

28 February 2018

Amverton Berhad Scores Above!

FY17 NP came in above expectations at 110% of our full-year estimates. Property sales of RM102.9m are also higher compared to our target of RM97.8m. No dividend declared, as expected. No changes to FY18E NP, introduce FY19E NP of RM27.5m. Maintain OP with an unchanged SoP-driven Target Price of RM2.00.

Above expectations. FY17 NP of RM24.3m makes up 110% of our full-year estimate, which was better than expected. Property sales of RM102.9m are also higher compared to our target of RM97.8m. No dividend declared, as expected.

Results review. FY17 NP grew 21%, YoY, underpinned by the decent growth in revenue of 39%. The stellar growth in revenue was mainly driven by its property division, which registered revenue growth of 81% as the development project in Klang, i.e. Amverton Links, saw healthy response from the market. **QoQ**, 4Q17 NP registered significant growth of 44% premised on several factors; (i) revenue increased by 18% backed by the improvement from all its divisions which registered revenue growth ranging between 1%-39%, and (ii) improvement in operating margins for all of its divisions that ranges between 3ppt-18ppt to 15%-30% except for its plantation division. Notably, its hotel division that has been registering losses in the previous quarters finally turned profitable.

Slow but steady. We are positive with its earnings outlook in FY18 backed by its unbilled sales of RM56.0m coupled with its continuous efforts in marketing higher-end products in Amverton Hills (GDV: c.RM105.0m) which they have launched last year, coupled with the potential launch of its service apartment (GDV: RM88.0m) in Pulau Carey this year. Hence, we believe that our FY18E sales target of RM111.6m is achievable.

Earnings estimate unchanged. Post results, no changes to FY18E NP, and we introduce FY19E NP of RM27.5m.

Maintain OUTPERFORM. Reiterate OP on AMVERTON with an unchanged SoP-driven TP of RM2.00 (property RNAV discount of 75%) implying 71% discount to its SoP/share of RM7.00 (partial GDV and partial land bank basis). Although our TP implies a high FY18E PER of 28.4x vs. other small-mid cap developers' average of 8.5x, its GDV/market cap ratio is also high at 26.6x vs. small-mid cap peers' average of 12.4x. We still like the company for its healthy margins, light balance sheet, earnings growth, and future catalyst, i.e. Pulau Carey that is set to ride on the potential port development project undertaken by SIME and MMC.

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

OUTPERFORM ↔

Price: RM1.25
Target Price: RM2.00 ↔

Expected Capital Gain: RM0.75 +60.0%
Expected Divd. Yield: RM0.00 0.0%
Expected Total Return: RM0.75 +60.0%

KLCI Index 1,871.46

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)	456.3
Par value per share (RM)	0.50
52-week range (H)	1.85
52-week range (L)	1.18
Free Float	29%
Beta	0.6
3-mth avg daily vol:	40,708

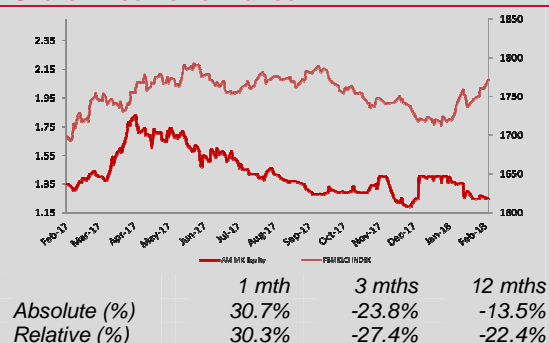
Major Shareholders

Delta Industries Sdn Bhd	55.1%
Boon Thong Ng	10.9%
Golden Approval Sdn Bhd	5.0%

Summary Earnings Table

FY Dec (RM m)	2017A	2018E	2019E
Turnover	160.7	177.8	184.4
EBIT	31.3	36.7	38.8
PBT	33.0	38.4	41.2
Net Profit	24.3	25.7	27.5
Core PATAMI	24.3	25.7	27.5
Consensus (NP)	n.a.	n.a.	n.a.
Earnings Revision	n.a.	0%	0%
Core EPS (sen)	6.7	7.0	7.5
Core EPS growth (%)	21%	6%	7%
NDPS (sen)	0.0	0.0	0.0
NTA per Share (RM)	1.8	1.8	1.9
Price to NTA (x)	0.7	0.7	0.7
PER (x)	18.8	17.8	16.6
Debt-to-Equity ratio (x)	-0.1	-0.2	-0.2
Return on Asset (%)	3%	3%	3%
Return on Equity (%)	4%	4%	4%
Net Div. Yield (%)	0.0%	0.0%	0.0%

Share Price Performance



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Results Highlights								
	4Q17	3Q17	QoQ	4Q16	YoY	FY17	FY16	YoY
FYE Dec (RM'm)								
Turnover	53.9	46.1	17%	32.6	65%	160.7	115.3	39%
EBIT	13.1	9.3	40%	5.7	130%	31.3	25.7	21%
Interest inc/(exp)	0.4	0.4	-7%	0.7	-47%	1.8	2.3	-22%
Associates	0.0	0.0	n.m.	0.0	n.m.	0.0	0.0	n.m.
Exceptional items	0.0	0.0	n.m.	0.0	n.m.	0.0	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	13.4	9.7	38%	6.4	109%	33.0	28.0	18%
Taxation	-2.4	-2.3	3%	-1.2	98%	-7.2	-6.6	9%
Deferred tax	0.0	0.0	n.m.	0.0	n.m.	0.0	0.0	n.m.
Profit after tax	11.1	7.4	49%	5.2	112%	25.8	21.4	21%
Minority interest	-0.7	-0.2	197%	-0.7	-9%	-1.5	-1.3	12%
PATAMI	10.4	7.2	44%	4.5	131%	24.3	20.1	21%
Core PATAMI	10.4	7.2	44%	4.5	131%	24.3	20.1	21%
EBIT margin	24%	20%		17%		19%	22%	
Pretax margin	25%	21%		20%		21%	24%	
CNP margin	19%	16%		14%		15%	17%	
EPS (sen)	2.9	2.0		1.2		6.7	5.5	
Core EPS(sen)	2.9	2.0		1.2		6.7	5.5	
BV/share (RM)	1.8	1.7		1.7		1.8	1.7	
Net gearing (x)	-0.1	-0.1		-0.1		-0.1	-0.1	
Effective tax	18%	24%		19%		22%	24%	

Source: Company, Kenanga Research

Segmental Breakdown								
External Turnover Segmentation	4Q17	3Q17	QoQ	4Q16	YoY	FY17	FY16	YoY
Property	38.8	32.8	18%	17.5	122%	104.2	57.4	81%
Manufacturing	8.3	8.3	1%	9.8	-15%	35.0	38.1	-8%
Hotel	5.1	3.7	39%	4.2	22%	15.2	14.8	2%
Plantation	1.6	1.3	23%	1.1	43%	6.4	4.9	29%
Total	53.9	46.1	17%	32.6	65%	160.7	115.3	39%
Property	11.7	9.0	30%	4.7	147%	28.8	23.0	25%
Manufacturing	0.5	0.3	83%	0.4	28%	1.3	1.1	21%
Hotel	0.8	-0.1	836%	0.7	12%	-0.2	0.9	-122%
Plantation	0.1	0.2	-32%	-0.1	-268%	1.3	0.8	71%
Total	13.1	9.3	40%	5.7	128%	31.3	25.8	21%
Operating margins								
Property	30%	27%		27%		28%	40%	
Manufacturing	6%	3%		4%		4%	3%	
Hotel	15%	-3%		17%		-1%	6%	
Plantation	8%	15%		-7%		21%	16%	

Source: Company, Kenanga Research

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Peer Comparison

NAME	Price (27/2/18)	Mkt Cap	PER (x)			Est. NDiv. Yld.	Hist. ROE	Fwd ROE	P/BV	Net Profit (RMm)			FY17/18 NP Growth	FY18/19 NP Growth	Target Price	Rating
	(RM)	(RMm)	FY16/17	FY17/18	FY18/19	(%)	(%)	(%)	(x)	FY16/17	FY17/18	FY18/19	(%)	(%)	(RM)	
DEVELOPERS UNDER COVERAGE																
IOI PROPERTIES GROUP BHD*	1.84	10,131	11.4	12.4	11.8	3.3%	5.1%	4.7%	0.58	938.0	859.1	903.8	-8.4%	5.2%	2.00	MARKET PERFORM
S P SETIA BHD*	3.29	12,348	14.7	18.5	15.8	3.5%	8.4%	4.8%	0.85	766.4	607.3	712.3	-20.8%	17.3%	4.10	OUTPERFORM
UEM SUNRISE BHD*	1.13	5,127	18.8	18.4	22.2	0.9%	4.0%	3.9%	0.77	272.2	278.6	230.8	2.3%	-17.2%	1.20	MARKET PERFORM
SUNWAY BHD	1.63	7,980	14.8	15.4	14.8	3.6%	7.3%	6.7%	1.04	541.6	521.7	542.6	-3.7%	4.0%	1.75	MARKET PERFORM
MAH SING GROUP BHD	1.22	2,962	9.9	10.1	10.5	5.5%	10.1%	10.0%	0.85	346.8	338.9	327.6	-2.3%	-3.3%	1.60	OUTPERFORM
ECO WORLD DEVELOPMENT GROUP BHD	1.30	3,828	33.9	20.3	14.3	0.0%	5.2%	4.3%	0.86	113.1	188.6	267.1	66.8%	41.7%	1.50	MARKET PERFORM
UOA DEVELOPMENT BHD*	2.61	4,523	11.5	11.5	11.4	5.7%	12.1%	9.3%	1.05	401.5	403.9	406.1	0.6%	0.6%	2.60	MARKET PERFORM
MALAYSIAN RESOURCES CORP BHD	1.12	4,918	22.1	69.6	44.2	1.6%	8.6%	2.4%	1.24	244.1	77.6	122.3	-68%	57.6%	1.25	OUTPERFORM
SUNSURIA BERHAD	1.32	1,054	11.6	9.4	6.2	0.0%	6.9%	11.6%	1.16	90.7	111.9	169.9	23.3%	51.9%	1.40	MARKET PERFORM
CRESCENDO CORPORATION BHD*	1.41	321	13.7	9.3	8.9	4.2%	2.2%	8.0%	0.42	28.9	42.5	44.6	47.2%	4.9%	1.50	MARKET PERFORM
HUA YANG BHD	0.580	204	2.9	64.4	17.6	3.4%	21.9%	12.2%	0.34	70.0	3.0	12.0	-95.7%	300.0%	0.600	MARKET PERFORM
AMVERTON BHD	1.25	456	18.8	17.8	16.6	0.0%	3.0%	4.0%	0.69	24.3	25.7	27.5	5.8%	7.0%	2.00	OUTPERFORM
MAGNA PRIMA BHD	1.26	419	78.9	840.0	53.2	0.0%	7.4%	1.1%	1.03	7.9	0.8	11.7	-89.9%	1362.5%	1.25	MARKET PERFORM
CONSENSUS NUMBERS																
IGB CORPORATION BHD	2.97	3,984	11.7	14.9	14.1	3.4%	7.4%	5.1%	0.76	340.9	268.3	281.7	-21.3%	5.0%	n.a.	BUY
GLOMAC BHD	0.54	429	4.0	16.4	11.5	3.1%	0.7%	4.6%	n.a.	108.2	26.2	37.3	-75.8%	42.4%	0.54	SELL
PARAMOUNT CORP BHD	1.94	823	6.2	9.2	8.8	5.2%	14.6%	9.6%	0.88	133.4	89.1	93.3	-33.2%	4.8%	2.40	BUY
TAMBUN INDAH LAND BHD	0.89	383	4.6	5.2	4.8	7.8%	18.8%	12.3%	0.61	83.4	74.1	79.3	-11.1%	7.0%	1.09	NEUTRAL
LBS BINA GROUP BHD	1.05	1,628	19.1	14.8	12.7	5.5%	9.2%	9.1%	0.96	85.3	110.1	128.7	29.1%	16.9%	1.19	BUY
YONG TAI BHD	1.58	760.52	114.8	19.3	7.5	0%	4.5%	10.3%	1.30	6.6	39.5	101.1	496.0%	156.1%	2.12	BUY
TITIJAYA LAND BHD	0.67	900.76	11.9	10.5	10.0	2%	11.7%	12.3%	0.85	76.0	86.0	90.1	13.2%	4.7%	0.99	BUY
MATRIX CONCEPTS HOLDINGS BHD	2.18	1,625.85	8.8	7.1	6.2	6%	17.8%	19.6%	1.27	185.3	229.7	263.3	24.0%	14.6%	2.40	BUY

* Core NP and Core PER

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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