

## Amverton Berhad

### Focus on Clearing Unsold Units

AMVERTON's focus for FY19 is to clear unsold units from the Amverton Hill and Amverton Links projects, with FY19 sales target at RM45m. New project is likely to be launched only after FY19 with potential pipelines such as double-storey terrace units at Amverton Hill and Retirement Village at Amverton Cove. All in, we make no changes to our earnings assumption. Maintain UNDERPERFORM and SoP-driven TP of RM1.00.

**Recap of FY18 results.** FY18 CNP of RM23.9m came in above expectation with positive variance from its manufacturing and hotel divisions and higher finance income. **YoY-Ytd**, its FY18 revenue saw decline of 26% due to slow property sales. However, CNP only saw marginal decline at 2%. Positively, its hotel division returned to the black and registered an operating profit of RM2.4m vs. a loss of RM0.2m in FY17. **QoQ**, its 4Q18 CNP slid 5% due to similar reasons mentioned above, while revenue declined by 41% due to slow property sales and lack of hand-over of completed projects.

**FY19's focus on clearing unsold units.** The group is not targeting any new launches for FY19 with their focus currently on clearing existing unsold units at Amverton Hill, Sungai Buloh and Amverton Links, Klang projects. To recap, the group had previously launched 66 units of semi-detached and 11 units of bungalows at Amverton Hill. Price range for the semi-detached and bungalows are from RM1.6-2.2m (built-up sizes of 3,370-3,668sf) and RM3.5-4.4m (built-up sizes range 4,516-5355sf), respectively. Response has been average with total take-up rate at c.50%. AMVERTON aims to achieve another RM36.8m in sales from this project and may likely give out more rebates. As for Amverton Links, the group had launched 155 units of double-storey houses in FY17 with a selling price of c.RM700k per unit. Take-up rate had been decent at c.90% and management is targeting another RM8.4m in sales from Amverton Links, bringing total FY19 sales target to RM45.2m.

**New projects likely to only come after FY19.** The group is more inclined to launch new projects after FY19 given the overall weak property market. Potential projects may include double-storey terrace houses at Amverton Hill and Retirement Village at Amverton Cove, Pulau Carey. For the Retirement Village, it consists of bungalow units targeted towards the elderly and foreigners. Based on our understanding, AMVERTON is currently in the midst of negotiating with the government for a higher percentage of units to be allocated to foreigners before launching this project. Overall, while we are positive over management's focus in clearing unsold units, we are concerned over its earnings visibility which is highly dependent on the clearance of its unsold units, coupled with the lack of new launches. Unbilled sales as of 4Q18 are low at only RM28.7m, providing less than half-year of earnings visibility.

**Earnings review.** All in, we make no changes to our FY19-20E earnings. We are maintaining our conservative sales target of RM40m for FY19, slightly below management's sales target of RM45.2m.

**Maintain UNDERPERFORM** with an unchanged SoP-driven Target Price 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) stronger-than-expected margins/property sales, and (ii) positive change in government housing policy

## UNDERPERFORM ↔

**Price:** RM1.17  
**Target Price:** RM1.00 ↔

**Expected Capital Gain:** -RM0.170 -14.5%  
**Expected Divd. Yield:** RM0.000 0.0%  
**Expected Total Return:** -RM0.170 -14.5%

**KLCI Index** 1,642.29

### 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)	427.1
Par value per share (RM)	0.50
52-week range (H)	1.28
52-week range (L)	0.87
Free Float	26%
Beta	1.2
3-mth avg daily vol:	102,667

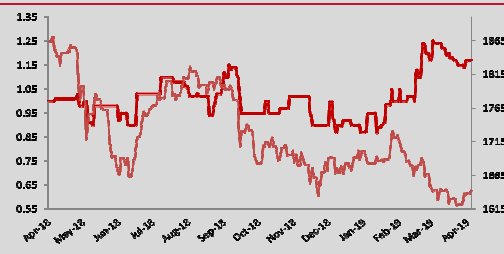
### Major Shareholders

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	122.3	140.9	138.9
EBIT	39.0	22.9	23.4
PBT	93.7	24.6	25.1
<b>Net Profit</b>	<b>75.5</b>	<b>17.4</b>	<b>17.7</b>
<b>Core PATAMI</b>	<b>23.9</b>	<b>17.4</b>	<b>17.7</b>
Consensus (NP)	n.a.	n.a.	n.a.
Earnings Revision	n.a.	n.a.	n.a.
Core EPS (sen)	6.6	4.8	4.9
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)	0.6	0.6	0.6
PER (x)	17.8	24.6	24.1
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

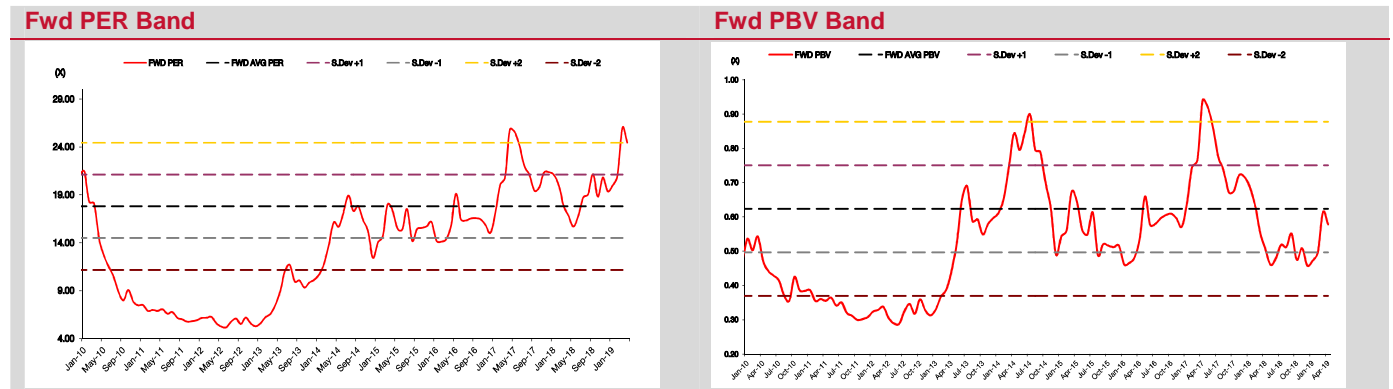


	1 mth	3 mths	12 mths
Absolute (%)	-5.6%	23.2%	17.0%
Relative (%)	-5.6%	25.6%	29.2%

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02 May 2019



Source: Bloomberg, Kenanga Research

<b>Sum-of-Parts</b>							
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
<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>

Source: Kenanga Research

02 May 2019

## 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)	
<b>PROPERTY DEVELOPERS UNDER COVERAGE</b>																	
AMVERTON BHD	1.17	427.1	Y	12/2019	15.2%	-1.4%	-27.5%	2.2%	17.8	24.6	24.1	0.6	0.6	2.4%	0.0%	1.00	UP
ECO WORLD DEVELOPMENT GROUP	0.925	2,723.5	Y	10/2019	-4.4%	-18.3%	23.4%	23.9%	16.4	13.3	10.8	0.7	0.7	4.5%	1.1%	1.15	OP
HUA YANG BHD	0.385	135.5	Y	03/2019	9.0%	0.3%	149.1%	22.3%	30.7	12.3	10.1	0.2	0.2	1.8%	0.0%	0.410	MP
IOI PROPERTIES GROUP BHD	1.37	7,543.4	Y	06/2019	-15.0%	-6.0%	0.8%	-3.4%	11.4	11.3	11.7	0.4	0.4	3.6%	3.6%	1.65	OP
LBS BINA GROUP BHD	0.615	958.8	Y	12/2019	31.3%	0.9%	7.9%	3.4%	11.3	10.4	10.1	0.7	0.6	6.6%	2.9%	0.675	MP
MAGNA PRIMA BHD	0.850	282.7	Y	12/2019	40.0%	11.1%	2295.6%	60.7%	N.A.	268.1	167.3	0.8	0.8	0.3%	0.0%	0.785	UP
MAH SING GROUP BHD	0.960	2,330.6	Y	12/2019	4.5%	7.0%	-2.5%	1.0%	14.2	14.6	14.4	0.7	0.7	5.2%	4.2%	1.05	OP
MALAYSIAN RESOURCES CORP BHD	1.03	4,531.8	Y	12/2019	5.0%	5.0%	26.9%	19.5%	59.9	47.2	39.5	0.9	0.9	2.0%	1.7%	0.750	UP
SIME DARBY PROPERTY BHD	1.11	7,548.9	Y	12/2019	14.6%	15.1%	7.7%	19.2%	20.6	19.1	16.0	0.8	0.8	4.0%	2.1%	1.10	MP
SP SETIA BHD	2.27	8,991.7	Y	12/2019	7.8%	15.3%	71.3%	53.9%	41.7	24.3	15.8	0.6	0.6	2.5%	3.1%	2.45	OP
SUNSURIA BHD	0.730	630.7	Y	09/2019	-36.0%	25.2%	-31.8%	26.6%	4.8	7.0	5.5	0.7	0.7	10.4%	0.0%	0.760	OP
SUNWAY BHD	1.67	8,159.5	Y	12/2019	1.2%	8.6%	1.4%	15.1%	13.9	13.7	11.9	1.0	1.0	7.5%	3.9%	1.55	MP
UEM SUNRISE BHD	0.930	4,219.8	Y	12/2019	37.0%	-14.3%	9.0%	-11.7%	12.9	11.9	13.4	0.7	0.6	4.9%	1.1%	0.850	MP
UOA DEVELOPMENT BHD	2.26	4,166.8	Y	12/2019	0.6%	-0.4%	4.6%	0.9%	12.5	12.0	11.9	0.9	0.9	7.4%	6.2%	2.15	MP
<b>Simple Average</b>					<b>7.9%</b>	<b>3.4%</b>	<b>181.1%</b>	<b>16.7%</b>	<b>20.6</b>	<b>35.0</b>	<b>25.9</b>	<b>0.7</b>	<b>0.7</b>	<b>4.5%</b>	<b>2.1%</b>		
<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>																	
<b>CONSENSUS NUMBERS</b>																	
GLOMAC BHD	0.380	296.5	Y	04/2019	-37.9%	22.4%	-81.8%	179.8%	9.5	52.0	18.6	0.3	N.A.	0.6%	1.1%	0.390	SELL
MATRIX CONCEPTS HOLDINGS BHD	1.92	1,445.4	Y	03/2019	25.1%	12.1%	-2.3%	11.5%	6.8	6.9	6.2	1.1	1.1	16.2%	6.4%	2.31	BUY
PARAMOUNT CORP BHD	2.12	918.7	Y	12/2019	-1.4%	8.4%	-1.0%	5.3%	9.7	9.8	9.3	0.8	N.A.	7.2%	4.2%	2.56	BUY
TAMBUN INDAH LAND BHD	0.795	344.6	Y	12/2019	-14.3%	10.6%	-24.0%	9.5%	6.2	8.2	7.5	0.6	N.A.	7.3%	5.3%	0.933	BUY
TITIJAYA LAND BHD	0.305	394.3	Y	06/2019	-14.3%	13.9%	-28.4%	17.1%	5.4	7.6	6.5	0.3	0.3	3.9%	1.6%	0.385	BUY
YONG TAI BHD	0.375	200.3	Y	06/2019	33.2%	102.7%	-143.0%	42.2%	12.9	N.A.	12.7	0.5	0.5	-3.6%	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%

**\*\* The Expected Total Return might contain rounding discrepancy.**

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

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