

25 May 2017

## A&M Realty Bhd Carey That Gem Now!

We initiate coverage on A&M with an **OUTPERFORM** call and TP of **RM3.00** based on valuation of 57% discount to its SOP of RM7.00. We like the company for its healthy margins, light balance sheet, strong new sales, earnings growth, and its future catalyst, i.e. Pulau Carey that is set to ride on the potential port development project undertaken by SIME and MMC. We estimate FY17-18E sales growth of 195%-29% while earnings to grow by 33%-30%.

**Remaining total GDV of RM17.0b with long term visibility of 15-20 years.** A&M's land banks are mostly located in the Klang Valley (93%) while the remaining is in Melaka and Seremban. In the long term, Pulau Carey would be the main growth driver being the 72% contributor of total remaining GDV. While in the immediate term, its development would be supported by its Klang and Sg. Buloh projects which make up 19% of its total remaining GDV. It also enjoys high project gross margins of 40%-50% thanks to its relatively low land-cost to GDV ratio that ranges between 0.3%-8.8%.

**Beneficiary of Pulau Carey play.** Pulau Carey is located approximately 70km away from KL City Centre accessible via South Klang Valley Expressway (SKVE) which is approximately an hour's drive away. The main owner of the Pulau Carey landbank is SIME with c.11,000ha which are mostly plantation landbanks at the moment. Meanwhile, A&M has 1,901.4ac land in Pulau Carey, which currently includes 125.0ac golf-course called Amverton Cove Golf & Island Resort, which has been in operation since year 2013 and is a public golf course. Over the last 2 years, A&M's Pulau Carey land has been rezoned for residential and commercial purposes from agriculture land status, meaning that their land is immediately developable.

**Ramping-up more launches.** Going forward, A&M is keen to launch its other projects currently in the pipeline, i.e. Amverton Links, Klang and Amverton Hills, Sg. Buloh. In FY17-18E, the group intends to roll out RM238.6m-RM290.1m worth of launches of which 41%-30% are landed/affordable apartments. This is positive given that the demand for landed residential projects in Klang Valley area remains fairly resilient compared to high-rises.

**Light balance sheet allows for a semi build-then-sell model.** Currently, the group has a net cash position of RM64.1m with zero borrowings implying that it has very little land holding costs. This allows the group to construct ahead of time RM164.5m (representing completion progress of 68%) out of the RM238.6m worth of planned launches over FY17E which indicates their confidence in the ability to sell their projects. On a positive note, the recognition of sales from these projects would have an immediate and significant impact to its earnings.

**Estimates FY17-18E earnings growth of 33%-30%** to RM26.7m-RM34.6m. We are expecting its earnings growth to be backed by our estimated sales for FY17-18E of RM111.9m and RM144.1m from its planned launches of RM238.6m and RM290.1m respectively. We believe that our sales estimates are highly achievable given that we have been conservative with our take up rate assumptions of c.50% for its landed residential projects in Sg. Buloh and Klang that are already at an 80% completion stage on plan launch in 2H17.

**Initiating coverage with an OUTPERFORM call and TP of RM3.00** based on 57% SoP discount to its SoP of RM7.00 (partial GDV and partial landbank basis). Our applied property RNAV discount of 60% is a tad higher than HUAYANG's applied discount of 57%. For the small-mid-cap developers within our coverage, the average SOP/RNAV discount applied is at 55% (range of 25%-82%), whereby Greater Klang Valley-based developers discount range is lower at 25%-57% while Johor based developers are higher at 73%-82%. While our TP implies a high FY17-18E PER of 41.0x-31.6x vs. other small mid cap developers average of 9.1x-7.6x, we also note that its GDV/mkt cap ratio is also high at 26.6x vs. small-mid cap peer's average of 12.4x. At this juncture, we think that A&M PER may not be the best basis of comparison to peers given its superior earnings growth of 33%-30% in FY17-18E, coupled with its huge landbank size and exceptionally long visibility of 20-years. Our SOP is also conservative as 36% of its total landbank is value on land rather than project value basis.

## OUTPERFORM

**Price: RM1.68**  
**Target Price: RM3.00**

**Expected Capital Gain: RM1.32 +78.6%**  
**Expected Divd. Yield: RM0.00 +0.0%**  
**Expected Total Return: RM1.32 +78.6%**

**KLCI Index 1771.01**

### Stock Information

Bloomberg Ticker	AM MK Equity
Bursa Code	5959
Listing Market	Main Market
Shariah Compliant	Yes
Issued shares	365.1
Market Cap (RM m)	613.3
Par value per share (RM)	0.50
52-week range (H)	1.85
52-week range (L)	0.98
Free Float	30%
Beta	0.7
3-mth avg daily vol:	368,916

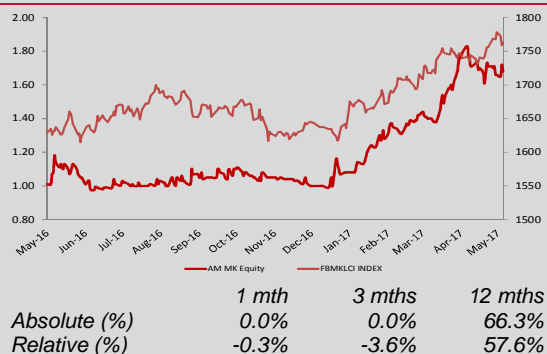
### Major Shareholders

Delta Industries S/B	55.1%
Boon Thong Ng	10.9%
Eng Neo Yeoh	3.8%

### Summary Earnings Table

FY Dec (RM m)	2016A	2017E	2018E
Turnover	115.3	154.0	185.9
EBIT	25.8	37.7	48.9
PBT	28.0	39.2	50.8
<b>Net Profit</b>	<b>20.1</b>	<b>26.7</b>	<b>34.6</b>
<b>Core PATAMI</b>	<b>20.1</b>	<b>26.7</b>	<b>34.6</b>
Consensus (NP)	n.a.	20.0	22.0
Earnings Revision	n.a.	n.a.	n.a.
Core EPS (sen)	5.5	7.3	9.5
Core EPS growth (%)	-15%	33%	30%
NDPS (sen)	0.0	0.0	0.0
NTA per Share (RM)	1.7	1.8	1.9
Price to NTA (x)	1.0	1.0	0.9
PER (x)	30.6	22.9	17.7
Debt-to-Equity ratio (x)	-0.1	-0.1	-0.1
Return on Asset (%)	2%	3%	4%
Return on Equity (%)	3%	4%	5%
Net Div. Yield (%)	0.0%	0.0%	0.0%

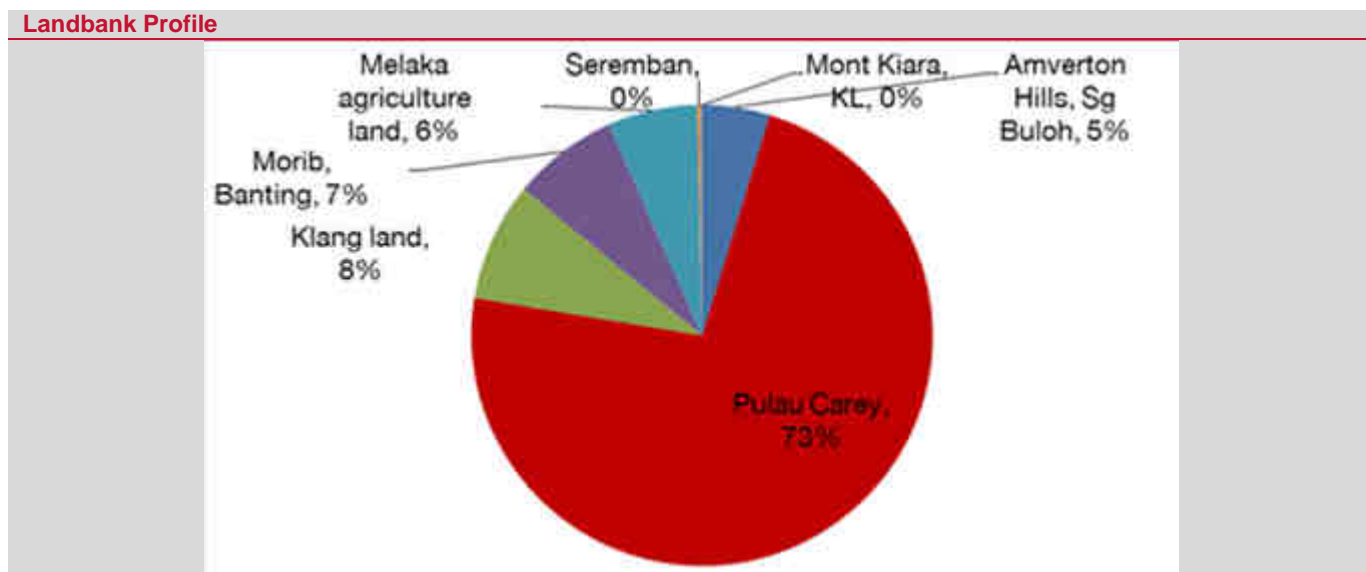
### Share Price Performance



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**INVESTMENT MERIT**

In terms of landbank profile, A&M owns 2,609.2 acres of land in Selangor, Melaka and Seremban, of which bulk of its landbank coming from Pulau Carey, representing 73% of its total landbank, followed by Klang (8%), Morib (7%), Sg. Buloh (5%) and Melaka (6%).



Source: Company, Kenanga Research

**Total estimated GDV of RM17.0b (effective: RM12.1b) mainly in Klang Valley with 15-20 years' visibility** (excluding unbilled sales), assuming 10%-20% YoY growth in sales. Currently, the company has a planned GDV of RM10.7b for 1,409.2ac of landbanks out of their total landbank of 2,609.2ac. Hence, we have done an estimation on most of their remaining landbanks which they have yet to put into plan (refer below for our assumptions) deriving an estimated GDV totalling to RM17.0b. However, do note that our GDV estimates of RM17.0b only account for 2,439.2ac of land as we have yet to assign any GDVs for Melaka (164.0ac) and Seremban land (6.0ac).

Based on our estimated GDV, Pulau Carey would be their largest GDV component at 72% of total estimated GDV of c.RM17.0b, followed by Sg. Buloh (11%), Klang (8%), Morib (7%) and the remaining 1% in Mont Kiara, Kuala Lumpur. We like that most of their landbanks are in Klang Valley, which is the main driver for most of the developers under our coverage. We derived our estimated GDV for its remaining unplanned Pulau Carey, Klang, and Morib land by using the implied GDV/ac of its planned development in those areas. Do note our GDV/ac assumption of RM4.3m/ac for its Klang land is conservative based on the implied GDV/ac from two of its project in Klang, i.e. Amverton Links, which is a landed residential project.

**GDV Estimations**

Location	Estimated GDV (RM'm)	GDV Composition (%)
Pulau Carey	12,187.8	72%
Klang	1,431.3	8%
Sg. Buloh	1,825.0	11%
Morib, Banting	1,257.9	7%
Mont Kiara	247.5	1%
<b>Total</b>	<b>16,949.5</b>	<b>100%</b>

Source: Company, Kenanga Research

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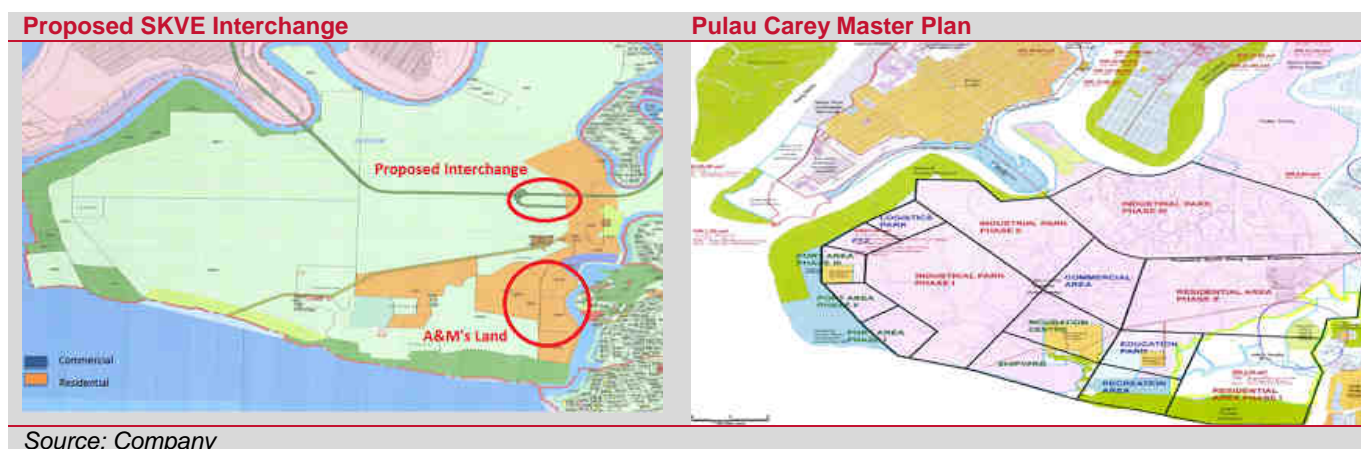
Projects								
Projects	Implied GDV/ac	Tenure	Stake (%)	Total Gross Land Size (ac)	Total Gross GDV (RM'm)	Remaining GDV (RM'm)	Eff. Remaining GDV (RM' m)	Remaining GDV Composition (%)
Amverton Hills, Sg Buloh	14.8	Freehold	100%	123.6	1,825.0	1,825.0	1,825.0	15%
Amverton Links, Klang	4.3	Freehold	100%	23.1	100.0	100.0	100.0	1%
PK11, Klang	45.2	Freehold	100%	12.1	547.5	547.5	547.5	5%
Amverton Cove, Pulau Carey	6.4	Leasehold	60%	1062.6	6,819.5	6,819.5	4,091.7	34%
Mont Kiara	82.5	Freehold	100%	3.0	247.5	247.5	247.5	2%
Morib, Banting	6.5	Freehold	100%	184.8	1,200.0	1,200.0	1,200.0	10%
Remaining Landbank (Unplanned)	GDV (RM'm)/ac assumption	Tenure	Stake	Total Gross Land Size (ac)	Total Gross GDV (RM'm)	Potential Remaining GDV (RM'm)	Eff. Remaining GDV (RM' m)	Remaining GDV Composition (%)
Pulau Carey	6.4	Leasehold	60%	838.8	5,368.3	5,368.3	3,221.0	27%
Klang land	4.3	Freehold	100%	182.3	783.9	783.9	783.9	6%
Morib, Banting	6.5	Freehold	100%	8.9	57.9	57.9	57.9	0%
Melaka agriculture land		Freehold	100%	164.0		Nil.		
Seremban		Freehold	100%	6.0				
<b>Total</b>				<b>2,609.2</b>	<b>16,949.5</b>	<b>16,949.5</b>	<b>12,074.4</b>	<b>100%</b>

Source: Company, Kenanga Research

**Beneficiary of Pulau Carey play.** Pulau Carey is located approximately 70km away from KL City Centre accessible via South Klang Valley Expressway (SKVE) which is approximately an hour's drive away. The main owner of the Pulau Carey landbank is SIME with c.11,000ha mainly designated for plantation at the moment. Meanwhile, A&M has 1,901.4ac land in Pulau Carey, which currently includes 125.0ac golf-course called Amverton Cove Golf & Island Resort has been in operation since 2013 and is a public golf course. Over the last 2 years, A&M's Pulau Carey land has been rezoned for residential and commercial purposes from agriculture land status.

Positively, the group will only pay for the land premiums on a staggered basis as they develop various parcels of land, which minimizes its land holding cost. Pulau Carey has gained a lot of traction recently with the potential development of Pulau Carey Port with an infrastructure investment of c.RM200.0b spearheaded by SIME, MMC, Adani ports and Special Economic Zone Limited (APSEZ) as an extension to Port Klang the 11<sup>th</sup> busiest container port in the world. A&M's land in Pulau Carey sits beside SKVE and the Pulau Carey masterplan includes a proposed interchange from SKVE, which would only be 1-2 minute drive from the entrance to A&M's Amverton Cove land.

The cost of the interchange is likely to be borne mainly by SIME given that it has the lion share of the Pulau Carey land (A&M's portion will likely be quite minimal). The timeline to complete the interchange has yet to be finalised although A&M believes that the interchange could materialize soon – in view of Pulau Carey Port play - as further infrastructure developments would require better accessibility. With the interchange, we believe that it would reduce travelling time to A&M's site by about 15-20mins by passing Teluk Panglima Garang. Currently, without the interchange, the land valuation is approximately RM23.5psf based on TADMAX's transaction in 2014, which already have been rezoned for development purposes. With the interchange, we reckon the valuation for A&M's land in Pulau Carey will eventually increase.



**A reminiscence of Bandar Sri Sendayan.** During our visit to A&M's project i.e. Amverton Cove Golf & Island Resort in Pulau Carey; we note that it reminiscent of travelling to Bandar Sri Sendayan 7-8 years ago (prior MATRIX's listing days) where it is still surrounded by palm oil plantations. The distance and travelling time is quite similar (approximately, 70km and 1hour). In fact it has now transformed into a beautiful and accessible township. In our view, A&M's land in Pulau Carey shares the same potential to take off similar to Bandar Sri Sendayan as more people are drawn to the new development.





Source: Google Maps

That said, another similarity of these two locations are their proximity to the existing ports. Bandar Sri Sendayan is just 33km away from airport i.e. KLIA and KLIA2, whilst Pulau Carey is just 36km away from Port Klang. Comparatively, we believe that A&M does have an edge in their future development in Pulau Carey, as currently their Amverton Cove Golf & Island Resort has already garnered strong interests from both domestic and international golfers. It attracted about 32.0k golfers per year since it opened in 2013. It is a public golf course which is part of A&M's initiative to promote tourism in Pulau Carey.



Source: Google Maps

**Focusing on tourism theme in the short to medium term.** A&M has received a lot of interest from various parties to jointly develop its land in Pulau Carey due to its proximity to Port Klang coupled with the upcoming development of Pulau Carey Port. While the group is open to such ventures, they insist that any new developments should be in line with their philosophy of preserving the eco-friendly environment. Since the interchange is not up yet, the group believe in focusing on a tourism before moving into township products. Hence, the management have earmarked 337 acres of land in Pulau Carey for that purpose and intend to develop 250 units of service apartments with water park to complement Amverton Cove Golf & Island Resort's hotel in the immediate term and also Homesteads. Meanwhile, in the medium term, they intend to develop a condo retirement village within the area with an estimated GDV of RM156.0m, while the remaining land would be earmarked for bungalows with an estimated GDV of RM630.0m which is likely to take place from 2019 onwards. As for the remaining land bank in Pulau Carey (c.1,439.4 acres), it would be earmarked for township development in light of the development of Pulau Carey Port.

Land Cost/GDV ratio							
No	Project	Location	Land Size (ac)	Land Cost (RM'm)	Land Cost (RM/psf)	Estimated GDV (RM'm)	Land Cost to GDV Ratio (%)
1	Amverton Hills	Sungai Buloh	123.6	161.0	29.9	1,825.0	8.8%
2	Amverton Links	Klang	23.1	6.9	6.9	100.0	6.9%
3	Amverton Rise	Mount kiara	3.0	16.8	128.6	247.5	6.8%
4	Bukit Kemuning Condo	Bukit Kemuning	12.1	18.1	34.4	546.0	3.3%
5	Morib Land	Morib Banting	184.8	28.3	3.5	1,200.0	2.4%
6	Amverton Cove	Carey Island	1,062.6	21.3	0.5	6,820.0	0.3%

Source: Company, Kenanga Research

**Low land costs in developable locations.** In terms of land bank, bulk of A&M's land bank were purchased between 1990-2015, with Pulau Carey land (73% of total land) purchased back in 1990, which is still under agriculture title while its Sg. Buloh land (5% of total land) was purchased back in 2015 from its private side. Hence, its land cost to GDV is relatively low ranging from 0.3% to 8.8% especially for Pulau Carey land. However, we do note that the land cost to GDV ratio of 0.3% for Pulau Carey land has yet to be converted for development. Should we assume conversion cost of RM6.0psf, its land cost to GDV ratio for

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Pulau Carey would rise to 4.0% allowing A&M to enjoy decent average development operating margins of 40% as reflected in their past performance. (Kindly refer to Peer Comparison for more details).

Launches					
Launches	Type	FY17	Progress Completion	FY18	Progress Completion
Amverton Links	Link Houses	100.0	80%	N.A.	Nil.
Amverton Hills	Semi-Ds	105.6	80%	169.6	Nil.
Pulau Carey	Land & Service Apartments	33.0	Infra Ready	120.5	Infra Ready; Building plan preparation
<b>Total</b>		<b>238.6</b>		<b>290.1</b>	

Source: Company, Kenanga Research

**Ramping-up more launches.** In the past two years, A&M has barely launched any new development projects due to the soft market conditions, which explains the weakness in their sales and earnings performance in the past whereby they only registered sales of RM37.9m and earnings fell by 15%, YoY in FY16. During the last 2 years of a challenging property market, the management took the opportunity to rezone and re-plan its land development in Pulau Carey. Currently, they have a planned GDV of RM10.7b for 1,409.2ac while the remaining 1,200.0ac will be planned soon. They have also been building a pipeline of launches for Amverton Links, Klang and Amverton Hills, Sg. Buloh. In FY17-18E, the group intends to roll out RM238.6m-RM290.1m worth of launches of which 41%-30% are landed/affordable apartments. We are relatively positive on it given that the demand for landed residential projects in Klang Valley area remains fairly resilient compared to high-rises.

**Near term growth to be driven by Klang and Sg. Buloh projects.** While Pulau Carey is the major project driver in the long term, the immediate term developments would be coming from Klang and Sg. Buloh which the group has already planned with launches totalling RM238.6m-RM290.1m for FY17 and FY18, respectively. We do note that Klang and Sg. Buloh would be A&M's near to medium earnings driver as these areas are relatively matured compared to Pulau Carey. Furthermore, the combined estimated GDV from these two areas amounts to RM3.2b which makes up 19% of our total estimated GDV for A&M which should provide 7-8 years visibility. We believe that their project in Klang and Sg. Buloh to be sellable as it is located in a mature area targeted at upgraders; moreover, their buyers' profiles are mostly homeowners consist of professionals and businessman.

**Lower sales base, more room for growth...** Based on its target launches of RM238.6m- RM290.1m for FY17-18E, we are only assuming a conservative take up rate of 46%-50%, translating to sales of RM111.9m-RM144.1m in FY17 and FY18E, respectively. While A&M has a lower sales base compared to other developers, we are still rather positive with the company as we foresee that there are still more room for growth in the next 3-5years provided they are able to execute their planned projects accordingly. This would enable us to see a decent bottom-line growth rate of 33%-30% for FY17-18E. (Kindly refer to Peer Comparison for more details.)

Company	Kenanga Sales Estimates (RM'b)	
	FY17/18E	FY18/19E
CRESNDO	0.22	0.23
ECOWLD	4.60	4.60
HUAYANG	0.33	0.45
IOIPG	2.61	2.61
MAHSING	1.80	1.80
MATRIX	1.00	1.00
MRCB	0.47	0.56
SPSETIA	4.00	4.00
SUNWAY	1.13	0.92
UEMS	1.59	1.23
UOADEV	1.42	1.42
SUNSURIA	0.89	1.10
A&M	0.11	0.14
<b>Total</b>	<b>20.17</b>	<b>20.07</b>

Source: Various sources, Kenanga Research

**Light balance sheet allows for a quasi 'Build-Then-Sell' model.** Currently, the group has a net cash position of RM64.1m with zero borrowings implying that it has very little land holding costs. This allows the group to construct ahead of time RM164.5m (68% completion) out of the RM238.6m for launch over FY17E, indicating their confidence in the ability to sell their projects. Recognition of sales from these projects will immediately be significant to its earnings.

**High GDV/Market Cap ratio indicates deep value.** Based on our GDV/Market Cap analysis, A&M stands to have the highest GDV/Market Cap ratio of 26.6x compared to all the developers under our coverage that ranges from 4.7x-20.8x or small-mid cap peers 6.5x-20.8x. The closest peer that we can compare A&M with would be UOADEV given the similarity in GDV size, development margins, and light balance sheet (refer to peer comparisons). However, UOADEV is targeting flattish growth of 1%-3% vis-à-vis A&M's earnings growth of 33%-30% for FY17-18E, respectively which leads us to believe that a higher PER is justified for A&M. Furthermore, UOADEV's business model is also different to A&M as the former is focused in KL and mainly integrated or niche high-rise residential in KL and notably its GDV/Market Cap ratio is the lowest at only 4.7x vis-à-vis A&M's 26.6x.

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GDV/Market Cap Ratio			
Company	Total GDV (RM'm)	Market Cap (RM'm)	GDV/Market Cap
UEMS	108,428.4	5,762.5	18.8
SPSETIA	107,711.7	10,846.4	9.9
UOADEV	20,464.0	4,306.7	4.8
MATRIX	9,625.0	1,609.5	6.0
HUAYANG	4,900.0	380.2	12.9
ECOWLD (include EWI)	82,400.0	4,711.0	17.5
ECOWLD (exclude EWI)	61,200.0	4,711.0	13.0
IOIPG	141,000.0	11,562.9	12.2
SUNWAY	48,500.0	3,183.0	15.2
SUNSURIA	11,000.0	1,126.4	9.8
CRESNDO	8,000.0	375.3	21.3
MRCB	48,900.0	3,183.0	15.4
<b>A&amp;M</b>	<b>16,949.5</b>	<b>613.3</b>	<b>27.6</b>

Source: Various sources, Kenanga Research

### Upcoming Launch Details

**Amverton Links** consists of 155 units of 2-storey links house with clubhouse facilities in Klang with an estimated GDV of c.RM100.0m that is planned to be launched over 2-years. We believe that this project would sell to the local Klang community given that it is one of the few developments in Klang that is guarded with clubhouse facilities. Furthermore, it is priced reasonably at the range of RM640-650k given its strategic location that is just minutes away from local amenities; NSK, Sentosa Hospital, banks, plus it is nearby its previous development i.e. Taman Sentosa. Interestingly, management have adopted a build and sell approach for this development and currently the construction works for this particular project have reached a completion stage of 80%, which we expect to contribute straight to its bottom line upon launch in 2H17.

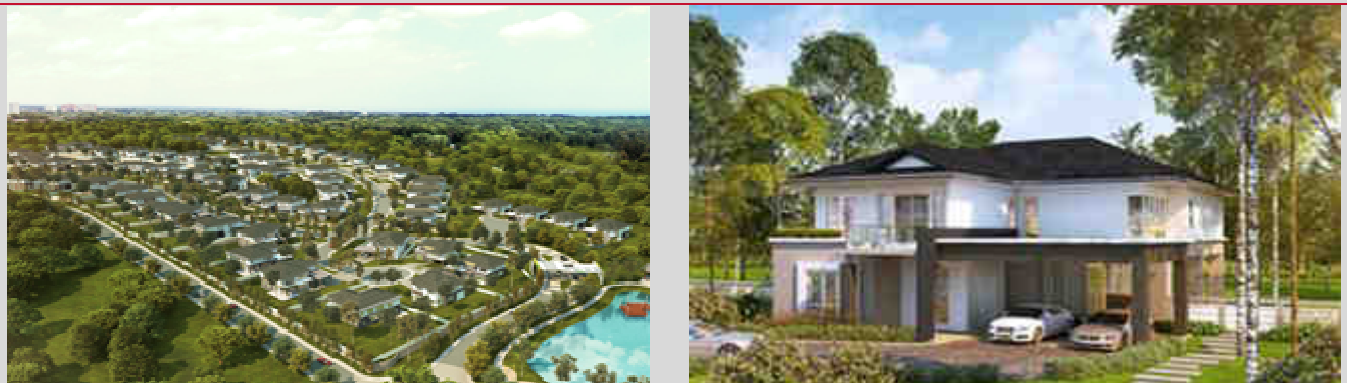
#### Amverton Links



Source: Company

**Amverton Hills** would be A&M's latest guarded sanctuary that comprises of upmarket bungalows and semi-ds development in Sg. Buloh. The entire development for its 124 acres of land in Sg. Buloh would have an estimated GDV of RM1.8b that comprises of semi-ds, bungalows, service apartments and commercials. Over the next 3-years, management is looking to kick start Amverton Hills with its high-end semi-ds (198units) and bungalows (81units) with an estimated GDV of RM317.0m and RM227.0m, respectively. Currently, the construction works for its first phase which only comprises semi-ds have already progressed up to 50%, which we would see similar impact to its bottomline like Amverton Links upon launch in 2H17.

#### Amverton Hills



Source: Company



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**Homesteads @ Amverton Cove** is located less than 5-minutes away from its resort in Pulau Carey i.e. Amverton Cove Golf Resort & Island. It would be A&M's immediate development in Pulau Carey with an estimated GDV of RM66.0m as the group intends to sell only bungalow lots measuring one acre each, allowing its buyers the flexibility to construct their own dream house.

#### Homesteads @ Amverton Cove



Source: Company

#### FINANCIAL ANALYSIS

**Estimates FY17-18E earnings growth of 33%-30%** to RM26.7m-RM34.6m. We are expecting its earnings growth to be backed by our estimated sales of RM111.9m and RM144.1m for FY17-18E on planned launches of RM238.6m and RM290.1m respectively. We believe that our sales estimates are highly doable given that we have been conservative with our take up rate assumptions of c.50% for its landed residential projects in Sg. Buloh and Klang that is already at 80% completion stage and is expected to be launched in 2H17. We do note that the average selling price of its link houses in Klang are priced at the range of RM650.0k, while its semi-ds in Sg. Buloh are priced from RM1.6m onwards which we believe is sellable given that it is reasonably priced within its area coupled with the amenities provided i.e. clubhouse with guarded & gated features that is expected to attract local interests especially in Klang. **However, we are anticipating A&M to start of the year with a relatively weak set of results in 1Q17, as we are expecting bulk of its earnings to kick in from 2H17 onwards upon the launch of its two projects i.e Amverton Links and Amverton Hills.**

#### DIVIDEND POLICY

**No dividends yet...** In the past five years, A&M only announced a dividend of 1.5sen back in FY14-15A representing a dividend pay-out ratio of 15%-23% on its profits. However, management have not proposed any dividend since then in order to preserve cash for the working capital needs of its future development projects i.e. Amverton Hills, Amverton Links, and Amverton Cove which are located in Sungai Buloh, Sungai Jati, Klang and Pulau Carey, respectively.

Going forward, there are no clear indications from management on any potential dividend pay-outs in the future due to their conservative cash management practise. While most small-mid cap developers under our coverage (MATRIX, HUAYANG, CRESNDO) pays-out between 10%-40%, we do note that there are developers that have no pay-out such as KSL. However, we are hopeful that management may consider paying out dividends in the medium term should they be able to achieve healthy sales from its upcoming launches.

#### COMPANY OUTLOOK

**Potential joint-ventures for Pulau Carey?** Management indicated that since the news flow on the development of the port in Pulau Carey, they have received overwhelming interests from various parties for joint-venture or land sales. The management indicated that it is keen to explore potential joint-ventures which would further enhance their value to their development in Pulau Carey. We believe that any potential joint-ventures would be a strong catalyst for A&M as it would expedite the process of unlocking its value and increase the project's value in the longer term.

**Potential injection from private entity?** Currently, A&M owns 60% of Pulau Carey land while the remaining 40% is held by Tan Sri Dato' Ir. Ng Boon Thong and family (the Ng Family). While the company has yet to express its intentions of acquiring the remaining 40% of Pulau Carey land, we reckon that it would be beneficial for the group particularly if it is injected at an attractive price while payment could be on a more deferred basis. Note that the Ng Family's private entity does not embark on any development activities and mainly act as land owners. To recap, its Sg. Buloh land (Unik Sejati) which currently has a land cost-to-GDV ratio of 8.8% was acquired from the Ng Family back in 2014 with a payment schedule staggered over 3-years, which was structured as such without burdening A&M's balance sheet.

**Potential divestment of other business segments?** Apart from its development business, its other divisions (i.e. manufacturing, hotel and plantation) have been doing relatively fine without incurring any losses in the past 5-years. In the longer term, management would be converting its plantation land in Pulau Carey for development purposes, while keeping its hotel division to further complement its development business. Likewise, for its manufacturing division, which is still profitable but is independent of the property development business, we do not rule out of the possibility that it might be divested in the future allowing the group to be fully focused on its future developments.

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**INDUSTRY OUTLOOK**

**Improvements seen in residential loan indicators.** 3M17 Residential Loan Applied improved further at +18.6% while 3M17 Residential Loans Approved continue its strong momentum at +19.7% YoY; this is the 5th and 3rd consecutive month of positive trends respectively, after 2 years of decline. Sentiments for Non-Residential has improved slightly with 3M17 Non-Residential Loan Applied at +5.1% although corresponding Loans Approved remains down at -18.0% YoY. The ratio of Property Loans Approved to Applied has eased slightly to 39% (slightly lower than CY16: 40%) while Property Loans to Banking System Loans Approved Rates is at 33% (CY16: 35%) which is close to a historical low.

We are heartened by the positive residential loan indicators for the residential market as it indicates that developers are coming up with more affordable housing supply while banks are more willing to lend to this segment. We reiterate that the odds of developers meeting their targets this year is much better with some upside surprises. We observed that a lot of new launches were only rolled out in 2QCY17 indicating that developers' sales figures could be skewed to 2H17.

Recall in our recent sector report (21/3/17), we have positioned this sector as tactical given that our studies show that the KLPRP tends to outperform the FBMKLCI every 1-2 years regardless of the physical market and as long as the FBMKLCI is expected to be positive that year which would mean the KLPRP could do better than the broad market over 2017-18.

**Healthier headline sales, but not across the board.** Overall, sales growth is starting to look healthier as our universe is indicating +5% YoY growth for FY17-18E, thanks largely to SUNSURIA\*, ECOWLD and IOIPG, which are showing significant growth while the others are mainly flattish. Without these 3 developers, FY17-18E sales for our universe would be at -5% YoY.

**Expect landbanking news to remain patchy.** Developers that are likely to see landbanking news are ECOWLD, SPSETIA, MAHSING and SUNSURIA either by way of outright acquisitions or JVs. Aggressive landbanking will only likely to happen if sales momentum picks up significantly and/or if land prices become more attractive. However, checks with industry players suggest that land prices continue to hold largely steady with some pockets of opportunities. Currently, our universe's net gearing level remains healthy at 0.27x.

**The sector is still lacking catalyst, but one should ride on the broad market sentiment now,** particularly on developers with risks that have been mostly priced-in. What will drive the sector into a fundamental overdrive mode is **if there are positive changes in policies (e.g. Budget-2018), continuous improvements in banking sector indicators or loosening of banking sector regulations to the sector; this may result in an upward revision.**

*(Refer to Property SU report on 21/3/17 for further details).*

**RISKS**

**Geographical concentration risk.** Pulau Carey makes up 73% of its landbank and it would be the group's main growth driver in the long term. Hence, we believe that any delays in the development of Pulau Carey would pose a risk to the group's long term growth plan.

**Sales demand risk.** Currently, management have planned launches of RM238.6m in 2H17 of which bulk of its planned launches have reached construction progress of 70%-80%, a lower than expected take up rate from these projects would have a negative impact to our earnings forecast.

**Industry risk.** This includes negative real estate policy (limiting demand or supply), tightening of bank liquidity, sharp interest rate hikes. Political instability and economic growth risks also has implications on the company's ability to sustain its sales momentum and thus, earnings.

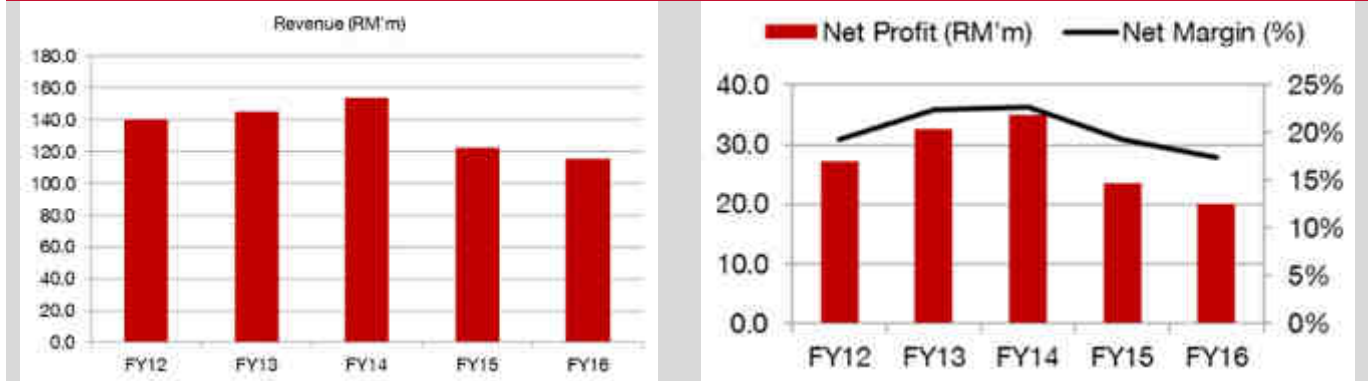
**Liquidity risks.** Since its listing back in 1995, A&M which THE NG FAMILY owns >70% have maintained a very low profile in the market, resulting in low institutional shareholdings and market participation. Hence, we believe that A&M's shares may have relatively low liquidity. However, we believe that with its strong retained earnings, representing 2.2x of its share capital, A&M could easily explore the option of proposing a 1-for-1 bonus issue to address its liquidity issue in the future.

**Conflict of interest with HIL Industries (HIL)?** Apart from A&M, the Ng Family also owns >70% in HIL which is primarily involved in manufacturing (injection moulding related) business and also property development. It would appear there could be potential conflict of interests as both A&M and HIL have property development businesses. While there are no immediate plans to merge both entities, management indicated that HIL will focus on fast turnaround strategy on pockets of developments while A&M would continue to develop its existing landbank in Sg. Buloh, Klang, and Pulau Carey which requires a longer gestation period.



**HISTORICAL FINANCIAL ASSESSMENT**

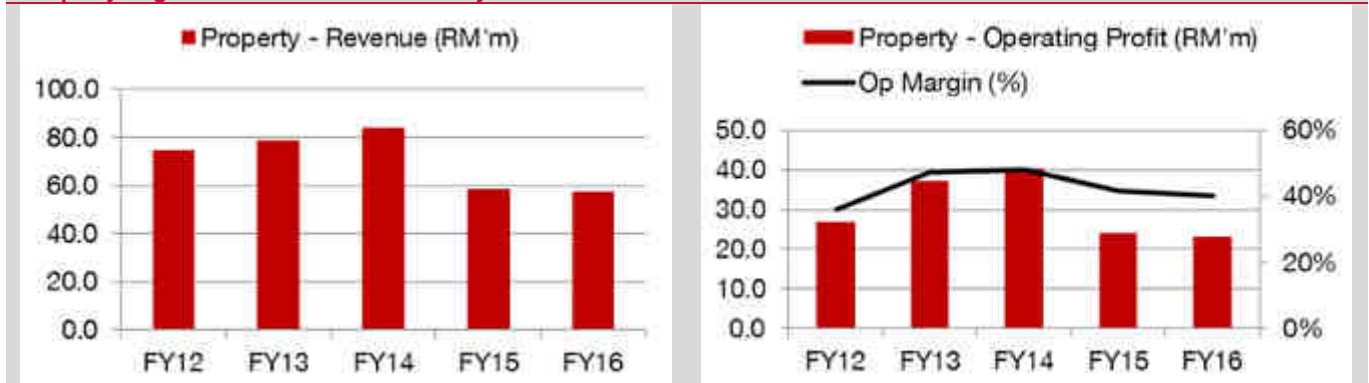
**Group Revenue and NP analysis**



Source: Company, Kenanga Research

**Earnings strongly affected by macro factors and...** Prior to 2014, A&M's earnings was on an uptrend since 2012 with an average growth rate of 14% driven by strong property market sentiment, coupled with less stringent lending criteria imposed by banks previously where loans to deposit ratio were still at the lower 80% range. However, its earnings have been on a downtrend after 2014 by an average of 24% over two-years due to several reasons i.e. i) weak property market sentiment, ii) stringent lending criteria by banks, iii) lack of new launches from the group and iv) lower contribution from its hotel division due to refurbishment works carried out back in 2016.

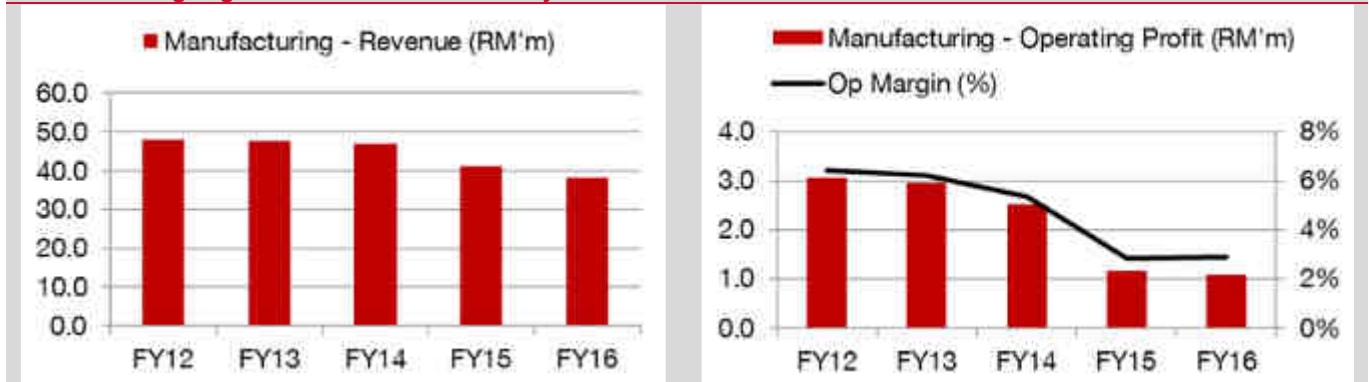
**Property segment Revenue and NP analysis**



Source: Company, Kenanga Research

On a segmental basis, its property division managed to maintain an average operating margin averaging 43% in the past 5-years despite a softer property market outlook. A&M have the ability to maintain its property development margins at such decent levels thanks to its low land cost with a land cost/GDV ratio that ranges between 3%-9% after conversion for development. To recap, A&M's land cost is relatively low as most of its landbanks are procured back in early 90's. This is especially true of the 1,901 acres of Pulau Carey land acquired back in 1990.

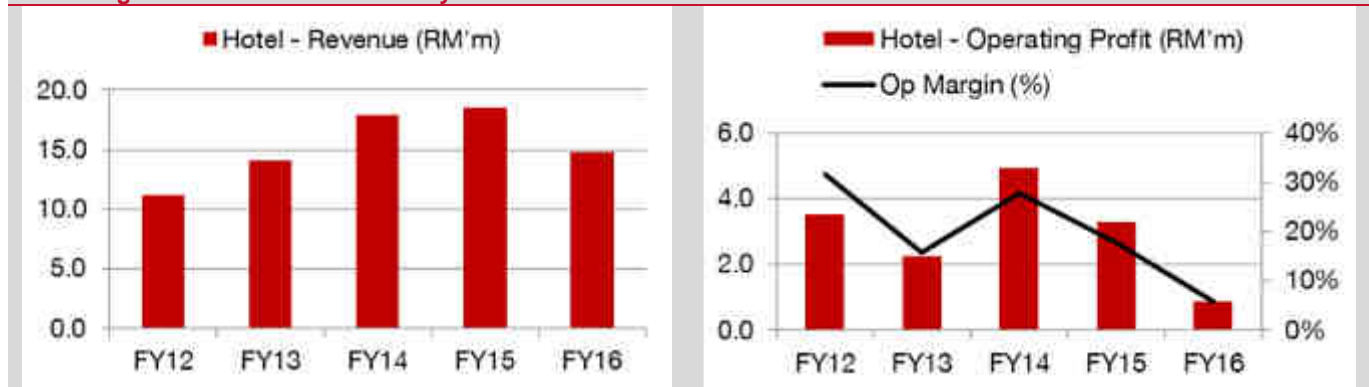
**Manufacturing segment Revenue and NP analysis**



Source: Company, Kenanga Research

On its manufacturing division i.e. Epic Ventures Sdn Bhd, which A&M holds an effective stake of 67.4%, saw an earnings downtrend over the past five years since 2012. This is mainly due to the compression in operating margins from 6% in 2012 to 3% in 2016, thanks to several factors i.e. i) rising labour costs, ii) competitive pricing within the automotive replacement parts segment and iii) overall soft industry conditions within the automotive sector.

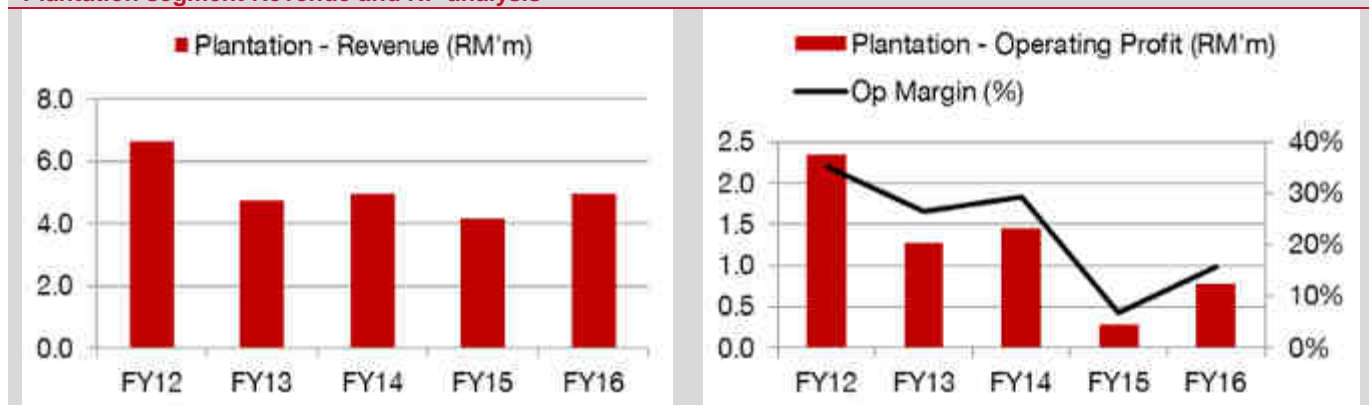
**Hotel segment Revenue and NP analysis**



Source: Company, Kenanga Research

Similarly, its hotel business had also seen a slump in operating profit by 83% in 2016 as compared to its peak in 2014, whereby its revenue and operating margins came off by 17% and 22ppt to 6%, respectively in the same period of time. The major decline in its hotel's performance in 2016 was largely due to lower room occupancy as its Amverton Heritage, Melaka has been undergoing major refurbishment since Feb-16.

**Plantation segment Revenue and NP analysis**



Source: Company, Kenanga Research

Its plantation division saw a recovery in 2016 after the sharp plunge in operating profits back in 2015. For 2016, its operating profits soared by 175%, YoY underpinned by the improvements in operating margins of 9ppt to 16% led by higher CPO prices in 2016 that averages at c.RM2,634/mt vis-à-vis c.RM2,167/mt back in 2015.

**PEER COMPARISONS**

**Decent earnings growth ahead.** Looking ahead on the next two years, we are expecting A&M to achieve decent net profit growth of 33%-30% for FY17-18E, higher than our universe of developers' average growth of 8%-17%, YoY. That said, given its strong net cash position, A&M is one of the few developers in town that undertakes a quasi 'build-then-sell' strategy for its landed residential development.

**Development margins higher than peer average.** Its core net margins for FY17-18E is higher than peers' average of 16%-17% at 19%-20%. However, we opine that it could be even higher if it is not distorted by its manufacturing division which only generates low single digit margin due to the competitiveness in the auto industry. If we were to look at its development margins alone, we opine that A&M is comparable with UOADEV that generally commands operating margin of 40%. Additionally, it is the next developer under our coverage with a net cash position after UOADEV. In terms of a 4%-5% ROE for FY17-18E, it is considerably lower than our universe of developers' average of 9%-10%, while its ROE is lower compared to its peers we think that it is still acceptable at this juncture given its future development potential in Pulau Carey and its high GDV to Market Cap ratio of 26.6x.

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Peers Comparison									
Company	Market Cap (RM'm)	Core Net Margin (%)		ROE (%)		Net Profit Growth (%)		Net Gearing (x)	Net Gearing (x)
		FY16/17E	FY17/18E	FY16/17E	FY17/18E	FY16/17E	FY17/18E	FY16/17A	FY17/18E
CRESNDO*	375	11%	11%	3%	4%	57%	20%	0.22	0.24
ECWLD	4,711	5%	7%	3%	5%	5%	68%	0.60	0.77
HUAYANG	380	17%	17%	12%	10%	-36%	-12%	0.34	0.49
IOIPROP*	11,563	24%	24%	4%	4%	16%	0%	0.15	0.42
MAHSING	3,711	12%	12%	11%	11%	3%	0%	0.04	0.05
MATRIX	1,610	24%	24%	23%	22%	-12%	13%	0.06	0.08
SPSETIA*	10,846	16%	18%	9%	9%	-25%	13%	0.20	0.27
SUNWAY*	7,387	10%	9%	7%	7%	-18%	1%	0.50	0.35
UEMS*	5,763	9%	9%	2%	2%	-47%	12%	0.26	0.45
UOADEV*	4,307	35%	31%	12%	13%	-1%	8%	-0.15	-0.19
SUNSURIA	1,126	19%	19%	14%	20%	142%	67%	0.23	0.34
<b>Peer Average</b>	<b>4707</b>	<b>16%</b>	<b>17%</b>	<b>9%</b>	<b>10%</b>	<b>8%</b>	<b>17%</b>	<b>22%</b>	<b>30%</b>
A&M	613	17%	19%	4%	5%	33%	30%	-0.14	-0.14

Source: Kenanga Research, Bloomberg

## VALUATION & RECOMMENDATION

**Initiating coverage with an OUTPERFORM call and TP of RM3.00.** Our Target Price of RM3.00 implies a 57% discount to its SOP of RM7.00. In deriving its SOP value of RM7.00, our property RNAV is based on an 11% WACC rate, assumed net margin of 30% for its overall planned GDV of RM10.7b for 1,409.2ac, unbilled sales of RM24.0m. Our SOP is conservative as the remaining 1,200.0ac land (Pulau Carey, Klang, Seremban and Melaka) which have yet to have any planned GDV is valued on market prices of land.

Our applied property RNAV discount of 60% is a tad higher than HUAYANG's applied discount of 57%. For the small-mid-cap developers within our coverage, the average SOP/RNAV discount applied is at 55% (range of 25%-82%), whereby Greater Klang Valley-based developers discount range is lower at 25%-57% while Johor based developers are higher at 73%-82%.

In terms of the other segments valuations: (i) We valued its hotel & leisure segment at its book value. (ii) For its plantation division, we excluded it for the purposes of our valuation as we have already reflected the land on a development basis. (iii) As for its manufacturing business, we opt to exclude it from our RNAV given that it is not part of their core business and management might look to divest it in the future. However, should management divest its manufacturing business at book value, it would translate to approximately 8 sen to our SOP.

While our TP implies a high FY17-18E PER of 41.0x-31.6x vs. other small mid cap developers average of 9.1x-7.6x, we also note that its GDV/mkt cap ratio is also high at 26.6x vs. small-mid cap peer average of 12.4x. At this juncture, we think that A&M PER may not be the best basis of comparison to peers given its superior earnings growth of 33%-30% in FY17-18E, coupled with its huge landbank size and exceptionally long visibility of 20-years. Additionally, A&M has an extremely light balance sheet which allows them to undertake a quasi-build-then -sell approach in their landed developments.



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<b>Sum-of-Parts</b>							
<b>Projects on DCF basis</b>	<b>Stake</b>	<b>Land size (ac)</b>	<b>Remaining Eff. GDV (RM'm)</b>	<b>Remaining Eff. Net Profit (RM'm)</b>	<b>Assumed Duration (years)</b>	<b>WACC (%)</b>	<b>NPV Value (RM'm)</b>
Amverton Hills, Sg Buloh	100%	124	1,824	547	10	11%	322
Amverton Links, Klang	100%	23	100	30	3	11%	24
PK 11, Klang	100%	12	548	164	5	11%	99
Amverton Cove, Pulau Carey	60%	1,063	4,092	1,350	20	11%	538
Mont Kiara	100%	3	248	74	4	11%	47
Morib, Banting	100%	185	1,200	360	10	11%	212
Unbilled Sales	100%		24	7	2	11%	25
<b>Projects on Land Valuation Basis</b>	<b>Stake</b>	<b>Land size (ac)</b>	<b>Book Value (RM'm)</b>	<b>Book Value (RM'psf)</b>	<b>Market Value (RM'psf)</b>	<b>Market Value (RM'm)</b>	<b>Surplus/ (Deficit)</b>
Pulau Carey	60%	839	219	6	20	731	307
Klang land	100%	182	71	9	60	476	405
Melaka agriculture land	74%	164	16	2	3	21	4
Morib, Banting	100%	9	0.3	0.7	1.0	0.4	0.1
Seremban	100%	6	0.2	0.7	1.0	0.3	0.1
<b>Property: Revised Asset Value</b>							<b>1,983</b>
Property Book Value							448
Hotel/Leisure Book Value							124
<b>SOP</b>							<b>2,555</b>
<b>SOP/sh (RM)</b>							<b>7.00</b>
Share Base ('m)							365
Property RNAV Discount						-60%	-1458.5
Implied SOP Discount						-57%	
<b>Target Price (RM)</b>							<b>3.00</b>

Source: Kenanga Research, Bloomberg

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## APPENDIX

A & M Realty Berhad was incorporated on December 23, 1978 by its founder Tan Sri Dato' Ir Ng Thian Hock. The company was subsequently listed as a first board listed company on Bursa Malaysia on January 20, 1995. Currently the group operates within 4 main divisions namely:

### 1. Property Development and construction services

Core business of A&M Realty since inception. On-going developments include Amverton Park @ Bukit Kemuning Golf and Country Resort in Shah Alam, Amverton Hills at Sungai Buloh, Amverton Links at Sungai Jati Klang. Future developments include projects in Kemuning and Pulau Carey.

### 2. Agricultural/Plantation

The Group owns a substantial amount of oil palm plantation estates in Selangor and Melaka. The plantations are managed by its subsidiaries. Core activities in this sector include the planting and harvesting of oil palm

### 3. Leisure and Resort

A&M Group owns Amverton Cove Golf & Island Resort, located in Carey Island, Amverton Heritage (formerly known as Puteri Resort) in Ayer Keroh, Melaka, and a boutique business hotel, Puteri Garden, located right in the center of Bandar Di Raja Klang.

**Amverton Cove Golf & Island Resort Hotel, Carey Island**, is A&M's latest addition to its Leisure & Resort division. It commenced operations in 2013 and has since won numerous awards including Best New Golf Course 2013 and Friendliest Golf Course 2016. Besides sporting an award winning 18-hole golf course, Amverton Cove also has 45 rooms and 19 villas to accommodate golfers and international guests alike. The group is currently expanding its facilities which already now includes team-building and corporate activities, fishing, archery, ATV rides, water sports, international level paint-ball and many more.

**Amverton Heritage is located in Ayer Keroh, Melaka**, a growing destination for local & foreign tourism. It boasts 228 rooms and offers the perfect venue for corporate teambuilding, seminars or just a peaceful getaway from the hustle & bustle of city life while offering historical excursion around the famous city of Melaka. The resort is currently undergoing its final stages of refurbishment to further meet the current and future market trends.

**Puteri Garden in Klang Town** is strategically located in Jalan Istana, Klang where it is designed to deliver a modern yet relaxed business environment for its occupants.

### 4. Automotive parts and distribution

Epic Ventures Sdn Bhd (EPIC), 67.4% of which is held by A&M, is one of the leading distributors of automotive parts and components for the automotive replacement market. Some of its product line-up includes spark plugs, timing kit sets, automotive belts, filters, accessories, brake linings and lubricants. EPIC now has a distribution network of more than 1000 dealers throughout Malaysia.

Board of Directors' Profile		
Name	Position	Background
<b>Tan Sri Dato' Ir. Ng Boon Thong @ Ng Thian Hock</b>	Executive Chairman (Non-Independent and Executive Director)	<ul style="list-style-type: none"> <li>Appointed since 22 November 1994</li> <li>Graduated with an Honours Degree in Civil Engineering from the University of Malaya.</li> <li>Substantial shareholder of the Company.</li> <li>Plays an active role in board of directors and provides strategic oversight of business.</li> <li>40 years in service.</li> </ul>
<b>Dato' Setia Abdul Halim Bin Dato' Haji Abdul Rauf</b>	Executive Deputy Chairman (Non-Independent and Executive Director)	<ul style="list-style-type: none"> <li>Appointed since 24 April 2002</li> <li>Holds a Bachelor of Arts Degree from the University of Malaya and Master Degree in Public and International Affairs from University of Pittsburgh USA.</li> <li>Previously Director General of Implementation Coordination Unit in the Prime Minister's Department, State Secretary of State Government of Selangor, Director-General of Immigration Department Malaysia, Deputy Director, Bureau of Research and Consultancy, National Institute of Public Administration, Malaysia and Senior Deputy Director-General, Rubber Industry Smallholders Development Authority.</li> <li>Presently, he is also the Chairman of Kontena Nasional Global Logistic Sdn. Bhd.</li> </ul>
<b>Dato' Ambrose Leonard Ng Kwee Heng</b>	Managing Director (Non-Independent and Executive Director)	<ul style="list-style-type: none"> <li>Graduated with a Bachelor of Commerce from the University of Western Australia.</li> <li>Vast experience in the property and construction industry, having hands on involvement in the management, financial and project management of</li> </ul>

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		<p>the Group.</p> <ul style="list-style-type: none"> <li>• Being a Chartered Accountant, he is also a member of the Malaysian Institute of Accountants (MIA) and a Fellow Member of Certified Practising Accountants (FCPA).</li> <li>• A member of the Remuneration Committee and Nomination Committee of the Company.</li> <li>• Responsible for overall leader, general management, and government relations.</li> <li>• 25 years in service.</li> </ul>
<b>Puan Sri Datin Catherine Yeoh Eng Neo</b>	Non-Independent and Executive Director	<ul style="list-style-type: none"> <li>• Holds a Bachelor of Arts majoring in Economics from University of Malaya</li> </ul>

Source: Company; Kenanga Research

**Board of Directors' Profile (Continue)**

<b>Name</b>	<b>Position</b>	<b>Background</b>
<b>Datuk Ng Thian Kwee</b>	Non-Independent and Executive Director	<ul style="list-style-type: none"> <li>• Holds an Honours Degree in Bachelor of Science (Engineering) and Master Degree in Construction, both from United Kingdom</li> <li>• Vast experience in handling development and construction projects.</li> <li>• Oversees the property development and construction operations of the Group.</li> </ul>
<b>Mat Ripen Bin Mat Elah</b>	Independent Non-Executive Director	<ul style="list-style-type: none"> <li>• Graduated from National Chengchi University Taiwan with a Bachelor of Laws L.L.B (Taiwan).</li> <li>• Served in various capacities in UMNO, and was formerly a political secretary to Chief Minister of Selangor.</li> <li>• He is the member of Audit, Remuneration and Nomination Committee of the Company.</li> </ul>
<b>Tan Jiu See</b>	Independent and Non-Executive Director	<ul style="list-style-type: none"> <li>• appointed to the Board of Director on 20 July 2004</li> <li>• Holds a Bachelor of Economics and Bachelor of Laws Degree from the Australian National University.</li> <li>• She is presently a legal practitioner.</li> </ul>
<b>Dato' Milton Norman Ng Kwee Leong</b>	Non-Independent and Executive Director	<ul style="list-style-type: none"> <li>• Appointed to the Board of Director on 2 July 2012.</li> <li>• Graduated with an Honours Degree in Law from the University of Western Australia in 1994.</li> <li>• Spent 9 months doing his pupillage in the legal office of Shearn Delamore and was admitted to the Malaysian Bar as an Advocate and Solicitor in May 1995.</li> <li>• Responsible for strategic planning and corporate affairs</li> <li>• 20 years in service.</li> </ul>
<b>Steven Junior Ng Kwee Leng</b>	Non-Independent and Executive Director	<ul style="list-style-type: none"> <li>• Appointed to the Board of Director on 20 July 2004</li> <li>• Holds a Bachelor of Commerce Degree majoring in Finance and Marketing with a minor in Business Law, from University of Western Australia.</li> <li>• At present, he oversees the sales and marketing operations of the Group</li> <li>• 13 years in service.</li> </ul>
<b>Malcolm Jeremy Ng Kwee Seng</b>	Non-Independent and Executive Director	<ul style="list-style-type: none"> <li>• Graduated with double degrees majoring in Accounting and Law from Murdoch University, Western Australia in 2008.</li> <li>• After graduating, he had spent a brief period in MIMB Investment Bank Bhd before joining the Group.</li> <li>• Currently, he oversees the finance and accounting operations of the Group.</li> <li>• 9 years in service.</li> </ul>
<b>Ooi Hock Guan</b>	Independent and Non-Executive Directors	<ul style="list-style-type: none"> <li>• Holds a degree in Economics from the University of Leicester, United Kingdom and is a Professional Member of the Institute of Internal Auditors Malaysia.</li> <li>• After graduating, he has spent a total of 14 years with Royal Selangor Pewter and GCH Retail (Malaysia) Sdn. Bhd. (Giant Hypermarket) specializing in Internal Audit and Finance before joining the Group.</li> <li>• He is a member of the Audit Committee of the Company.</li> </ul>

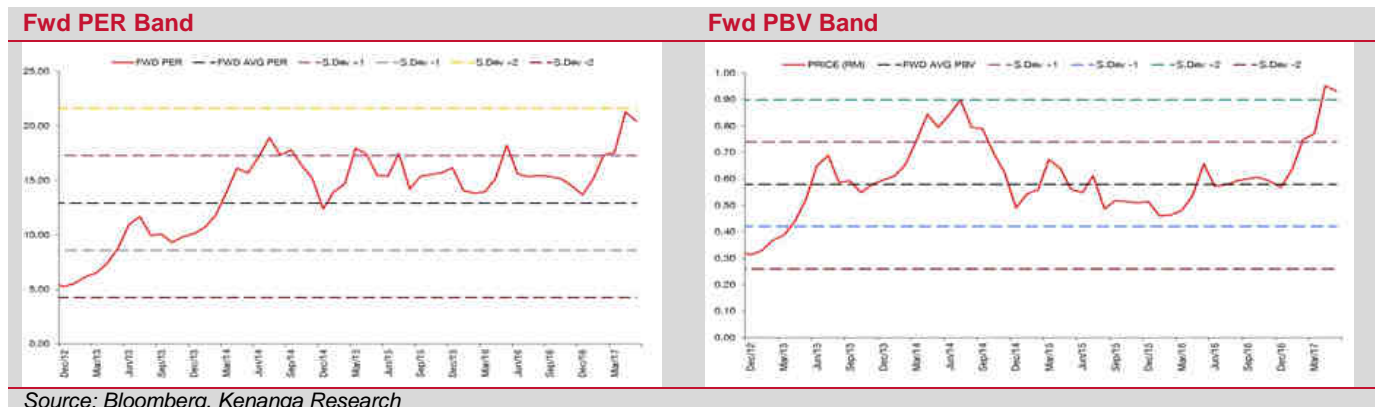
Source: Company; Kenanga Research



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Income Statement						Financial Data & Ratios					
FY Dec (RMm)	2014A	2015A	2016A	2017E	2018E	FY Dec (RMm)	2014A	2015A	2016A	2017E	2018E
Revenue	153.2	122.1	115.3	154.0	185.9	<b>Growth</b>					
EBITDA	53.3	34.8	30.0	42.0	53.2	Turnover (%)	-	-20%	-6%	34%	21%
Depreciation	-4.3	-5.2	-4.3	-4.3	-4.3	EBITDA (%)	-	-35%	-14%	40%	27%
Operating Profit	49.0	29.6	25.8	37.7	48.9	Op. Profit (%)	-	-40%	-13%	46%	30%
Other Income	1.5	1.1	-2.3	0.0	0.0	PBT (%)	-	-41%	-9%	40%	30%
Interest Exp	2.4	1.9	2.3	1.5	1.8	Net Profit (%)	-	-33%	-15%	33%	30%
Associate	0.0	0.0	0.0	0.0	0.0	<b>Profitability %</b>					
EI	0.0	0.0	0.0	0.0	0.0	EBITDA Margin	35%	28%	26%	27%	29%
PBT	52.0	30.8	28.0	39.2	50.8	Operating Mar.	32%	24%	22%	24%	26%
Taxation	-12.7	-5.2	-6.6	-9.8	-12.7	PBT Margin	34%	25%	24%	25%	27%
Minority Interest	-4.2	-2.1	-1.3	-2.7	-3.4	Net Margin	23%	19%	17%	17%	19%
Net Profit	35.1	23.5	20.1	26.7	34.6	Effective Tax	24%	17%	24%	25%	25%
Core Net Profit	35.1	23.5	20.1	26.7	34.6	ROA	4%	3%	2%	3%	4%
						ROE	6%	4%	3%	4%	5%
Balance Sheet						<b>DuPont Analysis</b>					
FY Dec (RMm)	2014A	2015A	2016A	2017E	2018E	Net Margin (%)	23%	19%	17%	17%	19%
PPE	312.1	326.8	330.6	322.5	318.3	Assets T/o (x)	0.2	0.1	0.1	0.2	0.2
Intangible asset	0.0	0.0	19.1	19.1	19.1	Leverage f.(x)	1.4	1.4	1.4	1.4	1.4
Other FA	26.8	26.5	6.5	6.5	6.5	ROE (%)	6%	4%	3%	4%	5%
Inventories	81.9	70.9	66.4	88.6	107.0	<b>Leverage</b>					
Receivables	325.3	325.1	372.1	379.8	407.4	Debt/Asset (x)	0.3	0.2	0.2	0.2	0.2
Other CA	16.2	14.2	6.7	6.7	6.7	Debt/Equity (x)	0.4	0.3	0.3	0.2	0.2
Cash	79.5	59.3	64.1	87.8	96.5	N. Cash/(Debt)	79.0	58.6	64.1	87.8	96.5
Total Assets	841.8	822.8	865.2	911.0	961.4	N. Debt/Eq.	n.c.	n.c.	n.c.	n.c.	n.c.
Payables	14.0	5.7	68.0	84.4	96.8	<b>Valuations</b>					
ST Borrowings	0.5	0.2	0.0	0.0	0.0	Core FD EPS	9.6	6.4	5.5	7.3	9.5
Other ST Liab.	157.5	130.7	89.7	89.7	89.7	DPS (sen)	1.5	1.5	0.0	0.0	0.0
LT Borrowings	0.0	0.5	0.0	0.0	0.0	FD PER (x)	17.4	26.1	30.6	22.9	17.7
Other LT Liab.	66.2	66.2	66.6	66.6	66.6	Net Div. Yield	0.9%	0.9%	0.0%	0.0%	0.0%
Minorities Int.	20.4	22.5	23.8	26.5	29.9	BVPS	1.6	1.6	1.7	1.8	1.9
<b>Net Assets</b>	<b>597.0</b>	<b>597.0</b>	<b>617.1</b>	<b>643.8</b>	<b>678.4</b>	P/B (x)	1.0	1.0	1.0	1.0	0.9
Share Capital	217.6	217.6	217.6	217.6	217.6						
Reserves	379.4	379.4	399.5	426.2	460.8						
<b>Total Equity</b>	<b>597.0</b>	<b>597.0</b>	<b>617.1</b>	<b>643.8</b>	<b>678.4</b>						
Cashflow Statement											
FY Dec (RMm)	2014A	2015A	2016A	2017E	2018E						
Operating CF	43.5	-361.3	43.2	18.5	6.9						
Investing CF	-52.1	-20.0	-6.0	3.8	0.0						
Financing CF	-5.3	-6.0	-0.7	1.5	1.8						
Change In Cash	-14.0	-387.3	36.5	23.8	8.7						
Free CF	44.8	-369.7	44.1	32.1	19.6						

Source: Kenanga Research



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## Peer Comparison

NAME	Price	Mkt	PER (x)			Est.	Hist.	Fwd	Fwd	Net Profit (RMm)			FY17/18	FY18/19	Target	Rating
	(24/5/17)	Cap	FY16/17	FY17/18	FY18/19	NDiv.	ROE	ROE	P/BV	FY16/17	FY17/18	FY18/19	NP	NP	Price	
	(RM)	(RMm)				Yld.	(%)	(%)	(x)				Growth	Growth	(RM)	
<b>DEVELOPERS UNDER COVERAGE</b>																
IOI PROPERTIES GROUP BHD*	2.10	11,563	17.8	14.5	14.4	3.4%	4.1%	4.2%	0.61	648.5	800.2	803.6	23.4%	0.4%	2.30	OUTPERFORM
S P SETIA BHD*	3.80	10,846	13.4	14.2	17.5	4.9%	9.7%	8.0%	1.31	808.0	761.3	620.6	-5.8%	-18.5%	3.86	OUTPERFORM
UEM SUNRISE BHD*	1.27	5,763	39.1	24.7	35.7	0.0%	2.2%	3.4%	0.90	147.3	233.5	161.3	58.5%	-30.9%	1.45	OUTPERFORM
SUNWAY BHD*	3.63	7,387	13.6	14.2	13.6	2.8%	7.3%	6.7%	0.83	541.6	521.7	542.6	-3.7%	4.0%	3.41	OUTPERFORM
MAH SING GROUP BHD^	1.54	3,711	10.7	10.9	11.3	4.2%	10.1%	10.0%	1.07	346.8	338.9	327.5	-2.3%	-3.4%	1.63	OUTPERFORM
ECO WORLD DEVELOPMENT GROUP BHD	1.60	4,711	36.4	41.7	18.9	0.0%	3.7%	4.4%	1.25	129.3	112.9	248.8	-12.7%	120.4%	1.72	OUTPERFORM
UOA DEVELOPMENT BHD*	2.64	4,307	11.5	11.4	11.0	5.7%	19.4%	9.8%	1.09	373.9	379.2	391.4	1.4%	3.2%	2.56	MARKET PERFORM
MALAYSIAN RESOURCES CORP BHD#	1.23	3,183	13.0	46.3	42.1	0.1%	8.6%	2.4%	1.34	244.1	68.8	75.7	-72%	10.0%	1.32	MARKET PERFORM
KSL HOLDINGS BHD	1.21	1,246	6.1	7.2	7.0	0.0%	8.8%	6.9%	0.46	204.6	173.7	177.1	-15.1%	2.0%	1.30	UNDERPERFORM
MATRIX CONCEPTS HOLDINGS BHD	2.80	1,610	8.6	7.2	6.8	5.3%	31.8%	22.7%	1.47	188.0	224.0	238.0	19.1%	6.3%	2.65	MARKET PERFORM
SUNSURIA BERHAD	1.41	1,126	30.7	11.5	7.2	2.2%	6.9%	13.3%	1.42	36.7	98.0	157.0	167.2%	60.1%	1.61	OUTPERFORM
CRESCENDO CORPORATION BHD*	1.65	375	13.0	11.2	10.8	2.9%	2.2%	8.0%	0.49	28.9	33.6	34.6	16.4%	3.0%	1.70	MARKET PERFORM
HUA YANG BHD	1.08	380	6.2	6.1	5.3	1.7%	21.9%	12.2%	0.58	61.0	62.0	72.0	1.6%	16.1%	1.24	MARKET PERFORM
A&M REALTY BHD	1.68	613	30.6	22.9	17.7	0.0%	3.3%	4.2%	0.93	20.1	26.7	34.6	33.2%	29.5%	3.00	OUTPERFORM
<b>CONSENSUS NUMBERS</b>																
IGB CORPORATION BHD	2.95	3,938	13.2	12.8	16.4	3.1%	6.7%	6.4%	0.80	298.0	307.0	240.3	3.0%	-21.7%	3.00	NEUTRAL
GLOMAC BHD	0.71	510	6.3	12.8	7.4	5.2%	12.7%	6.0%	0.51	80.9	39.8	68.7	-50.9%	72.7%	0.74	SELL
PARAMOUNT CORP BHD	1.91	810	10.8	10.1	9.6	4.7%	8.0%	8.3%	0.83	75.0	80.6	84.9	7.5%	5.3%	2.24	BUY
TAMBUN INDAH LAND BHD	1.50	646	5.8	6.7	7.1	5.9%	21.5%	16.4%	1.08	112.2	96.1	91.4	-14.3%	-4.9%	1.58	NEUTRAL
LBS BINA GROUP BHD	2.05	1,365	15.9	12.2	9.8	4.6%	8.0%	9.1%	1.10	85.6	111.9	139.8	30.7%	25.0%	2.12	BUY

\* Core NP and Core PER

^ Last price and TP is Ex-rights and Ex-Bonus.

# MRCB's prices are of ex-rights

Source: Kenanga Research

25 May 2017

Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%  
 MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%  
 UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

**Sector Recommendations\*\*\***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%  
 NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%  
 UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

**\*\*\*Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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