

MEDIA CLIPPING

Client :	Advancecon Holdings Berhad	Date :	20 April 2021
Media :	The Edge Markets (Online)	Section :	Business
Language :	English		

RHB starts coverage of Advancecon, target price at 54 sen

KUALA LUMPUR (April 20): RHB Small Cap ASEAN Research has initiated coverage of earthworks and civil engineering services provider Advancecon Holdings Bhd (Advcon) with a "buy" call and sum-of-parts-based target price (TP) of 54 sen offering a 32% upside with an about 2.5% yield estimated for the financial year ending Dec 31, 2021 (FY21).

In a note today, the research firm said it prefers the stock due to its earnings prospects for providing earthworks, being a front runner for new development projects, the company's higher order book of RM881 million as well as its venture into the growing solar power segment.

"On these factors and our upbeat outlook, this stock should trade at a higher 13 times P/E (price-earnings) (+1 standard deviation from the five-year mean)," said RHB analysts Muhammad Danial Abd Razak and Eddy Do Wey Qing.

The analysts said the management of the company expects the solar power business to provide a recurring income stream that will complement its core business and civil engineering unit, adding that the group aims to book at least RM1 million in net profit from this business.

They further noted that Advcon's recent win in the Large Scale Solar 4 (LSS4) project had the potential to boost its net profit by 13% year-on-year (y-o-y) for FY24.

Advcon has a 20% market share in the earthworks provision business, which also contributes the lion's share of its revenue, according to the analysts.

"Prospects of new orders are positive, which could add to the 17 projects already ongoing. Advcon's toehold in this segment should enable it to be ahead of peers, which may lead to more new job wins. Its arsenal of equipment (587 units) and in-house maintenance team also ensure that it remains competitive," they said.

RHB highlighted that Advcon also emerged as the biggest winner of East Coast Rail Link (ECRL) contracts in 2020 to 2021, clinching RM185 million in packages scored.

"The new jobs are expected to enhance billings of existing works for the West Coast Expressway (WCE), which came up to about 42% of unbilled orders as of Dec 31 2020. Key issues related to WCE land acquisition have been resolved," the analysts added.

At the time of writing today, Advancecon had risen two sen or 4.94% to 42 sen, giving the group a market capitalisation of RM174.64 million.

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Client :	Advancecon Holdings Berhad	Date :	21 April 2021
Media :	Starbiz	Section :	Business
Language :	English		

Solar ops a recurring income for Advancecon

LSS4 project has potential to boost net profit by 13%

PETALING JAYA: Advancecon Holdings Bhd, a small-cap construction company engaged in civil engineering and infrastructure works, is back on the radar of some analysts.

For one, it has a niche in earthworks business where it has a 20% market share.

The segment contributes the lion's share of its revenue at some 50%-70%.

On the back of this, the stock is seen as a frontrunner for new development projects, which could add to the 17 ongoing projects at various stages of completion, said RHB Research.

Based on the existing projects, its collection on total billings could be around 35%, estimated RHB in its report initiating coverage on the stock. Currently, its order book stands at about RM881mil.

Going ahead, the research firm said that management targets to clinch new orders worth RM300mil in the financial year 2021 (FY21).

Besides this, the group has made a strategic venture into the growing solar power business, which would provide a recurring

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income stream to complement its core business and civil engineering unit.

The recent win of its large-scale solar (LSS4) project, said RHB, has the potential to boost net profit by 13% year-on-year in FY24. It also aims to book at least RM1mil in net profit from this business over the next two decades.

RHB sees current valuations as an attractive entry point.

It has a target price of 54 sen, pegging FY22 forecast earnings per share (EPS) to 12 times price-earnings ratio.

"The multiple represents its five-year mean baseline, which is warranted as earnings are rebounding to pre-pandemic levels; it has a healthy replenishment rate assumption of RM300mil and RM350mil per year for FY21 and FY22; plus its net profit margin is growing," it said in the report.

Notably, RHB points out that the group emerged as the biggest winner of East Coast

Rail Link contracts in 2020-2021, clinching RM185mil in packages scored.

This is about 21% of its current outstanding order book.

The new jobs are expected to enhance billings to existing works for the West Coast Expressway, which came up to about 42% of unbilled orders as of Dec 31 2020, it said, noting that key issues related to WCE land acquisition have been resolved.

Earnings-wise, the group's FY20 core earnings stood at RM2.1mil, down 81% year-on-year.

However, its fourth-quarter 2020 results were encouraging, as profits grew from third-quarter 2020 by 16%.

The downside risks to its outlook include a prolonged downturn in the retail and property markets, and a longer-than-expected delay in the rollout of mega infrastructure projects. Sudden restrictions on activities, possibly due to lockdown measures, if implemented, could slow recovery.

Its shares closed up 4 sen to 44.5 sen, giving the stock a market cap of RM168mil.

MEDIA CLIPPING

Client :	Advancecon Holdings Berhad	Date :	21 April 2021
Media :	The Malaysian Reserve	Section :	Business
Language :	English		

Advancecon to gain from solar energy venture

by AFIQ AZIZ

ADVANCECON Holdings Bhd's venture into the solar energy business is expected to provide a recurring income stream that will complement its core business and civil engineering unit.

RHB Investment Bank Bhd analysts Muhammad Danial Abd Razak and Eddy Do Wey Qing in a note yesterday stated that Advancecon's recent large-scale solar (LSS) win has the potential to boost net profit by 13% in the financial year 2024 (FY24).

The investment bank has initiated coverage on Advancecon with a 'Buy' call and a sum-of-parts-based target price (TP) of 54 sen, representing a 32% upside and a circa 2.5% FY21 forecast (FY21F) yield.

"We partly derived our TP by pegging FY22F earnings per share to 12 times price-to-earnings ratio. The multiple represents its five-year mean baseline, which is warranted.

"Its earnings are rebounding to pre-pandemic levels, it has a healthy replenishment rate assumption of RM300 million and RM350 million per year for FY21F and FY22F, and its net profit margin is growing," the report read.

The analysts expect Advancecon to regain strength and return to optimal machine utilisation rates of 80%-90% in FY21 driven by its orderbook growth.

Advancecon emerged as the biggest winner of East Coast Rail Link (ECRL) contracts in 2020-2021F, clinching RM185 million worth of work packages.

Contract flows from ECRL have started to show momentum since May 2020, which resulted in Advancecon clinching a total of five advance work packages totalling RM185 million. The value forms 21% of the company's current outstanding orderbook.

According to management, about 60% of tenders comprise packages for ECRL.

The new jobs are expected to enhance billing to existing works for the West Coast Expressway (WCE), which came up to circa 42% of unbilled orders as of Dec 31, 2020, while issues related to WCE's land acquisition have been resolved.

Prospects for new orders are also positive, which could add to its 17 projects already ongoing, the analysts said.

"Advancecon's toehold in this segment should enable it to be ahead of peers, which may lead to more new job wins. Its arsenal of equipment (587 units) and in house maintenance team also ensure it remains competitive," they noted.

Advancecon allocates a capital expenditure of around RM15 million to RM20 million each year to expand their equipment size, which is viewed positively, as this would help reduce its need for subcontractors.

Downside risks to the outlook on Advancecon include a failure to secure new contracts, a prolonged downturn in the retail and property markets and a longer than expected delay in the rollout of mega infrastructure projects.

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Client :	Advancecon Holdings Berhad	Date :	21 April 2021
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Language :	Chinese		

“Advancecon share price is undervalued; current share price is attractive”

