

11 December 2017

Investment Idea

Advancecon Holdings Bhd

Poised for recovery

BUY

Price: RM0.805

Target price: RM0.940

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Despite the recent share weakness, we remain positive on Advancecon Holdings Bhd ("AHB") and is expected to resume its growth trajectory in FY18. BUY with a target price of RM0.94 based on 12x PER FY18 as per the average of its closest related peers.

Since our initial report cum IPO note on 10 July 2017, AHB share price has risen to a high of RM1.21 but had since succumb to some selling. AHB is one of the newly classified Shariah compliant securities.

AHB recently secured a RM75.5m South Klang Valley Expressway contract, bringing year-to-date contract wins to RM170.8m. Unbilled order book remains healthy at RM603m which will keep them busy until 2019 and provides earnings visibility.

So far AHB had spent RM45.6m as they continue to invest in machineries expanding their fleet size to 436 units from 323 units to undertake more infrastructure jobs with tender book in excess of RM1.7bn. AHB remains the only listed earthworks specialist on Bursa Malaysia with market leading position.

AHB is expected to recover from a weaker FY17 due to the slower than expected progress of the West Coast Expressway and Pan Borneo Highway projects due to delays in land acquisition and handover of site. However, revenue is expected to flow in FY18 as we project 33% rise in earnings. AHB's margins remains high at around 11% and gearing level has been brought down to 0.43x from 0.77x via its IPO proceeds.

Technically Speaking

| | |
|------------------|--------|
| Resistance level | RM0.93 |
| Support level | RM0.74 |
| Cut loss level | RM0.70 |



Source: Thomson Reuters

| | |
|------------------------|----------|
| KLCI | 1,721.25 |
| YTD KLCI change | +4.84% |
| YTD stock price change | 9.52% |

Stock Information

| | |
|-------------------|--------|
| Market Cap (RM m) | 323.67 |
| Issued shares | 402.07 |
| 52-week range (H) | 1.21 |
| 52-week range (L) | 0.735 |

Major Shareholders

| | |
|---------------|--------|
| Phum Ang Kia | 23.77% |
| Lim Swee Chai | 12.81% |
| Pham Sun Kok | 7.33% |

Summary Earnings Table

| FY Dec (RM'm) | 2016A | 2017F | 2018F | 2019F |
|-------------------|-------------|-------------|-------------|-------------|
| Turnover | 234.7 | 270.0 | 300.0 | 330.0 |
| EBIT | 42.8 | 39.0 | 53.0 | 57.0 |
| PBT | 37.1 | 35.0 | 47.0 | 51.0 |
| Net Profit | 26.4 | 24.0 | 33.0 | 36.0 |
| Consensus | - | - | - | - |
| EPS (sen) | 6.6 | 5.9 | 7.9 | 8.9 |
| EPS growth (%) | - | (10.6) | 33.8 | 12.6 |
| DPS (sen) | - | 1.0 | 1.6 | 1.8 |
| PER (x) | 12.2 | 13.4 | 10.1 | 8.9 |
| BV/Share (RM) | 0.26 | 0.45 | 0.53 | 0.62 |
| ROE (%) | 16.6 | 13.1 | 14.9 | 14.3 |
| Net Div Yield (%) | - | 1.2 | 1.9 | 2.2 |

Source: Company & Rakuten Trade Research

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| COMPANY | Definition |
|-------------|---|
| Buy | The stock return is expected to exceed the KLCI benchmark by more than 10% over the next 6-12 months. |
| Trading Buy | Short-term positive development on the stock that could lead to a re-rating in the share price and translate into an absolute return of 10% over the next 3-6 months. Trading Buy is generally for investors who are willing to take on higher risks. |
| Take profit | The stock return previously recommended has gained by >10% |
| Hold | The stock return is expected to be in line with the KLCI benchmark (+/- 5%) over the next 6-12 months. |
| Sell | The stock return is expected to underperform the KLCI benchmark by more than 10% over the next 6-12 months. |
| SECTOR | |
| Overweight | Industry expected to outperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months. |
| Neutral | Industry expected to perform in-line with the KLCI benchmark, weighted by market capitalization, over the next 6-12 months. |
| Underweight | Industry expected to underperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months. |

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