

Avaland (AVALAND MK)

Sustaining momentum ahead

MALAYSIA | PROPERTY | NON-RATED

- Avaland saw a strong earnings turnaround in 2023, delivering a core net profit of RM63m driven by improved construction progress for its ongoing developments
- We expect momentum to sustain, driving a 2-year profit CAGR of 29% across 2023–25E underpinned by RM867m unbilled sales and RM1.4bn anticipated new project launches
- We ascribe a RNAV-derived fair value of RM0.50 based on 25% RNAV discount

Strong turnaround in 2023

Avaland ended 2023 on a strong note, delivering a RM608m revenue and RM63m core net profit, its highest since 2018. The better performance was largely driven by the better construction progress for its ongoing developments. In tandem with the higher revenue, full year 2023 EBITDA margin rose 1.1ppts YoY to 19.5% attributable to the better operational efficiency. Avaland also pared down its total borrowings from AyalaLand by 52% compared to 2021 which resulted in significant finance cost savings which helped drove higher profit.

Unbilled sales and new launches to drive earnings

We project a 2-year profit CAGR of 29% across 2023–25E driven by robust RM863m unbilled sales (1.4x 2023 revenue) with revenue visibility until 2025E. We expect sales momentum to remain encouraging in 2024 underpinned by its sizable anticipated project launches amounting to RM1.4bn. This includes Amika Residences (RM452m), Anja Bangi (RM563m), and Aetas Seputeh (RM365m). Management targets a minimum 50% take-up rate for these launches, translating to c.RM700m internal sales target. In order to sustain its earnings beyond 2025E, management is actively seeking for land banking opportunities in Klang Valley. In the long-term, we expect Avaland to sustain its RM1.4bn annual project launches momentum.

Valuation

We ascribe a RNAV-derived fair value of RM0.50 based on 25% RNAV discount (in line with the discount ascribed for our small-mid cap property coverage). Avaland is trading at an attractive 0.5x PBV, as compared to 0.8x among others small-mid cap property peers. There is no formal dividend policy in place as primary focus is on land bank replenishments and reducing borrowings from AyalaLand. Key risks include lower-than-expected property sales, higher building material prices, and sluggish land replenishments.

Key Financials

Y/E Dec	2021	2022	2023	2024E	2025E
Revenue (RMm)	326.9	224.9	608.2	812.9	935.5
EBITDA (RMm)	51.1	41.3	118.4	160.4	183.2
Pretax profit (RMm)	5.1	(4.7)	92.6	125.6	148.5
Net profit (RMm)	(16.2)	0.5	66.0	87.9	103.9
EPS (sen)	(1.1)	0.0	4.5	6.0	7.1
PER (x)	(29.6)	1,009.9	7.3	5.5	4.6
Core net profit (RMm)	(18.1)	1.4	62.9	87.9	103.9
Core EPS (sen)	(1.2)	0.1	4.3	6.0	7.1
Core EPS growth (%)	(104.9)	(107.8)	4,352.4	39.8	18.2
Core PER (x)	(26.5)	340.2	7.6	5.5	4.6
Net DPS (sen)	0.0	0.0	0.0	0.0	0.0
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0
EV/EBITDA (x)	10.7	16.7	7.2	5.6	4.4
Chg in EPS (%)	-	-	-	-	-
Phillip/Consensus (%)	-	-	-	-	-

Sources: Company, Bloomberg, Phillip Research forecasts

14 March 2024

Non-rated

LAST CLOSE PRICE	RM0.33
FAIR VALUE	RM0.50
TOTAL RETURN	51.5%

COMPANY DATA

BLOOMBERG TICKER	AVALAND MK EQUITY
O/S SHARES (MN):	1,457
MARKET CAP (USD mn / RM mn):	104 / 488
52 - WK HI/LO (RM):	0.34 / 0.15
3M Average Daily T/O (mn):	4.51
NET CASH/(DEBT) (RMm)	(365.80)

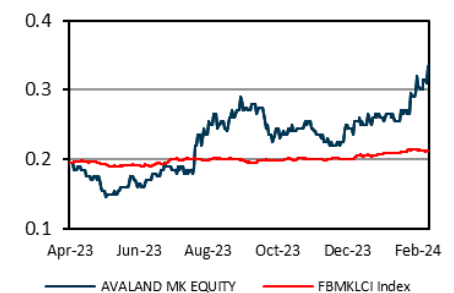
MAJOR SHAREHOLDERS (%)

Regent Wise Investme	66.3%
Goh Ming Choon	5.0%
DATO SRI TONG SEECH	2.5%

PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	31.4	48.9	36.7
FBMKLCI RETURN	1.9	7.0	6.0

PRICE VS. FBMKLCI

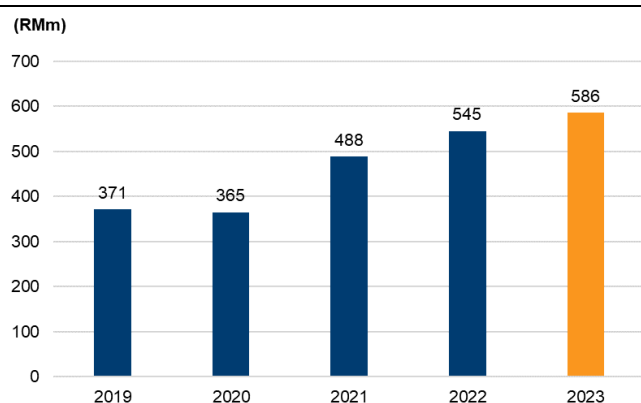


Source: Bloomberg

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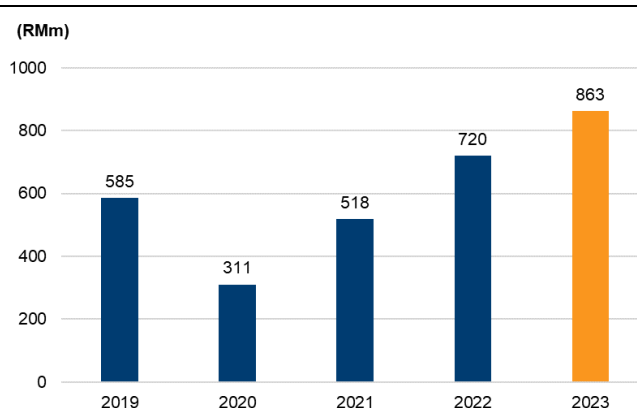
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Table 1: Historical property sales trend



Source: Company

Table 2: Historical unbilled sales



Source: Company

Table 3: Ongoing developments

Development	Est. GDV (RM'mil)	Size (Acres)	Project Details	Take-up Rate	Construction Progress*	Expected Completion Date
Aetas Damansara	576	1.8	226 Apartment units	98%	58%	4Q 2024
Alira Subang Jaya (Phase 1&2)	577	2.7	832 Apartment units	86%	Phase 1: 52% Phase 2: 47%	4Q 2025
Sanderling	321	3.4	606 Apartment units	78%	48%	3Q 2025
Casa Embun	206	7.4	482 Serviced Apt units 16 Retail units	Service Apt: 87% Retail: 100%	Serviced Apt: 59% Retail: 68%	Phase 1: 1Q 2025
Alora Residences (Phase 1)	332	2.7	278 Serviced Apt units 8 Retail units	Service Apt: 34%	9%	3Q 2027

Source: Company

Table 4: New project launches pipeline

<p>AMIKA RESIDENCES</p> <ul style="list-style-type: none"> • Total 468 units service apartment & 25 signature retail • GDV: approx. RM452 mil • Target Launch: 01 2024 • Targeting GreenRE Gold certification 	
<p>ANJA BANGI</p> <ul style="list-style-type: none"> • Total 900 units of service apartment & 37 units of signature retail • Total GDV approx. RM563 mil • Target launch in 01 2024 • Targeting GreenRE Gold certification 	
<p>AETASTM SEPUTEH</p> <ul style="list-style-type: none"> • 2nd development under Aetas – award winning collection • Maiden venture into Kuala Lumpur • Total GDV approx. RM365 mil • 126 units of spacious family-sized condominium • Target Launch: 01 2024 • Awarded GreenRE Platinum certification 	

Source: Company

Table 5: Remaining GDV forecast

Developments	Remaining GDV (RMm)	Remaining land (acres)
CyberSouth	4,720	147
Lakefront @ Cyberjaya	325	11
2Fifth Avenue	1,500	13
Aetas Seputeh	365	2
Aetas Taman Desa	500	4
Anja Bangi	563	4
Amika	452	4
Alira	110	-
Alora	489	-
Sanderling	116	-
Casa Embun (Phase 1&2)	264	-
Total	9,404	185

Source: Company, Phillip Research forecasts

Table 6: RNAV valuation

Segments	RNAV (RMm)
Property developments @DCF (WACC 6.1%)	824
Investment properties and other assets	520
Net cash/(debt)	(366)
RNAV	979
No. of shares (m)	1,457
RNAV/share (RM)	0.67
Target price at 25% discount to RNAV	0.50

Source: Company, Phillip Research forecasts

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