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## AMVERTON BERHAD

### 2Q19 - within expectations, not out of the woods yet

#### 2Q19 within expectations

As was foreseeable, 2Q19 posted lower revenue (yoy:-35.5%, qoq:-9.5%) and profit (yoy:-44.8%, qoq:+57.6%), six months accumulated profit accounted for 38.8% of our full year estimate.

#### Property Development - focus on clearing unsold units

Property development posted lower revenue (yoy:-56.7%, qoq:-11.0%) due to lesser development activities and lower sales amid soft property market. Albeit revenue is flat compared to previous quarter, property segment posted better margin from the sales. Earnings visibility is at risk with low unbilled sales and delayed in property project launches.

#### Hotel and Manufacturing remain weak

Hotel posted lower revenue (yoy:-13.2%, qoq:-27.1%) and slip to red with small losses due to closure of Puteri Garden in Klang nonetheless we expect it to losses is limited and likely to breakeven for the current financial year.

Manufacturing segment revenue remains flat (yoy:+3.5%, qoq+1.1%) while margin squeezed, posted lower EBIT (yoy:-26.8%, qoq:-17.1%) due to product mix.

#### Forecast trim, Maintain TP and BUY call

The property sector outlook remain weak and no indication that sentiment is turning upbeat anytime soon nevertheless at trough valuation, we believe it's a good opportunity to accumulate for investors with longer investment horizon. We maintain our BUY recommendation with target price of RM1.20 based on P/B of 0.6x on our estimated FY19F NTA.

#### EARNINGS SUMMARY

FY 31 Dec (RM m)	FY16A	FY17A	FY18A	FY19F	FY20F
Revenue	115.3	160.7	119.1	81.4	65.4
EBITDA	32.4	39.4	30.3	14.6	10.5
Core Net Profit	19.7	24.1	20.6	7.4	2.5
Core EPS (sen)	5.4	6.6	5.6	2.0	0.7
Core EPS Growth (%)	(16.3)	22.5	(14.6)	(64.0)	(65.6)
Net DPS (Sen)	-	-	-	-	-
Core PE	18.5	21.2	17.7	52.7	153.3
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0
Debt/Equity (%)	0.1	0.1	0.1	0.1	0.1
ROA (%)	2.3	2.7	0.8	0.8	0.3
ROE (%)	3.1	3.6	1.0	1.0	0.3
NTA per share (RM)	1.70	1.77	1.97	2.00	2.00
Price to NTA (x)	0.59	0.79	0.51	0.50	0.50

Properties

**BUY**

Price: RM 1.07

Target Price: RM 1.20

#### Company Description

Amverton is a property developer with headquarters based in Klang. The group is also involved in distribution of automotive parts and accessories, property investment, hotels & resorts and oil palm plantations.

#### Stock Return Information

KLCI	1,591.5
Expected Share Return (%)	12.1
Expected Dividend Yield (%)	0.0
Expected Total Return (%)	12.1

#### Share Information

Bloomberg Code	AM MK
Stock Code	5959
Listing	MAIN
Issued Shares (m)	365.1
Market Cap (RM m)	390.6
52W High	1.28
52W Low	0.87
Estimated Free Float (%)	13.0
Beta (X)	1.1
3-month Average Vol.	8,544

#### Top 3 Shareholders (%)

Delta Industries S/B	58.4
Boon Thong Ng	10.9



#### Price Performance

	1M	3M	12M
Absolute (%)	-2.7	-0.9	3.9
Relative to Index (%)	-1.0	1.5	13.0

Fig 1: Quarterly group and segmental results comparison

FYE 31 Dec (RM m)	Individual Quarters						Cumulative Quarter		
	YoY			QoQ			YoY		
	2Q19	2Q18	yoy %	2Q19	1Q19	qoq%	2Q19	2Q18	yoy %
Revenue	20.6	32.0	(35.5)	20.6	22.8	(9.5)	43.4	61.9	(29.9)
Profit from operations	2.0	5.1	(61.8)	2.0	1.5	34.1	3.4	10.0	(66.0)
interest income/(expense)	0.7	0.4	70.8	0.7	0.5	36.3	1.2	1.2	5.1
PBT	2.6	5.5	(52.1)	2.6	2.0	34.7	4.6	11.2	(58.6)
Taxation	(0.9)	(2.4)	(61.7)	(0.9)	(0.9)	5.6	(1.8)	(2.8)	(36.5)
PAT	1.7	3.1	(44.8)	1.7	1.1	57.6	2.9	8.4	(65.9)
MI	(0.0)	0.6	(102.3)	(0.0)	0.2	(106.0)	0.2	0.7	(66.2)
PATMI	1.7	2.5	(31.1)	1.7	0.9	102.4	2.6	7.8	(65.9)
Extraordinary item	0.0	0.0		0.0	0.0		0.0	0.0	
Core Net Profit	1.7	2.5	(31.1)	1.7	0.9	102.4	2.6	7.8	(65.9)
Core net profit	1.7	2.5	(31.1)	1.7	0.9	102.4	2.6	7.8	(65.9)
Basic EPS (sen)	0.5	0.7	(31.1)	0.5	0.2	102.4	0.7	2.1	(65.9)
Diluted EPS (sen)	0.5	0.7	(31.1)	0.5	0.2	102.4	0.7	2.1	(65.9)
Core EPS (sen)	0.5	0.7	(31.1)	0.5	0.2	102.4	0.7	2.1	(65.9)
<b>Revenue by segment</b>									
Property development & investment, construction & other related services rendered	8.3	19.1	(56.7)	8.3	9.3	(11.0)	17.6	35.3	(50.2)
Manufacturing & trading	8.1	7.9	3.5	8.1	8.0	1.1	16.2	15.7	3.0
Hotel & leisure related services	3.2	3.7	(13.2)	3.2	4.4	(27.1)	7.6	8.1	(5.3)
Plantation	1.0	1.3	(23.2)	1.0	1.0	(3.1)	2.1	2.9	(28.4)
<b>Total</b>	<b>20.6</b>	<b>32.0</b>	<b>(35.5)</b>	<b>20.6</b>	<b>22.8</b>	<b>(9.5)</b>	<b>43.4</b>	<b>61.9</b>	<b>(29.9)</b>
<b>EBIT by segment</b>									
Property development & investment, construction & other related services rendered	2.2	4.9	(55.2)	2.2	0.9	131.6	3.1	8.7	(63.7)
Manufacturing & trading	0.2	0.3	(26.8)	0.2	0.3	(17.1)	0.5	0.6	(17.4)
Hotel & leisure related services	(0.3)	(0.1)	183.6	(0.3)	0.4	(188.6)	0.0	0.3	-
Plantation	(0.2)	0.0	#####	(0.2)	(0.1)	40.4	(0.3)	0.5	(150.2)
<b>Total</b>	<b>2.0</b>	<b>5.1</b>	<b>(61.8)</b>	<b>2.0</b>	<b>1.5</b>	<b>34.1</b>	<b>3.4</b>	<b>10.0</b>	<b>(66.0)</b>
<b>EBIT Margin (%)</b>									
Property development & investment, construction & other related services rendered	26.6	25.7		26.6	10.2		17.9	24.6	
Manufacturing & trading	2.7	3.8		2.7	3.3		3.0	3.7	
Hotel & leisure related services	(9.7)	(3.0)		(9.7)	8.0		0.5	3.2	
Plantation	(15.1)	1.0		(15.1)	(10.4)		(12.7)	18.1	
<b>Total</b>	<b>9.5</b>	<b>15.9</b>		<b>9.5</b>	<b>6.4</b>		<b>7.8</b>	<b>16.2</b>	

Source: Company, Mercury Securities

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