

24 May 2019

Amverton Berhad 1Q19 Below Expectations

1Q19 CNP of RM0.9m came below our expectations, at only 5%, mainly due to the weaker-than-expected property segment earnings. Pending 1Q19 sales information, we reckon sales could be slow as property sector remains challenging. No dividend declared as expected. Post-results, we cut our FY19-20E CNP by 43-40% after lowering both sales target and property segment margin assumptions. Maintain UNDERPERFORM with an unchanged TP of RM1.00.

Below expectations. 1Q19 CNP of RM0.9m came way below our expectation, only accounting for 5% of our full-year estimate. The negative deviation mainly stems from the weaker-than-expected property segment. 1Q19 sales information is pending from management. However, we reckon sales could be slow as the outlook for the property sector remains challenging. No dividend was declared, as expected.

Results highlight. YoY-Ytd, CNP declined by 75% mainly due to: (i) decline in property segment revenue (-43%) from lower property sales, and (ii) lower property segment's operating margin (-13 ppt) likely due to recognition of lower margin property product. QoQ, 1Q19 CNP declined by 88%, which we reckon could be due to lower-margin property products being sold as CNP margin is only at 4% (vs 4Q18 CNP margin of 37%).

Outlook. For FY19, the group is not targeting any new launches with their focus currently on clearing existing unsold units at Amverton Hill, Sungai Buloh (semi-detached and bungalow units) and Amverton Links, Klang (double-storey houses) projects. Management's sales target for FY19 is at RM45.2m (RM36.8m from Amverton Hill and RM8.4m from Amverton Links). The group is more inclined to only launch new projects after FY19 given the current weak property market. Potential projects may include double-storey terrace houses at Amverton Hill and a Retirement Village at Amverton Cove, Pulau Carey. Its unbilled sales is estimated to be lower than RM30m, providing less than half year of earnings visibility.

Earnings review. Post results, we cut our FY19-20E CNP by 43-40%, after reducing our sales target by 13-14% to RM34.6-33.7m in view of the weak property market. We also lowered our property margin assumption after considering the low property segment's operating margin this quarter likely from higher portion of lower-margin property products being sold.

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: RM1.16
Target Price: RM1.00 ↔

Expected Capital Gain: -RM0.16 -13.8%
Expected Divd. Yield: RM0.00 0.0%
Expected Total Return: -RM0.16 -13.8%

KLCI Index 1,601.87

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)	423.5
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:	127,508

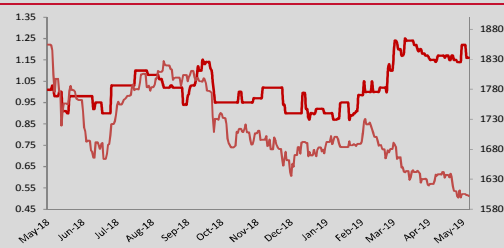
Major Shareholders

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	121.4	125.6
EBIT	39.0	11.9	12.9
PBT	93.7	14.0	15.0
Net Profit	75.5	9.9	10.6
Core PATAMI	23.9	9.9	10.6
Consensus (NP)	n.a.	n.a.	n.a.
Earnings Revision	n.a.	-43%	-40%
Core EPS (sen)	6.6	2.7	2.9
Core EPS growth (%)	-2%	-59%	7%
NDPS (sen)	0.0	0.0	0.0
NTA per Share (RM)	1.9	1.9	2.0
Price to NTA (x)	0.6	0.6	0.6
PER (x)	17.7	42.9	40.0
Debt-to-Equity ratio (x)	0.0	0.0	0.0
Return on Asset (%)	3%	1%	1%
Return on Equity (%)	11%	1%	1%
Net Div. Yield (%)	0%	0%	0%

Share Price Performance



	1 mth	3 mths	12 mths
Absolute (%)	1.8%	16.0%	18.4%
Relative (%)	4.0%	22.9%	28.2%

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Results Highlights						
	1Q19	4Q18	QoQ	1Q18	YoY	
FYE Dec (RM'm)						
Turnover	22.8	21.3	7%	29.9	-24%	
EBIT	1.5	17.4	-92%	4.9	-70%	
Interest inc/(exp)	0.6	0.7	-15%	0.5	3%	
Associates/JV	0.0	0.0	n.m.	0.0	n.m.	
Exceptional items	0.0	44.5	-100%	0.0	n.m.	
Forex gain/(loss)	0.0	0.0	n.m.	0.0	n.m.	
Pretax profit	2.0	62.5	-97%	5.5	-63%	
Taxation	-0.9	-10.0	-91%	-1.4	-38%	
Deferred tax	0.0	0.0	n.m.	0.0	n.m.	
Profit after tax	1.1	52.5	-98%	4.1	-72%	
Minority interest	-0.2	-0.2	-4%	-0.5	-49%	
PATAMI	0.9	52.3	-98%	3.6	-75%	
Core PATAMI	0.9	7.8	-88%	3.6	-75%	
DPS (sen)	0.0	0.0		0.0		
EBIT margin	6%	82%		16%		
Pretax margin	9%	293%		18%		
NP margin	9%	293%		18%		
CNP margin	4%	37%		12%		
EPS (sen)	0.2	14.3		1.0		
Core EPS(sen)	0.2	2.1		1.0		
BV/share (RM)	2.0	2.0		1.8		
Net gearing (x)	-0.1	-0.1		-0.1		
Effective tax	43%	16%		26%		

Source: Company, Kenanga Research

Segmental Breakdown						
	1Q19	4Q18	QoQ	1Q18	YoY	
External Turnover Segmentation						
Property	9.3	6.4	44%	16.2	-43%	
Manufacturing	8.0	8.0	0%	7.8	2%	
Hotel	4.4	5.8	-24%	4.4	2%	
Plantation	1.0	1.0	4%	1.6	-33%	
Total	22.8	21.3	7%	29.9	-24%	
Operating Profit Segmentation						
Property	0.9	60.3	-98%	3.8	-75%	
Manufacturing	0.3	0.6	-54%	0.3	-7%	
Hotel	0.4	1.5	-76%	0.4	-5%	
Plantation	-0.1	-0.5	-78%	0.5	-121%	
Total	1.5	61.9	-98%	4.9	-70%	
Operating margins						
Property	10%	938%		23%		
Manufacturing	3%	7%		4%		
Hotel	8%	25%		8%		
Plantation	-10%	-50%		33%		

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 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.	Price (RM)	
PROPERTY DEVELOPERS UNDER COVERAGE																	
AMVERTON BHD	1.16	423.5	Y	12/2019	-0.7%	3.4%	-58.8%	7.3%	17.7	42.9	40.0	0.6	0.6	1.4%	0.0%	1.00	UP
ECO WORLD DEVELOPMENT GROUP	0.850	2,502.7	Y	10/2019	-4.4%	-18.3%	23.4%	23.9%	15.1	12.2	9.9	0.7	0.6	4.5%	1.2%	1.15	OP
HUA YANG BHD	0.340	119.7	Y	03/2019	9.0%	0.3%	149.1%	22.3%	27.1	10.9	8.9	0.2	0.2	1.8%	0.0%	0.410	MP
IOI PROPERTIES GROUP BHD	1.17	6,442.2	Y	06/2019	-15.0%	-6.0%	0.8%	-3.4%	9.7	9.7	10.0	0.4	0.3	3.6%	4.3%	1.65	OP
LBS BINA GROUP BHD	0.560	873.0	Y	12/2019	31.3%	0.9%	7.9%	3.4%	10.3	9.5	9.2	0.6	0.6	6.6%	3.2%	0.675	MP
MAGNA PRIMA BHD	0.825	274.4	Y	12/2019	40.0%	11.1%	9637.5%	338.9%	N.A.	1,095.2	249.5	0.8	0.8	0.1%	0.0%	0.740	UP
MAH SING GROUP BHD	0.925	2,245.6	Y	12/2019	4.5%	7.0%	-2.5%	1.0%	13.7	14.0	13.9	0.6	0.6	5.2%	4.3%	1.05	OP
MALAYSIAN RESOURCES CORP BHD	0.900	3,959.9	Y	12/2019	5.0%	5.0%	26.9%	19.5%	52.4	41.3	34.5	0.8	0.8	2.0%	1.9%	0.750	UP
SIME DARBY PROPERTY BHD	0.970	6,596.8	Y	12/2019	13.6%	12.5%	7.8%	16.9%	18.0	16.7	14.3	0.7	0.7	4.1%	2.4%	1.10	OP
SP SETIA BHD	2.00	8,065.0	Y	12/2019	7.8%	29.7%	71.3%	50.5%	36.7	21.5	14.3	0.5	0.5	2.5%	3.5%	2.45	OP
SUNSURIA BHD	0.650	578.4	Y	09/2019	-36.0%	25.2%	-31.8%	26.6%	4.2	6.3	4.9	0.6	0.6	10.4%	0.0%	0.760	OP
SUNWAY BHD	1.68	8,209.2	Y	12/2019	-2.7%	12.6%	-8.5%	22.4%	14.0	15.3	12.5	1.0	1.0	6.8%	3.5%	1.60	MP
UEM SUNRISE BHD	0.850	3,856.8	Y	12/2019	37.0%	-14.3%	9.0%	-11.7%	11.8	10.8	12.3	0.6	0.6	4.9%	1.2%	0.850	MP
UOA DEVELOPMENT BHD	2.30	4,240.6	Y	12/2019	0.6%	-0.4%	4.6%	0.9%	12.7	12.2	12.1	0.9	0.9	7.4%	6.1%	2.15	MP
Simple Average					6.4%	4.9%	702.6%	37.0%	18.7	94.2	31.9	0.6	0.6	4.4%	2.3%		
*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																	
CONSENSUS NUMBERS																	
GLOMAC BHD	0.350	273.1	Y	04/2019	-37.9%	22.4%	-81.8%	179.8%	8.7	47.9	17.1	0.3	N.A.	0.6%	1.1%	0.390	SELL
MATRIX CONCEPTS HOLDINGS BHD	1.92	1,485.7	Y	03/2019	25.1%	12.1%	-2.3%	11.5%	7.0	7.1	6.4	1.1	1.1	16.2%	6.3%	2.33	BUY
PARAMOUNT CORP BHD	2.08	901.4	Y	12/2019	-1.4%	8.4%	2.4%	5.3%	9.8	9.6	9.1	0.8	N.A.	7.2%	4.3%	2.56	BUY
TAMBUN INDAH LAND BHD	0.745	322.9	Y	12/2019	-14.3%	10.6%	-24.0%	9.5%	5.8	7.7	7.0	0.5	N.A.	7.3%	5.6%	0.933	BUY
TITIJAYA LAND BHD	0.290	371.0	Y	06/2019	-14.3%	13.9%	-28.4%	17.1%	5.1	7.1	6.1	0.3	0.3	3.9%	1.7%	0.385	BUY
YONG TAI BHD	0.340	181.6	Y	06/2019	33.2%	102.7%	-143.0%	42.2%	11.7	N.A.	11.5	0.4	0.4	-3.5%	0.0%	0.352	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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