

30 August 2019

Amverton Berhad 1H19 Below Expectations

1H19 CNP of RM2.9m came in below our/consensus' expectation, both at 29%, mainly due to: (i) weaker-than-expected property sales, and (ii) lower-than-expected contribution from property, hotel and plantation segment. No dividend declared as expected. We slash our FY19-20E earnings by 40-47% after lowering sales target and property, hotel as well as plantation segments' margin assumptions. Maintain UNDERPERFORM with an unchanged TP of RM1.00.

Below expectations. 1H19 CNP dropped to RM2.9m (-63%) compared to RM7.8m in 1H18. The negative deviation mainly stems from the weaker-than-expected property segment due to less development activities and lower sales generated. No dividend was declared, as expected.

Results' highlights. YoY-Ytd, 1H19 CNP plunged by 63% mainly due to: (i) decline in property segment revenue (-50%) coupled with lower margin (from 25% to 18%), and (ii) lower hotel revenue by 5% and loss-making plantation segment. QoQ, 2Q19 CNP experienced a slight decline to RM20.6m (-9%) compared to RM22.8m achieved in 1H18, while CNP improved to RM2.0m (+115%) compared to RM0.9m in 1H18, thanks to higher margin contribution from property segment.

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). 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.

Earnings review. Post results, we cut our FY19-20E CNP by 40-47%, after reducing our sales target by 60-53% to RM14-16m 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 coverage universe, is due to the 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: RM1.10
Target Price: RM1.00 ↔

Expected Capital Gain: -RM0.10 -9.1%
Expected Divd. Yield: RM0.00 0.0%
Expected Total Return: -RM0.10 -9.1%

KLCI Index 1,595.18

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)	401.6
Par value per share (RM)	0.50
52-week range (H)	1.28
52-week range (L)	0.87
Free Float	26%
Beta	1.1
3-mth avg daily vol:	8,390

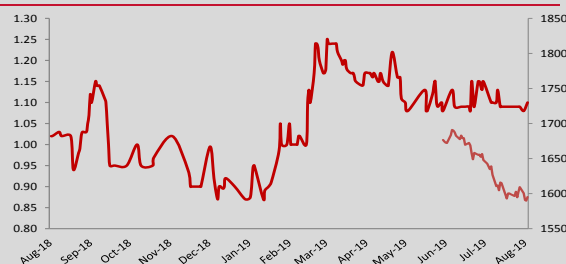
Major Shareholders

Delta Industries Sdn Bhd	58.4%
Boon Thong Ng	10.9%
Quality Décor Sdn Bhd	4.3%

Summary Earnings Table

FY Dec (RM m)	2018A	2019E	2020E
Turnover	122.3	94.9	92.0
EBIT	39.0	6.1	5.8
PBT	93.7	8.7	8.4
Net Profit	75.5	5.9	5.7
Core PATAMI	23.9	5.9	5.7
Consensus (NP)	N.A.	9.9	10.6
Earnings Revision	N.A.	-40%	-47%
Core EPS (sen)	6.6	1.6	1.5
Core EPS growth (%)	-2%	-75%	-4%
NDPS (sen)	0.0	0.0	0.0
NTA per Share (RM)	1.9	1.9	1.9
Price to NTA (x)	0.6	0.6	0.6
PER (x)	16.8	68.4	71.1
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 (%)	-4.3%	1.9%	7.8%
Relative (%)	-1.5%	3.1%	20.5%

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Results Highlights								
	2Q19	1Q19	QoQ	2Q18	YoY	1H19	1H18	YoY
FYE Dec (RM'm)								
Turnover	20.6	22.8	-9%	32.0	-35%	43.4	61.9	-30%
EBIT	2.0	1.5	34%	5.1	-62%	3.4	10.0	-66%
Interest inc/(exp)	0.7	0.6	23%	0.6	7%	1.2	1.2	5%
Associates/JV	0.0	0.0	N.A.	0.0	N.A.	0.0	0.0	N.A.
Exceptional items	0.0	0.0	N.A.	0.0	N.A.	0.0	0.0	N.A.
Forex gain/(loss)	0.0	0.0	N.A.	0.0	N.A.	0.0	0.0	N.A.
Pretax profit	2.6	2.0	31%	5.7	-54%	4.6	11.2	-59%
Taxation	-0.9	-0.9	6%	-1.3	-32%	-1.8	-2.7	-35%
Deferred tax	0.0	0.0	N.A.	0.0	N.A.	0.0	0.0	N.A.
Profit after tax	1.7	1.1	50%	4.4	-61%	2.9	8.5	-66%
Minority interest	0.2	-0.2	-200%	-0.2	-224%	0.0	-0.7	-100%
PATAMI	2.0	0.9	115%	4.2	-53%	2.9	7.8	-63%
Core PATAMI	2.0	0.9	115%	4.2	-53%	2.9	7.8	-63%
DPS (sen)	0.0	0.0		0.0		0.0	0.0	
EBIT margin	9%	6%		16%		8%	16%	
Pretax margin	13%	9%		18%		11%	18%	
NP margin	13%	9%		18%		11%	18%	
CNP margin	9%	4%		13%		7%	13%	
EPS (sen)	0.5	0.2		1.2		0.8	2.1	
Core EPS(sen)	0.5	0.2		1.2		0.8	2.1	
BV/share (RM)	2.0	2.0		1.8		2.0	1.8	
Net gearing (x)	-0.1	-0.1		-0.1		-0.1	-0.1	
Effective tax	35%	43%		24%		38%	24%	

Source: Company, Kenanga Research

Segmental Breakdown								
	2Q19	1Q19	QoQ	2Q18	YoY	1H19	1H18	YoY
External Turnover Segmentation								
Property	8.3	9.3	-11%	19.1	-57%	17.6	35.3	-50%
Manufacturing	8.1	8.0	1%	7.9	4%	16.2	15.7	3%
Hotel	3.2	4.4	-27%	3.7	-13%	7.6	8.1	-5%
Plantation	1.0	1.0	-3%	1.3	-23%	2.1	2.9	-28%
Total	20.6	22.8	-9%	32.0	-35%	43.4	61.9	-30%
Operating Profit Segmentation								
Property	2.2	0.9	132%	4.9	-55%	3.1	8.7	-64%
Manufacturing	0.2	0.3	-17%	0.3	-27%	0.5	0.6	-17%
Hotel	-0.3	0.4	-189%	-0.1	184%	0.0	0.3	-85%
Plantation	-0.2	-0.1	40%	0.0	-1277%	-0.3	0.5	-150%
Total	2.0	1.5	34%	5.1	-62%	3.4	10.0	-66%
Operating margins								
Property	27%	10%		26%		18%	25%	
Manufacturing	3%	3%		4%		3%	4%	
Hotel	-10%	8%		-3%		1%	3%	
Plantation	-15%	-10%		1%		-13%	18%	

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.			
PROPERTY DEVELOPERS UNDER COVERAGE																		
AMVERTON BHD	1.10	401.6	Y	12/2019	-22.4%	-3.1%	-75.5%	-3.8%	16.8	68.4	71.1	0.6	0.6	0.8%	0.0%	1.00	UP	
ECO WORLD DEVELOPMENT GROUP	0.680	2,002.2	Y	10/2019	-4.4%	-18.3%	9.5%	18.8%	12.1	11.0	9.3	0.5	0.4	4.8%	1.4%	1.15	OP	
HUA YANG BHD	0.340	119.7	Y	03/2020	-11.0%	-1.2%	153.2%	-11.8%	N.A.	14.6	16.5	0.2	0.2	1.4%	0.0%	0.335	UP	
IOI PROPERTIES GROUP BHD	1.16	6,387.1	Y	06/2020	-15.0%	-6.0%	2.2%	-5.3%	9.7	10.0	9.2	0.3	0.3	3.6%	4.3%	1.65	OP	
LBS BINA GROUP BHD	0.530	825.9	Y	12/2019	31.3%	0.9%	7.9%	-7.2%	9.7	9.0	9.7	0.6	0.5	6.6%	3.3%	0.495	MP	
MAGNA PRIMA BHD	1.15	382.5	Y	12/2019	-5.6%	28.8%	-572.6%	-139.5%	N.A.	N.A.	N.A.	0.7	0.7	-2.0%	0.0%	0.710	UP	
MAH SING GROUP BHD	0.865	2,099.9	Y	12/2019	4.5%	7.0%	-4.3%	-0.3%	12.8	13.4	13.4	0.6	0.6	5.2%	4.6%	1.05	OP	
MALAYSIAN RESOURCES CORP BHD	0.720	3,176.7	Y	12/2019	-41.9%	70.5%	-95.3%	2791.2%	41.9	894.7	30.9	0.7	0.6	1.2%	0.0%	0.700	UP	
SIME DARBY PROPERTY BHD	0.850	5,780.7	Y	12/2019	127.9%	3.9%	7861.6%	-2.3%	827.0	10.4	10.6	0.6	0.6	5.9%	3.9%	1.10	OP	
SP SETIA BHD	1.47	5,942.4	Y	12/2019	5.5%	24.3%	27.2%	46.0%	27.0	21.3	14.6	0.4	0.4	1.9%	4.8%	1.85	MP	
SUNSURIA BHD	0.730	654.0	Y	09/2019	-2.7%	7.3%	-4.0%	4.8%	4.9	5.1	4.9	0.7	0.7	14.5%	0.0%	0.760	MP	
SUNWAY BHD	1.62	7,898.0	Y	12/2019	-2.7%	12.5%	-8.5%	10.6%	13.5	14.8	13.4	0.9	0.9	6.3%	3.6%	1.60	MP	
UEM SUNRISE BHD	0.670	3,040.1	Y	12/2019	37.0%	-14.3%	5.9%	-18.1%	9.3	8.8	10.7	0.5	0.4	4.8%	2.3%	0.835	OP	
UOA DEVELOPMENT BHD	2.01	3,951.7	Y	12/2019	0.6%	-0.4%	4.4%	0.8%	11.1	10.7	10.6	0.8	0.8	7.4%	7.0%	2.15	MP	
Simple Average					7.2%	8.0%	522.3%	191.7%	83.0	84.0	17.4	0.6	0.6	4.5%	2.5%			
*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	0.370	288.1	Y	04/2020	12.9%	38.7%	25.7%	90.1%	21.2	16.8	8.9	0.3	N.A.	1.6%	2.4%	0.405	N.A	
MATRIX CONCEPTS HOLDINGS BHD	1.89	1,487.1	Y	03/2020	3.0%	9.6%	3.8%	9.3%	6.8	6.6	6.0	1.1	1.1	16.3%	6.9%	2.36	BUY	
PARAMOUNT CORP BHD	1.31	794.8	Y	12/2019	-1.4%	8.4%	2.4%	5.3%	8.7	8.5	8.0	0.7	N.A.	7.2%	4.9%	1.83	BUY	
TAMBUN INDAH LAND BHD	0.755	327.3	Y	12/2019	-11.1%	1.5%	-21.2%	1.9%	5.9	7.5	7.4	0.5	0.5	6.7%	6.0%	0.863	BUY	
TITIJAYA LAND BHD	0.295	373.9	Y	06/2019	-14.3%	13.9%	-36.3%	19.5%	5.2	8.1	6.8	0.3	0.3	3.5%	43.4%	0.310	BUY	
YONG TAI BHD	0.190	103.1	Y	06/2020	132.7%	8.3%	-3768.9%	-134.2%	N.A.	N.A.	N.A.	0.3	0.3	-1.9%	0.0%	0.230	N.A	

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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