

27 February 2019

## Amverton Berhad FY18 Above Expectations

FY18 CNP of RM23.9m (after stripping off RM66.8m land sale gain) came in above expectations, exceeding our full-year estimate by 21%. FY18 property sales of RM33.6m are a tad short of our expectation of RM38.0m. No dividends declared, as expected. We introduce FY20E earnings estimate of RM17.7m, while keeping FY19E earnings unchanged. Maintain MARKET PERFORM with an unchanged SoP-driven Target Price of RM1.00.

**Above expectations.** FY18 CNP of RM23.9m (after stripping off c.RM66.8m land sale gain) came in above expectations, exceeding our full-year estimates by 21%. The positive variance stems from: (i) its manufacturing and hotel division, which performed above our expectations, and (ii) higher finance income. However, FY18 property sales of RM33.6m were a tad short of our expectation of RM38.0m. No dividend was declared, as expected.

**Results highlight.** YoY, its FY18 revenue saw a sharp decline of 26% but FY18 CNP only saw a marginal decline of 2%. The sharp decline in revenue is due to slow property sales. Positively, its hotel division returned to the black registering an operating profit of RM2.4m vs. a loss of RM0.2m in FY17. QoQ, its 4Q18 CNP is down by 5% due to similar reasons above, whereby its revenue declined by 41% due to slow property sales and lack of hand-over of completed projects.

**Outlook.** Moving into 2019, we believe that management will still focus on clearing inventories from projects such as Amverton Hill, and might look to launch some development projects in Pulau Carey of which we are in the midst of confirming with management. Its unbilled sales of RM28.7m provide less than a half year visibility.

**Earnings review.** For FY19, we are keeping our earnings and sale target of RM39.9m, and we introduce our FY20E earnings of RM17.7m.

**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 landbank, which forms the bulk of the valuation.

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

## MARKET PERFORM ↔

Price: **RM1.00**  
Target Price: **RM1.00** ↔

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

KLCI Index 1,719.00

### 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)	365.1
Par value per share (RM)	0.50
52-week range (H)	1.25
52-week range (L)	0.87
Free Float	26%
Beta	1.4
3-mth avg daily vol:	9,074

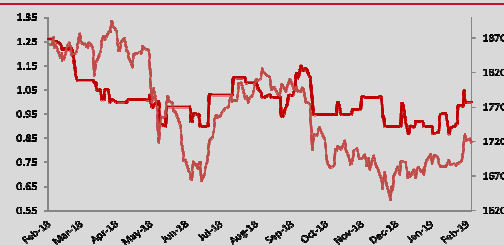
### Major Shareholders

Delta Industries Sdn Bhd	58.4%
Boon Thong Ng	10.9%
Golden Approval Sdn Bhd	4.9%

### Summary Earnings Table

FY Dec (RM m)	2018A	2019E	2020E
Turnover	119.2	140.9	138.9
EBIT	92.5	22.9	23.4
PBT	94.9	24.5	25.1
<b>Net Profit</b>	<b>75.5</b>	<b>17.3</b>	<b>17.7</b>
<b>Core PATAMI</b>	<b>23.9</b>	<b>17.3</b>	<b>17.7</b>
Consensus (NP)	n.a.	n.a.	n.a.
Earnings Revision	n.a.	0%	0%
Core EPS (sen)	6.5	4.7	4.8
Core EPS growth (%)	-2%	-28%	2%
NDPS (sen)	0.0	0.0	0.0
NTA per Share (RM)	1.9	2.0	2.0
Price to NTA (x)	0.5	0.5	0.5
PER (x)	15.3	21.1	20.7
Debt-to-Equity ratio (x)	0.0	0.0	0.0
Return on Asset (%)	3%	2%	2%
Return on Equity (%)	11%	2%	2%
Net Div. Yield (%)	0%	0%	0%

### Share Price Performance



	1 mth	3 mths	12 mths
Absolute (%)	14.9%	-2.0%	-20.0%
Relative (%)	13.9%	-3.0%	-11.9%

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

	4Q18	3Q18	QoQ	4Q17	YoY	FY18	FY17	YoY
<b>FYE Dec (RM'm)</b>								
<b>Turnover</b>	<b>21.3</b>	<b>35.9</b>	<b>-41%</b>	<b>53.9</b>	<b>-60%</b>	<b>119.2</b>	<b>160.7</b>	<b>-26%</b>
<b>EBIT</b>	<b>17.4</b>	<b>13.5</b>	<b>29%</b>	<b>13.1</b>	<b>33%</b>	<b>40.9</b>	<b>31.3</b>	<b>31%</b>
Interest inc/(exp)	0.7	0.6	10%	0.4	69%	2.4	1.8	36%
Associates/JV	0.0	0.0	n.m.	0.0	n.m.	0.0	0.0	n.m.
Exceptional items	44.5	7.1	524%	0.0	n.m.	51.6	0.0	n.m.
Forex gain/(loss)	0.0	0.0	n.m.	0.0	n.m.	0.0	0.0	n.m.
<b>Pretax profit</b>	<b>62.5</b>	<b>21.2</b>	<b>195%</b>	<b>13.4</b>	<b>365%</b>	<b>94.9</b>	<b>33.0</b>	<b>187%</b>
Taxation	-10.0	-6.1	62%	-2.4	319%	-18.9	-7.2	161%
Deferred tax	0.0	0.0	n.m.	0.0	n.m.	0.0	0.0	n.m.
<b>Profit after tax</b>	<b>52.5</b>	<b>15.1</b>	<b>249%</b>	<b>11.1</b>	<b>375%</b>	<b>76.1</b>	<b>25.8</b>	<b>195%</b>
Minority interest	-0.2	0.3	-186%	-0.7	-62%	-0.6	-1.5	-59%
<b>PATAMI</b>	<b>52.3</b>	<b>15.4</b>	<b>241%</b>	<b>10.4</b>	<b>403%</b>	<b>75.5</b>	<b>24.3</b>	<b>210%</b>
<b>Core PATAMI</b>	<b>7.8</b>	<b>8.2</b>	<b>-5%</b>	<b>10.4</b>	<b>-25%</b>	<b>23.9</b>	<b>24.3</b>	<b>-2%</b>
DPS (sen)	0.0	0.0		0.0		0.0	0.0	
EBIT margin	82%	38%		24%		34%	19%	
Pretax margin	293%	59%		25%		80%	21%	
NP margin	293%	59%		25%		80%	21%	
CNP margin	37%	23%		19%		20%	15%	
EPS (sen)	14.3	4.2		2.9		20.7	6.7	
Core EPS(sen)	2.1	2.3		2.9		6.5	6.7	
BV/share (RM)	2.0	1.8		1.8		2.0	1.8	
Net gearing (x)	-0.1	-0.1		-0.1		-0.1	-0.1	
Effective tax	16%	29%		18%		20%	22%	

Source: Company, Kenanga Research

## Segmental Breakdown

	4Q18	3Q18	QoQ	4Q17	YoY	FY18	FY17	YoY
<b>External Turnover Segmentation</b>								
Property	6.4	20.4	-68%	38.8	-83%	62.1	104.2	-40%
Manufacturing	8.0	9.5	-16%	8.3	-4%	33.2	35.0	-5%
Hotel	5.8	4.9	20%	5.1	14%	18.8	15.2	24%
Plantation	1.0	1.1	-10%	1.6	-39%	5.0	6.4	-22%
<b>Total</b>	<b>21.3</b>	<b>35.9</b>	<b>-41%</b>	<b>53.9</b>	<b>-60%</b>	<b>119.2</b>	<b>160.7</b>	<b>-26%</b>
<b>Operating Profit Segmentation</b>								
Property	60.3	20.0	202%	11.7	418%	89.0	28.8	209%
Manufacturing	0.6	0.3	75%	0.5	22%	1.5	1.3	12%
Hotel	1.5	0.7	100%	0.8	85%	2.4	-0.2	n.m.
Plantation	-0.5	-0.4	19%	0.1	-479%	-0.4	1.3	-130%
<b>Total</b>	<b>61.9</b>	<b>20.6</b>	<b>200%</b>	<b>13.1</b>	<b>374%</b>	<b>92.5</b>	<b>31.3</b>	<b>196%</b>
<b>Operating margins</b>								
Property	938%	98%		30%		143%	28%	
Manufacturing	7%	3%		6%		4%	4%	
Hotel	25%	15%		15%		13%	-1%	
Plantation	-50%	-38%		8%		-8%	21%	

Source: Company, Kenanga Research

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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	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
<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>1,576</b>
Property Book Value							448
Hotel/Leisure Book Value							124
<b>SOP</b>							<b>2,148</b>
<b>SOP/sh (RM)</b>							<b>5.88</b>
Share Base ('m)							365
Property RNAV Discount						-88%	-1781.3
Implied SOP Discount						-83%	
<b>Target Price (RM)</b>							<b>1.00</b>
<i>Source: Kenanga Research</i>							

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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 Price (RM)	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.	1-Yr. Fwd.		
<b>PROPERTY DEVELOPERS UNDER COVERAGE</b>																		
AMVERTON BHD	1.00	365.1	Y	12/2019	18.3%	-1.4%	-27.5%	2.2%	15.3	21.1	20.7	0.5	0.5	2.4%	0.0%	1.00	MP	
ECO WORLD DEVELOPMENT GROUP	0.990	2,914.9	Y	10/2019	-4.4%	-18.3%	23.4%	23.9%	17.6	14.3	11.5	0.8	0.7	4.5%	1.1%	1.15	OP	
HUA YANG BHD	0.405	142.6	Y	03/2019	9.0%	0.3%	149.1%	22.3%	32.3	13.0	10.6	0.2	0.2	1.8%	0.0%	0.410	OP	
IOI PROPERTIES GROUP BHD	1.63	8,975.0	Y	06/2019	-15.0%	-6.0%	0.9%	-3.4%	13.6	13.5	13.9	0.5	0.5	3.6%	3.1%	1.65	MP	
LBS BINA GROUP BHD	0.675	1,052.3	Y	12/2018	1.6%	6.4%	-12.5%	1.5%	10.2	11.6	11.5	0.8	0.7	6.9%	2.6%	0.720	MP	
MAGNA PRIMA BHD	0.890	296.0	Y	12/2018	-19.9%	7.3%	112.1%	1.5%	65.4	30.9	30.4	0.7	0.7	2.3%	1.5%	0.955	MP	
MAH SING GROUP BHD	1.00	2,427.7	Y	12/2018	-5.5%	4.2%	-29.9%	4.0%	9.5	13.5	13.0	0.7	0.7	6.0%	5.5%	1.10	OP	
MALAYSIAN RESOURCES CORP BHD	0.800	3,519.9	Y	12/2019	5.0%	5.0%	26.9%	19.5%	46.5	36.7	30.7	0.7	0.7	2.0%	2.2%	0.750	MP	
SIME DARBY PROPERTY BHD	1.16	7,889.0	Y	12/2018	11.9%	17.8%	9.5%	45.5%	21.5	19.6	13.5	0.8	0.8	4.1%	2.0%	1.10	OP	
SP SETIA BHD	2.57	10,173.5	Y	12/2018	-17.0%	6.1%	-64.0%	24.2%	12.9	36.0	28.9	0.8	0.7	4.8%	6.0%	2.45	OP	
SUNSURIA BHD	0.640	511.3	Y	09/2019	6.4%	7.6%	0.7%	2.6%	3.9	3.8	3.7	0.6	0.5	15.1%	0.0%	0.860	OP	
SUNWAY BHD	1.66	8,050.5	Y	12/2018	-2.6%	4.6%	-3.7%	8.0%	14.4	15.0	13.9	1.0	1.0	6.9%	4.2%	1.50	MP	
UEM SUNRISE BHD	0.845	3,834.1	Y	12/2019	37.0%	-14.3%	9.0%	-11.7%	11.8	10.8	12.2	0.6	0.6	4.9%	1.2%	0.850	MP	
UOA DEVELOPMENT BHD	2.31	4,259.0	Y	12/2019	0.6%	-0.4%	4.6%	0.9%	12.8	12.2	12.1	0.9	0.9	7.4%	6.1%	2.15	MP	
<b>Simple Average</b>					<b>1.8%</b>	<b>1.4%</b>	<b>14.2%</b>	<b>10.1%</b>	<b>20.5</b>	<b>18.0</b>	<b>16.2</b>	<b>0.7</b>	<b>0.7</b>	<b>5.2%</b>	<b>2.5%</b>			
*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																		
<b>CONSENSUS NUMBERS</b>																		
GLOMAC BHD	0.375	293.0	Y	04/2019	-38.8%	43.7%	-77.6%	210.7%	9.4	41.9	13.5	0.3	N.A.	0.7%	1.3%	0.370	SELL	
MATRIX CONCEPTS HOLDINGS BHD	1.97	1,483.0	Y	03/2019	25.1%	12.1%	-2.3%	10.9%	7.0	7.1	6.4	1.2	1.1	16.2%	6.2%	2.32	BUY	
PARAMOUNT CORP BHD	2.16	925.1	Y	12/2018	8.2%	5.0%	-33.7%	4.0%	6.9	10.5	10.1	0.9	0.8	7.0%	4.2%	2.56	BUY	
TAMBUN INDAH LAND BHD	0.775	335.9	Y	12/2019	-14.3%	10.6%	-24.0%	9.5%	6.1	8.0	7.3	0.6	0.7	7.7%	5.4%	0.917	BUY	
TITIJAYA LAND BHD	0.320	418.2	Y	06/2019	-7.2%	6.5%	-10.4%	9.4%	5.8	6.4	5.9	0.4	0.3	4.9%	40.0%	0.430	BUY	
YONG TAI BHD	0.330	160.3	Y	06/2019	65.7%	87.4%	-143.0%	42.2%	10.3	N.A.	10.1	0.4	0.4	-1.1%	0.0%	0.398	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](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)

This report is accessible at [www.bursamids.com](http://www.bursamids.com) too.



Chan Ken Yew  
Head of Research