

25 November 2019

Amverton Berhad 9MFY19 Below Expectations

9MFY19 CNP of RM2.9m came in below our/consensus' expectations, at only 49% each, mainly due to: (i) weaker-than-expected property sales, and (ii) lower-than-expected contribution from the manufacturing and trading segment. No dividend was declared as expected. We slash our FY19-20E earnings by 34-10% after lowering sales assumptions for the property and manufacturing & trading segments. **Maintain UNDERPERFORM with a lower TP of RM0.890 (from RM1.00) as we switch to adjusted P/BV valuation method.**

Below expectations. 9MFY19 CNP of RM2.9m came in below our/consensus' expectations at only 49% of full-year estimates, mainly due to: (i) weaker-than-expected property sales, and (ii) lower-than-expected contribution from the manufacturing and trading segment. No dividend was declared, as expected.

Results' highlights. YoY, 9MFY19 CNP plunged to RM2.9m (-82%) compared to RM16.0m in 9MFY18, mainly due to: (i) a significant drop in contribution from property development segment caused by less development activities as the company did not launch any new project due to the softer market condition, (ii) the higher profit in FY18 which was lifted by a compulsory land acquisition by the government amounting to RM9.5m, and (iii) lower sales achieved from the manufacturing and trading division. QoQ, 3QFY19 CNP also decreased significantly to RM0.3m (-98%) compared to RM2.0m in the preceding quarter, largely due to a huge drop in property revenue (-42%) coupled with lower operating margin of 3% compared to 27% in 2QFY19. The impact was partially offset by improvement in the Hotel segment due to closure of Puteri Garden and an F&B outlet in Klang.

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). 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 34-10%, after reducing our sales targets in view of the weak property market as well as adjusting the sales assumptions for the manufacturing and trading segment.

Maintain UNDERPERFORM with a lower Target Price of RM0.890 (from RM1.00). Our TP is based on P/BV of 0.48x (at minus 1.5SD of its 3-year historical band) on an adjusted BV/share of RM1.86 (after imputing a 40% discount to its latest available inventory level of completed properties). We are switching to the more conservative P/BV valuation method (from RNAV) as a gauge to ascertain the trough valuations of property stocks amid the prevailing market downcycle. Our revised TP implies 85% discount to our SoP valuation of RM5.88 per share (partial GDV and partial land bank basis).

Risks to our call include: (i) stronger-than-expected margins/property sales, and (ii) positive change in government housing policy.

UNDERPERFORM ↔

Price: RM1.05
Target Price: RM0.890 ↓

Expected Capital Gain: -RM0.16 -15.2%
Expected Div. Yield: RM0.00 0.0%
Expected Total Return: -RM0.16 -15.2%

KLCI Index 1,596.84

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) | 383.3 |
| Par value per share (RM) | 0.50 |
| 52-week range (H) | 1.28 |
| 52-week range (L) | 0.87 |
| Free Float | 13% |
| Beta | 1.1 |
| 3-mth avg daily vol: | 16,244 |

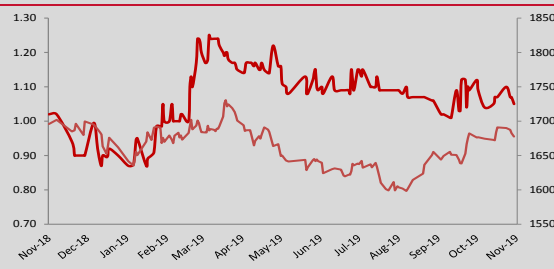
Major Shareholders

| | |
|--------------------------|-------|
| 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 | 79.9 | 80.9 |
| EBIT | 39.0 | 4.9 | 5.7 |
| PBT | 93.7 | 7.1 | 7.8 |
| Net Profit | 75.5 | 3.9 | 5.1 |
| Core PATAMI | 23.9 | 3.9 | 5.1 |
| Consensus (NP) | N.A. | 5.9 | 5.7 |
| Earnings Revision | N.A. | -34% | -10% |
| Core EPS (sen) | 6.6 | 1.1 | 1.4 |
| Core EPS growth (%) | -2 | -84 | 31 |
| NDPS (sen) | 0.0 | 0.0 | 0.0 |
| NTA per Share (RM) | 1.9 | 1.9 | 1.9 |
| Price to NTA (x) | 0.6 | 0.5 | 0.5 |
| PER (x) | 16.0 | 97.8 | 74.9 |
| Debt-to-Equity ratio (x) | 0.0 | 0.0 | 0.0 |
| Return on Asset (%) | 3 | 0 | 1 |
| Return on Equity (%) | 11 | 1 | 1 |
| Net Div. Yield (%) | 0 | 0 | 0 |

Share Price Performance



| | 1 mth | 3 mths | 12 mths |
|--------------|-------|--------|---------|
| Absolute (%) | -6.3% | -3.7% | 2.9% |
| Relative (%) | -7.7% | -3.8% | 8.8% |

Koh Huat Soon/
hskoh@kenanga.com.my
603-2172 2625

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| Results Highlights | | | | | | | | |
|-------------------------|-------------|-------------|-------------|-------------|--------------|-------------|-------------|-------------|
| FYE Dec (RM m) | 3QFY19 | 2QFY19 | QoQ | 3QFY18 | YoY | 9MFY19 | 9MFY18 | YoY |
| Turnover | 17.3 | 20.6 | -16% | 35.9 | -52% | 60.7 | 97.9 | -38% |
| EBIT | 0.6 | 2.0 | -70% | 13.5 | -96% | 4.0 | 23.5 | -83% |
| Interest inc/(exp) | 0.6 | 0.7 | -16% | 0.6 | -4% | 1.8 | 1.8 | 2% |
| Associates/JV | 0.0 | 0.0 | N.M. | 0.0 | N.M. | 0.0 | 0.0 | N.M. |
| Exceptional items | 0.0 | 0.0 | N.M. | 7.1 | -100% | 0.0 | 7.1 | -100% |
| Forex gain/(loss) | 0.0 | 0.0 | N.M. | 0.0 | N.M. | 0.0 | 0.0 | N.M. |
| Pretax profit | 1.2 | 2.6 | -56% | 21.2 | -95% | 5.8 | 32.4 | -82% |
| Taxation | -0.7 | -0.9 | -22% | -6.1 | -88% | -2.5 | -8.9 | -72% |
| Deferred tax | 0.0 | 0.0 | N.M. | 0.0 | N.M. | 0.0 | 0.0 | N.M. |
| Profit after tax | 0.4 | 1.7 | -75% | 15.1 | -97% | 3.3 | 23.5 | -86% |
| Minority interest | -0.1 | 0.2 | -272% | 0.3 | -242% | -0.4 | -0.4 | 10% |
| PATAMI | 0.3 | 2.0 | -98% | 15.4 | -100% | 2.9 | 23.2 | -87% |
| Core PATAMI | 0.3 | 2.0 | -98% | 8.2 | -100% | 2.9 | 16.0 | -82% |
| DPS (sen) | 0.0 | 0.0 | | 0.0 | | 0.0 | 0.0 | |
| EBIT margin | 3% | 9% | | 38% | | 7% | 24% | |
| Pretax margin | 7% | 13% | | 59% | | 10% | 33% | |
| NP margin | 7% | 13% | | 59% | | 10% | 33% | |
| CNP margin | 1% | 8% | | 23% | | 5% | 16% | |
| EPS (sen) | 0.1 | 0.5 | | 4.2 | | 0.8 | 6.3 | |
| Core EPS(sen) | 0.1 | 0.5 | | 2.3 | | 0.8 | 4.4 | |
| 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 | 62% | 35% | | 29% | | 43% | 27% | |

Source: Company, Kenanga Research

| Segmental Breakdown | | | | | | | | |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| External Turnover Segmentation | 3QFY19 | 2QFY19 | QoQ | 3QFY18 | YoY | 9MFY19 | 9MFY18 | YoY |
| Property | 4.8 | 8.3 | -42% | 20.4 | -77% | 22.4 | 55.7 | -60% |
| Manufacturing | 7.4 | 8.1 | -9% | 9.5 | -23% | 23.5 | 25.2 | -7% |
| Hotel | 4.3 | 3.2 | 34% | 4.9 | -12% | 11.9 | 12.9 | -8% |
| Plantation | 0.8 | 1.0 | -18% | 1.1 | -25% | 2.9 | 4.0 | -27% |
| Total | 17.3 | 20.6 | -16% | 35.9 | -52% | 60.7 | 97.9 | -38% |
| Operating Profit Segmentation | | | | | | | | |
| Property | 0.1 | 2.2 | -94% | 20.0 | -99% | 3.3 | 28.6 | -89% |
| Manufacturing | 0.1 | 0.2 | -45% | 0.3 | -64% | 0.6 | 0.9 | -34% |
| Hotel | 0.5 | -0.3 | -276% | 0.7 | -25% | 0.6 | 1.0 | -41% |
| Plantation | -0.2 | -0.2 | 39% | -0.4 | -50% | -0.5 | 0.1 | -575% |
| Total | 0.6 | 2.0 | -70% | 20.6 | -97% | 4.0 | 30.6 | -87% |
| Operating margins | | | | | | | | |
| Property | 3% | 27% | | 98% | | 15% | 51% | |
| Manufacturing | 2% | 3% | | 3% | | 3% | 4% | |
| Hotel | 13% | -10% | | 15% | | 5% | 8% | |
| Plantation | -26% | -15% | | -38% | | -16% | 3% | |

Source: Company, Kenanga Research

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Peer Comparison

| Name | Last Price | Market Cap (RM'm) | Shariah Compliant | Current FYE | Revenue Growth | | Core Earnings Growth | | PER (x) - Core Earnings | | | PBV (x) | | ROE (%) | | Net Div.Yld. (%) | Target Price (RM) | Rating |
|--|------------|-------------------|-------------------|-------------|----------------|-------------|----------------------|---------------|-------------------------|-------------|-------------|------------|------------|-------------|-------------|------------------|-------------------|--------|
| | (RM) | | | | 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. | | |
| PROPERTY DEVELOPERS UNDER COVERAGE | | | | | | | | | | | | | | | | | | |
| AMVERTON BHD | 1.05 | 383.3 | Y | 12/2019 | -34.7% | 1.3% | -83.6% | 30.5% | 16.0 | 97.8 | 74.9 | 0.6 | 0.5 | 1.0% | 0.0% | 0.890 | UP | |
| ECO WORLD DEVELOPMENT GROUP | 0.630 | 1,855.0 | Y | 10/2019 | -1.7% | -16.9% | 3.6% | 21.5% | 11.2 | 10.7 | 8.9 | 0.5 | 0.5 | 4.6% | 1.5% | 0.750 | 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 | 1.18 | 6,497.3 | Y | 06/2020 | 1.4% | 2.6% | -3.0% | 8.2% | 9.9 | 10.2 | 9.4 | 0.4 | 0.3 | 3.5% | 4.2% | 1.65 | OP | |
| LBS BINA GROUP BHD | 0.500 | 773.8 | Y | 12/2019 | 31.3% | 0.9% | -22.4% | 9.5% | 9.2 | 11.8 | 10.8 | 0.5 | 0.5 | 4.8% | 2.5% | 0.495 | MP | |
| MAGNA PRIMA BHD | 0.900 | 299.4 | Y | 12/2019 | -19.6% | 13.0% | -162.4% | -105.9% | N.A. | N.A. | N.A. | 0.8 | 0.9 | -5.2% | 0.0% | 0.695 | UP | |
| MAH SING GROUP BHD | 0.715 | 1,735.8 | Y | 12/2019 | -0.1% | 10.3% | -16.4% | 14.1% | 10.6 | 12.5 | 11.1 | 0.5 | 0.5 | 4.5% | 5.6% | 1.00 | OP | |
| MALAYSIAN RESOURCES CORP BHD | 0.745 | 3,287.0 | Y | 12/2019 | -41.9% | 70.5% | -95.3% | 2791.2% | 43.3 | 925.7 | 32.0 | 0.7 | 0.7 | 1.2% | 0.0% | 0.700 | UP | |
| SIME DARBY PROPERTY BHD | 0.795 | 5,406.7 | Y | 12/2019 | 127.9% | 3.9% | 7861.6% | -2.3% | 773.5 | 9.7 | 9.9 | 0.6 | 0.6 | 5.9% | 4.1% | 1.10 | OP | |
| SP SETIA BHD | 1.28 | 5,174.4 | Y | 12/2019 | 5.5% | 24.3% | 15.6% | 57.6% | 24.8 | 21.4 | 13.6 | 0.4 | 0.4 | 1.7% | 3.3% | 1.80 | OP | |
| SUNSURIA BHD | 0.655 | 586.8 | Y | 09/2019 | -2.7% | 7.3% | -4.0% | 4.8% | 4.4 | 4.6 | 4.4 | 0.6 | 0.6 | 14.5% | 0.0% | 0.760 | MP | |
| SUNWAY BHD | 1.78 | 8,737.0 | Y | 12/2019 | -2.7% | 12.5% | -8.5% | 10.6% | 14.8 | 16.2 | 14.7 | 1.0 | 1.0 | 6.3% | 3.3% | 1.60 | MP | |
| UEM SUNRISE BHD | 0.750 | 3,403.1 | Y | 12/2019 | 37.0% | -14.3% | 5.9% | -18.1% | 10.4 | 9.8 | 12.0 | 0.5 | 0.5 | 4.8% | 2.1% | 0.835 | OP | |
| UOA DEVELOPMENT BHD | 1.93 | 3,794.4 | Y | 12/2019 | 0.6% | -0.4% | 4.4% | 0.8% | 10.7 | 10.2 | 10.1 | 0.8 | 0.7 | 7.4% | 7.3% | 2.15 | MP | |
| Simple Average | | | | | 7.2% | 7.8% | 546.9% | 198.3% | 78.2 | 86.4 | 17.0 | 0.6 | 0.6 | 4.0% | 2.4% | | | |
| *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 | 0.360 | 280.3 | Y | 04/2020 | 12.9% | 38.7% | 12.4% | 96.4% | 19.0 | 16.9 | 8.6 | 0.3 | N.M. | 1.6% | 2.5% | 0.375 | N.A | |
| MATRIX CONCEPTS HOLDINGS BHD | 1.92 | 1,579.8 | Y | 03/2020 | 4.4% | 18.2% | 6.1% | 8.5% | 7.2 | 6.8 | 6.3 | 1.1 | 1.0 | 16.1% | 6.8% | 2.28 | BUY | |
| PARAMOUNT CORP BHD | 1.28 | 776.6 | Y | 12/2019 | N.M. | N.M. | N.M. | N.M. | 8.5 | N.M. | N.M. | 0.7 | N.M. | N.M. | N.M. | N.M. | BUY | |
| TAMBUN INDAH LAND BHD | 0.750 | 325.1 | Y | 12/2019 | -11.1% | 3.8% | -21.2% | -0.1% | 5.9 | 7.5 | 7.5 | 0.5 | 0.5 | 6.7% | 6.0% | 0.840 | N.A | |
| TITIJAYA LAND BHD | 0.295 | 372.6 | Y | 06/2020 | 8.4% | 20.9% | 28.3% | 21.5% | 11.2 | 8.7 | 7.2 | 0.4 | 0.3 | 2.9% | 42.7% | 0.280 | N.A | |
| YONG TAI BHD | 0.200 | 143.8 | 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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KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my

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