34 (based on 0.8x FY24F P/BV, 0.5 s.d. above its five-year historical mean). Downside risks include larger-than-expected losses from its international JVs, and lower-than-expected take-up rate for its affordable products.

Figure 1: Spike in sales for residential units in Johor since Mar 23



SOURCES: CGS-CIMB RESEARCH, CEIC, COMPANY REPORTS

Figure 2: Developers' location and remaining landbank in Johor

Developer	Location	Remaining acreage	Data as at
Eco World Development			
Eco Botanic	Iskandar Puteri	96.6	Oct-23
Eco Spring & Eco Summer	Tebrau	88.1	
Eco Tropics	Pasir Gudang	393.9	
Eco Business Park I, II & III	Senai & Pasir Gudang	394.9	
Eco Business Park VI	Kulai, Senai	403.8	
Total		1,377.3	
UEM Sunrise			
UEM Sunrise	Iskandar Puteri	7,631	Oct-23
Mah Sing			
Meridian East	Pasir Gudang	1,053	Sep-23
M Tiara	Pulai	76	
Total		1,129	
Sime Darby Property			
Sime Darby Property	Pagoh, Muar	2,189	Sep-23
SP Setia			
SP Setia	Johor Bahru	1,450	Sep-23
	Nusajaya	611	
Total		2,061	
IOI Properties			
IOI Properties	Kulai	3,474	Sep-23
	Segamat	82	
	Senai	265	
	Others	47	
Total		3,868	
Sunway Berhad			
Sunway Berhad	Medini	691	Sep-23
	Pendas	1,079	
Total		1,770	

SOURCES: CGS-CIMB RESEARCH, VARIOUS COMPANY REPORTS

Figure 3: Peer comparison

Company	Bbg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	P/E (x) CY24F	P/E (x) CY25F	2-year EPS CAGR (%)	P/BV (x) CY24F	P/BV (x) CY25F	Recurring ROE (%) CY25F	Dividend Yield (%) CY25F
SP Setia	SPSB MK	Hold	0.85	0.90	797	26.8	26.3	23.8%	0.29	0.28	0.9%	0.8%
Sime Darby Property Berhad	SDPR MK	Add	0.68	0.88	988	12.7	11.3	4.3%	0.46	0.45	4.0%	3.6%
UOA Development	UOAD MK	Reduce	1.78	1.68	955	18.9	15.2	9.4%	0.78	0.78	5.1%	6.7%
Mah Sing Group	MSGB MK	Add	0.85	1.10	442	9.0	8.6	5.5%	0.54	0.52	6.1%	4.6%
MKH Berhad	MKH MK	Hold	1.42	1.44	177	9.5	8.5	10.7%	0.42	0.41	4.8%	2.5%
Eco World Development Group Bhd	ECW MK	Add	1.19	1.34	754	13.2	12.3	10.4%	0.71	0.69	5.7%	5.5%
UEM Sunrise Bhd	UEMS MK	Reduce	0.95	0.75	1,035	54.9	41.2	18.4%	0.69	0.68	1.7%	0.0%
Malaysia average						15.4	14.0	10.7%	0.50	0.49	4.2%	3.6%

SOURCES: CGS-CIMB RESEARCH ESIMTAES, BLOOMBERG, COMPANY REPORTS
DATA AS AT 11 JANUARY 23

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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2023		
636 companies under coverage for quarter ended on 31 December 2023		
	Rating Distribution (%)	Investment Banking clients (%)
Add	67.5%	1.3%
Hold	22.5%	0.0%
Reduce	10.1%	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.

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