

23 November 2018

Amverton Berhad 9M18 Above Expectations

9M18 CNP of RM16.0m (after stripping off c.RM7.0m net gain from land sale) came in above expectations, making up 94% of our full-year estimate. Its 9M18 property sales of RM29.1m came below our full-year target of RM48.4m. No dividends declared as expected. Raised FY18E CNP by 13% while FY19E earnings remain unchanged. Maintain MARKET PERFORM with an unchanged SoP-driven Target Price of RM1.00.

Above expectations. 9M18 CNP of RM16.0m (after stripping off c.RM7.0m net gain from land sale) came in above expectations, making up 94% of our full-year estimate. The positive variance was driven by higher-than-expected development margin due to the hand-over of projects in 3Q18. Its 9M18 property sales of RM29.1m underperformed, compared to our full-year target of RM48.4m. We do not include land sales into our CNP or sales estimate as it is not their core business to sell land. No dividends declared as expected.

Margin improves. 9M18 CNP grew 15%, YoY driven by the improvement in operating margin from 17% to 24%. The improvement in operating margin was mainly from its property development, which could be due to hand-over of projects and hotel division, which registered improvement of 18ppt due to the full operations of its hotel. To recap, its hotel was partially closed for refurbishment last year. **QoQ**, its 3Q18 CNP growth of 96% was mainly backed by improvements in revenue (+12%) driven by the growth in property revenue (+7%), manufacturing (+21%), and hotel (+31%). That aside, its property development (ex-land sale) margin also improved from 26% to 51% which we believe was due to the hand-over of completed projects.

Outlook. For the year, we expect minimal launches as we expect management to focus on clearing its inventories from projects such as Amverton Hill, which caters to the higher-end segment, implying that quarterly earnings may be lumpy. That said, we are also looking forward to their potential launch of its serviced apartment (GDV: RM88.0m) in Pulau Carey next year. Its unbilled sales of RM33.0m provide less than a half year visibility.

Earnings review. Post results, we raised our FY18E earnings by 13% as we hiked our development margin by 7ppt to better reflect its current margins, while keeping our FY19E earnings unchanged. However, we reduced our FY18E sales by 21% to RM38.0m in view of a weaker property market.

Maintain MARKET PERFORM with an unchanged SoP-driven TP of RM1.00 (property RNAV discount of 88%) implying 83% discount to its SoP/share of RM5.88 (partial GDV and partial land bank basis). Our applied discount of 88%, which is already the steepest in our universe, is due to their slow pace in unlocking the value of their Pulau Carey land-bank, which forms the bulk of the valuation.

Upside risks to our call include: (i) higher-than-expected margins/property sales, and (ii) higher government spending on infrastructure projects, i.e. ports infrastructure.

MARKET PERFORM ↔

Price: **RM0.970**
Target Price: **RM1.000** ↔

Expected Capital Gain: **+RM0.030 +3.1%**
Expected Divd. Yield: **RM0.000 0.0%**
Expected Total Return: **+RM0.030 +3.1%**

KLCI Index 1,695.62

Stock Information

Bloomberg Ticker	AM MK Equity
Bursa Code	5959
Listing Market	Main Market
Shariah Compliant	Yes
Shares Outstanding	365.1
Market Cap (RM m)	354.1
Par value per share (RM)	0.50
52-week range (H)	1.42
52-week range (L)	0.90
Free Float	26%
Beta	1.3
3-mth avg daily vol:	216,093

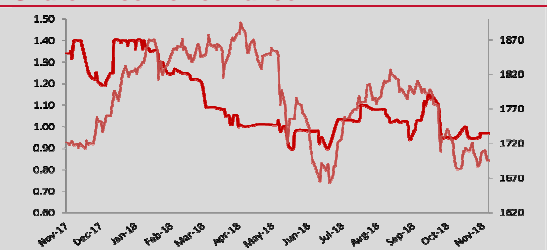
Major Shareholders

Delta Industries Sdn Bhd	58.4%
Boon Thong Ng	10.9%
Golden Approval Sdn Bhd	5.0%

Summary Earnings Table

FY Dec (RM m)	2017A	2018E	2019E
Turnover	160.7	136.8	138.7
EBIT	31.3	26.8	22.3
PBT	33.0	29.3	25.9
Net Profit	24.3	19.6	17.3
Core PATAMI	24.3	19.6	17.3
Consensus (NP)	n.a.	n.a.	n.a.
Earnings Revision	n.a.	13%	0%
Core EPS (sen)	6.7	5.4	4.7
Core EPS growth (%)	21%	-20%	-12%
NDPS (sen)	0.0	0.0	0.0
NTA per Share (RM)	1.8	1.8	1.9
Price to NTA (x)	0.6	0.5	0.5
PER (x)	14.6	18.1	20.5
Debt-to-Equity ratio (x)	-0.1	-0.2	-0.2
Return on Asset (%)	3%	2%	2%
Return on Equity (%)	4%	3%	3%
Net Div. Yield (%)	0.0%	0.0%	0.0%

Share Price Performance



	1 mth	3 mths	12 mths
Absolute (%)	2.1%	-10.2%	-26.5%
Relative (%)	3.7%	-3.8%	-24.9%

Adrian Ng Wei Gek / Sarah Lim Fern Chieh
adrian.ng@ / sarahlim@kenanga.com.my
+603-2172 2639 / +603-2172 2646

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Results Highlights								
	3Q18	2Q18	QoQ	3Q17	YoY	9M18	9M17	YoY
FYE Dec (RM'm)								
Turnover	35.9	32.0	12%	46.1	-22%	97.9	106.8	-8%
EBITDA	13.5	5.1	165%	9.3	45%	23.5	18.2	29%
Depreciation	0.0	0.0	n.m.	0.0	n.m.	0.0	0.0	n.m.
EBIT	13.5	5.1	165%	9.3	45%	23.5	18.2	29%
Interest inc/(exp)	0.6	0.6	-7%	0.4	43%	1.8	1.4	27%
Associates	0.0	0.0	n.m.	0.0	n.m.	0.0	0.0	n.m.
Exceptional items	7.1	0.0	n.m.	0.0	n.m.	7.1	0.0	n.m.
Forex gain/(loss)	0.0	0.0	n.m.	0.0	n.m.	0.0	0.0	n.m.
Pretax profit	21.2	5.7	270%	9.7	118%	32.4	19.6	65%
Taxation	-6.1	-1.3	356%	-2.3	167%	-8.9	-4.9	83%
Deferred tax	0.0	0.0	n.m.	0.0	n.m.	0.0	0.0	n.m.
Profit after tax	15.1	4.4	244%	7.4	103%	23.5	14.7	60%
Minority interest	0.3	-0.2	-251%	-0.2	-231%	-0.4	-0.8	-56%
PATAMI	15.4	4.2	266%	7.2	113%	23.2	13.9	66%
Core PATAMI	8.2	4.2	96%	7.2	14%	16.0	13.9	15%
EBIT margin	38%	16%		20%		24%	17%	
Pretax margin	59%	18%		21%		33%	18%	
CNP margin	23%	13%		16%		16%	13%	
EPS (sen)	4.2	1.1		2.0		6.3	3.8	
Core EPS(sen)	2.3	1.1		2.0		4.4	3.8	
BV/share (RM)	1.8	1.8		1.7		1.8	1.7	
Net gearing (x)	-0.1	-0.1		-0.1		-0.1	-0.1	
Effective tax	29%	24%		24%		27%	25%	

Source: Company, Kenanga Research

Segmental Breakdown								
	3Q18	2Q18	QoQ	3Q17	YoY	9M18	9M17	YoY
External Turnover Segmentation								
Property	20.4	19.1	7%	32.8	-38%	55.7	65.4	-15%
Manufacturing	9.5	7.9	21%	8.3	15%	25.2	26.7	-5%
Hotel	4.9	3.7	31%	3.7	32%	12.9	10.0	29%
Plantation	1.1	1.3	-16%	1.3	-17%	4.0	4.7	-16%
Total	35.9	32.0	12%	46.1	-22%	97.9	106.8	-8%
Property	20.0	4.9	308%	9.0	123%	28.6	17.1	67%
Manufacturing	0.3	0.3	11%	0.3	28%	0.9	0.9	7%
Hotel	0.7	-0.1	n.m.	-0.1	n.m.	1.0	-1.0	n.m.
Plantation	-0.4	0.0	n.m.	0.2	n.m.	0.1	1.2	-92%
Total	20.6	5.1	304%	9.3	121%	30.6	18.2	68%
Operating margins								
Property	98%	26%		27%		51%	26%	
Manufacturing	3%	4%		3%		4%	3%	
Hotel	15%	-3%		-3%		8%	-10%	
Plantation	-38%	1%		15%		3%	25%	

Source: Company, Kenanga Research

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Sum-of-Parts							
Projects on DCF basis	Stake	Land size (ac)	Remaining Eff. GDV (RM'm)	Remaining Eff. Net Profit (RM'm)	Assumed Duration (years)	WACC (%)	NPV Value (RM'm)
Amverton Hills, Sg Buloh	100%	124	1,824	383	10	11%	226
Amverton Links, Klang	100%	23	100	21	3	11%	17
PK 11, Klang	100%	12	548	115	5	11%	69
Amverton Cove, Pulau Carey	60%	1,063	4,092	859	20	11%	342
Mont Kiara	100%	3	248	52	4	11%	33
Morib, Banting	100%	185	1,200	252	10	11%	148
Unbilled Sales	100%		24	7	2	11%	25
Projects on Land Valuation Basis	Stake	Land size (ac)	Book Value (RM'm)	Book Value (RM'psf)	Market Value (RM'psf)	Market Value (RM'm)	Surplus/ (Deficit)
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
Property: Revised Asset Value							1,576
Property Book Value							448
Hotel/Leisure Book Value							124
SOP							2,148
SOP/sh (RM)							5.88
Share Base ('m)							365
Property RNAV Discount						-88%	-1781.3
Implied SOP Discount						-83%	
Target Price (RM)							1.00

Source: Kenanga Research

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Peer Comparison

Name	Last Price	Market	Shariah	Current	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div.Yld. (%)	Target	Rating
	(RM)	Cap (RM'm)	Compliant	FYE	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	Price (RM)	
PROPERTY DEVELOPERS UNDER COVERAGE																	
AMVERTON BHD	0.970	354.1	Y	12/2018	-14.9%	1.4%	-19.6%	-11.6%	14.6	18.1	20.5	0.6	0.5	3.0%	0.0%	1.00	MP
CRESCENDO CORPORATION BHD	1.25	349.3	Y	01/2019	12.2%	1.6%	-10.4%	3.7%	10.0	11.2	10.8	0.4	0.3	3.5%	4.8%	1.30	MP
ECO WORLD DEVELOPMENT GROUP	1.01	2,973.8	Y	10/2018	-1.7%	-0.3%	45.7%	55.7%	26.3	18.1	11.6	0.8	0.8	3.8%	0.0%	1.15	MP
HUA YANG BHD	0.375	132.0	Y	03/2019	-3.2%	2.2%	48.0%	20.5%	29.9	20.2	16.8	0.2	0.2	1.1%	0.0%	0.410	MP
IOI PROPERTIES GROUP BHD	1.65	9,085.1	Y	06/2019	-15.0%	-6.0%	-5.3%	-2.7%	13.7	14.5	14.9	0.5	0.5	3.4%	3.0%	1.65	OP
MAGNA PRIMA BHD	0.910	302.7	Y	12/2018	-19.9%	7.3%	112.1%	1.5%	66.9	31.6	31.1	0.7	0.7	2.3%	1.4%	0.955	MP
MAH SING GROUP BHD	1.01	2,452.0	Y	12/2018	-5.5%	4.2%	-29.9%	4.0%	9.6	13.6	13.1	0.7	0.7	6.0%	5.4%	1.10	OP
MALAYSIAN RESOURCES CORP BHD	0.730	3,208.4	Y	12/2018	-36.8%	12.6%	-15.0%	11.4%	34.8	40.9	36.7	0.8	0.8	1.8%	0.0%	0.750	MP
SIME DARBY PROPERTY BHD	0.995	6,766.8	Y	12/2018	13.3%	17.6%	14.4%	44.5%	18.4	16.1	11.2	0.7	0.7	4.2%	2.5%	1.10	OP
SP SETIA BHD	2.11	8,349.1	Y	12/2018	-17.0%	6.1%	-64.0%	24.2%	10.6	29.5	23.8	0.7	0.6	4.8%	7.3%	2.45	OP
SUNSURIA BHD	0.775	619.1	Y	09/2018	10.9%	11.4%	5.7%	16.8%	6.8	6.5	5.5	0.8	0.7	11.7%	0.0%	0.860	MP
SUNWAY BHD	1.48	7,182.7	Y	12/2018	-2.6%	4.6%	-3.8%	8.1%	12.9	13.4	12.4	0.9	0.9	6.9%	4.7%	1.50	MP
UEM SUNRISE BHD	0.790	3,584.6	Y	12/2018	-2.8%	28.0%	23.3%	6.8%	13.2	10.7	10.0	0.6	0.5	4.7%	1.3%	0.850	OP
UOA DEVELOPMENT BHD	2.20	4,056.2	Y	12/2018	5.0%	8.9%	-17.0%	10.9%	9.7	11.7	10.6	0.9	0.9	7.7%	6.4%	2.15	OP
Simple Average					-5.6%	7.1%	6.0%	13.8%	19.8	18.3	16.3	0.7	0.6	4.6%	2.6%		
<i>*SIMEPROP change of FY-end from 30-Jun to 31-Dec. Out historical numbers are based on FY18A while 1-Yr and 2-Yr Fwd are based on FY19E and FY20E figures</i>																	
CONSENSUS NUMBERS																	
GLOMAC BHD	0.405	318.4	Y	04/2019	-35.7%	42.0%	-60.5%	103.6%	10.2	25.8	12.7	0.3	N.A.	1.2%	2.5%	0.410	SELL
LBS BINA GROUP BHD	0.690	1,075.7	Y	12/2018	-4.1%	15.5%	6.8%	12.3%	10.4	9.7	8.7	0.9	0.7	7.2%	4.8%	1.17	BUY
MATRIX CONCEPTS HOLDINGS BHD	1.97	1,483.0	Y	03/2019	22.9%	14.2%	9.1%	11.6%	7.0	6.4	5.7	1.2	1.1	18.0%	6.8%	2.37	BUY
PARAMOUNT CORP BHD	2.08	890.8	Y	12/2018	8.2%	5.0%	-33.7%	4.0%	6.7	10.1	9.7	0.9	0.8	7.0%	4.3%	2.48	BUY
TAMBUN INDAH LAND BHD	0.795	344.5	Y	12/2018	-29.3%	-1.4%	-36.1%	0.9%	4.1	6.5	6.4	0.6	0.6	8.2%	6.0%	1.00	BUY
TITIJAYA LAND BHD	0.330	436.6	Y	06/2019	6.6%	5.5%	5.9%	6.4%	6.0	5.7	5.3	0.4	0.3	5.7%	38.8%	0.445	BUY
YONG TAI BHD	0.620	301.1	Y	06/2019	146.7%	40.4%	62.6%	93.8%	19.4	11.9	6.2	0.8	0.7	4.4%	0.0%	0.855	NEUTRAL

Source: Kenanga Research

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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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Published and printed by:

KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 12, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my

This report is accessible at www.bursamids.com too.



Chan Ken Yew
Head of Research

