

RoboANALYST REPORT

(LEVEL 2)

Company: **Advancecon Holdings Berhad**
Date of Report: **8/3/2019**
Industry: **Building Construction**
Currency: **Malaysia Ringgit**

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SUMMARY



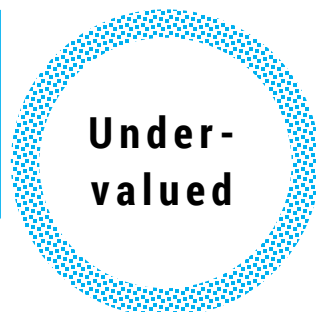
COMPANY INFORMATION

Date of Report: 8 March 2019

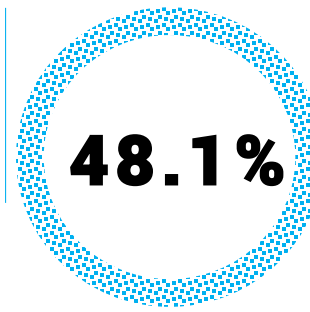
Company Name: Advancecon Holdings Berhad		Registration Number: N.A.	Country: MALAYSIA
MSIC Code: N.A.	Industry: Building Construction	Latest Financial Year: 2018	Currency: MYR

OVERALL

**Valuation
Status**



**Financial
Strength**



NEWS SENTIMENTS

POSITIVE

COMPANY:

#1: Advancecon plans big strides in Sarawak (Jan 7, 2019 - EdgeProp)

Earthworks and civil engineering services specialist Advancecon Holdings Bhd is looking to make strides forward in Sarawak, as new opportunities beckon after the state government indicated major plans for the infrastructure scene there. Speaking to The Edge Financial Daily recently, chief executive officer Datuk Phum Ang Kia shared the group's plans to bid for jobs in the state with a combined value in excess of RM2 billion this year, on top of the RM750 million worth of contracts it submitted last December alone.

#2: Advancecon disposes land to pay borrowings (Sept 4, 2018 - Malaysian Reserve)

Advancecon Holdings Bhd's wholly owned subsidiary, Advancecon Properties Sdn Bhd is disposing pieces of industrial land in Klang, Selangor for RM9.07 million. In an exchange filing to Bursa Malaysia yesterday, the construction firm noted the proceeds from the disposal will be used to repay bank borrowing and working capital purposes within 12 months. Advancecon added the repayments include the outstanding loan of the land purchase, its property arm's monthly loan instalments, property agents and lawyers' fees and income tax. The total consideration of the disposed land was above the market valuation of RM8.4 million as appraised by Henry Butcher Malaysia (Sel) Sdn Bhd based on a report dated Aug 4, 2016.

#3: Advancecon sees prospects intact (Jun 9, 2018 - The StarOnline)

Earthworks and civil engineering services specialist Advancecon Holdings Bhd is looking to make strides forward in Sarawak, as new opportunities beckon after the state government indicated major plans for the infrastructure scene there. Speaking to The Edge Financial Daily recently, chief executive officer Datuk Phum Ang Kia shared the group's plans to bid for jobs in the state with a combined value in excess of RM2 billion this year, on top of the RM750 million worth of contracts it submitted last December alone.

INDUSTRY:

#1: CIDB to establish IR 4.0 roadmap for construction industry (Dec 27, 2018 - News Straight Time)

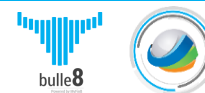
The Construction Industry Development Board (CIDB) through its wholly-owned subsidiary, CIDB e-Construct Services Sdn Bhd (CIDBEC), is expected to establish a Fourth Industrial Revolution 4.0 (IR 4.0) roadmap for the construction industry by January 2020. The roadmap will cover a five-year period from 2020. CIDBEC Chief Executive Officer Rofizlan Ahmad said the roadmap aims to provide a clear direction for industry players and streamline future programmes related to IR 4.0, in particular, the Building Information Modelling (BIM). He said a special committee has been set-up, involving various members from relevant fields, namely the Malaysian Industry-Government Group for High Technology (MIGHT), Malaysia Institute of Architects (PAM) and the Institute of Engineers Malaysia (IEM).

#2: Construction and property sector likely to see retrenchments in 2019, says Randstad report (Jan 17, 2019 - EdgeProp)

Malaysia's construction and property sector is likely to see retrenchments in the first half of this year, said recruitment agency Randstad. Bulk hiring activities have slowed down since May last year and companies have since focused on getting their projects approved or reapproved by the new government, the agency said in its 2019 market outlook report. While the government's decision to prolong the duration of projects can save on operational costs in the long term, it will also cause the demand for manpower to drop, the report noted. "Companies will not need to mass hire people to complete the project within a relatively short period of time. With the extended deadlines, companies can hire fewer people for the project, spreading the manpower cost across a longer period."

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VALUE INVESTING INDICATORS



ATTRACTIVE VALUATION?

YES

Was the company worth less than its book value now?

NO

Price-to-Book 1.97

A lower value indicates the company is trading below its original value and may indicate a "cheap" buy, but not necessarily all the time.

FUNDAMENTALLY SOUND?

YES

Was the company undervalued?

YES

Fair Value 1.78

Share Price 0.31

A value of its EPS x 8.1 that is below its share price suggests that it is overvalued (assuming it is not loss making).

Was the company financially strong generally?

NO

Credit Score 48%

The credit score takes into account balance sheet and P&L of the company. A higher score indicates a stronger credit position.

Was the P/E lower than its peers?

YES

Company 14.76

Peer Avg 29.86

The P/E indicates how much premium investors are willing to pay for each profit earned. A lower P/E indicates "less premium" (assuming no losses)

Did the company have buffer for its short-term obligations?

YES

Current Ratio 2.71

A higher current ratio indicates a higher liquidity position but need to check the level of inventories and actual cash levels- in order to meet short-term dues.

Did the company pay dividends?

YES

Dividend Yield 3.23%

A company that has been paying dividends suggests that the company is doing well and continues to be optimistic about the future.

Were the profit levels growing?

NO

Pre-Tax Profit -53.72%

A company that is showing consistent earnings growth indicates a positive outlook. A company that shows negative growth may indicate tougher times ahead.

Did the company have free cashflow?

YES

Qterly Per Share 0.05

FCF must be sufficiently positive because it signals a company's ability to pay debt, pay dividends, buy back stock and facilitate the growth of business.

COMPANY INFORMATION

Date of Report: 17 February 2019

Company Name: SAMPLE COMPANY		UEN Number: N.A.	Country: MALAYSIA
SSIC Code: N.A.	Industry: Building Construction	Latest Financial Year: 2018	Currency: MYR

OVERALL FINANCIAL STRENGTH RATING

5.8

EXCELLENT	GOOD	MODERATE	LOW
High Financial Strength	Above Average Financial Strength	Average Financial Strength	Low Financial Strength
Greater than or equal to 10, less than or equal to 12	Greater than or equal to 7, less than 10	Greater than or equal to 4, less than 7	Less than 4, greater than or equal to 1

Business Performance Rating (BPR)

5.8

Entity may be experiencing some volatility and challenges in its sales and profitability

Sales for the firm had been very neutral and reflected a muted performance. Demand for its goods and services were not apparent. Modest increase in costs was experienced by the firm during the period. The cost of generating additional revenue was slightly higher compared to the previous year. Profit levels remained modest relative to sales. May not be adequately attractive for shareholders who may demand for higher margins. Small decline in profit margins was experienced where this could signify increasing competition and operational costs during the period.

Shareholder Value Rating (SVR)

4.5

Limited value to shareholders in terms of profitability, margins and liability exposure

The shareholders experienced major constrains to their investments during the period. The valuation of the firm could be eroded significantly because of the decline in ROE. The Shareholder funds of the firm was somewhat average, relative to its total total liability exposure during the period. There is very little risk that the liability exposure would affect the firm's underlying valuation for the period. There was a notable decline in the firm's overall profitability compared to the previous period. Profit levels remained modest relative to sales. May not be adequately attractive for shareholders who may demand for higher margins.

Risk and Liabilities Rating (RLR)

7.2

The firm displayed a moderate level of risk appetite for its business operations

Slightly above average level on short-term creditors/financing to support asset base - does not appear to be heavily dependent on short-term creditors to support working capital needs. The firm's total liability exposure was somewhat average relative to its shareholder funds during the period. There were adequate shareholder funds to cover all of the firm's obligations. The firm registered a faster liability growth than its sales growth during the period. The drive for expansion appeared to be driven by aggressive gearing process, rather than margins and pricing management. There is unlikely to be any movement in the direction of sales for the firm and indicated an indifferent growth position. Little evidence of any demand changes for its goods and services.

Productivity Rating (PRR)

5.6

Utilisation of assets and resources generated moderate levels of profits

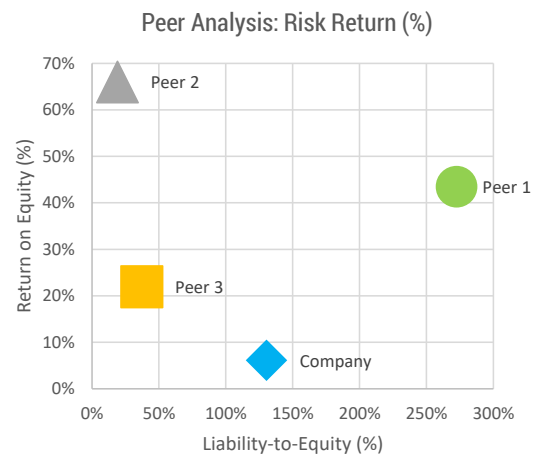
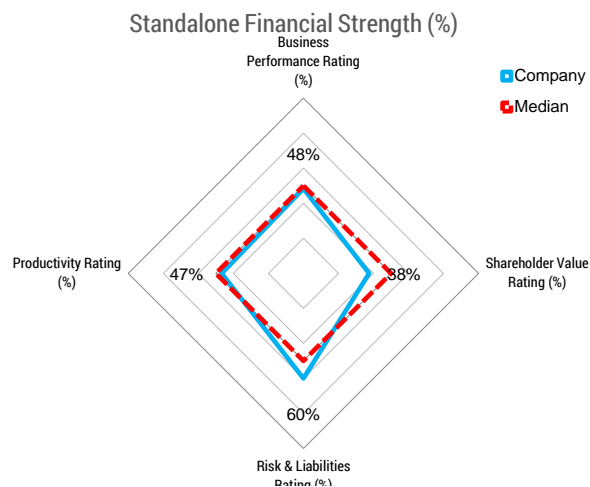
The firm's profitability experienced a slightly negative growth compared to previous period when compared against its asset base. The use of the firm's assets had generated limited level of profitability for the business. In comparison over the two most recent years, the profitability of the firm experienced a notable decline. There was a moderate growth of the firm's asset base during the period. It appeared to be in an expansionary mode via asset growth.

COMPANY INFORMATION

Date of Report: 8 March 2019

Company Name: Advancecon Holdings Berhad		Registration Number: N.A.		Country: MALAYSIA	
MSIC Code: N.A.	Industry: Building Construction	Latest Financial Year: 2018	Market Listing: BURSA	Currency: MYR	

STANDALONE AND PEER ANALYSIS



FUNDAMENTAL AREAS TO LOOK AT

ISSUES RELATING TO BUSINESS PERFORMANCE

Modest increase in costs was experienced by the firm during the period.

Small decline in profit margins was experienced where this could signify increasing competition and operational costs during the period.

IMPACT OF STRATEGIES ON SHAREHOLDER VALUE

There was a notable decline in the firm's overall profitability compared to the previous period.

The shareholders experienced major constraints to their investments during the period. The valuation of the firm could be eroded significantly because of the decline in ROE.

RISK AREAS TO WATCH FOR

There is unlikely to be any movement in the direction of sales for the firm and indicated an indifferent growth position. Little evidence of any demand changes for its goods and services.

The firm registered a faster liability growth than its sales growth during the period. The drive for expansion appeared to be driven by aggressive gearing process, rather than margins and pricing management.

EFFECTIVENESS OF RESOURCES

In comparison over the two most recent years, the profitability of the firm experienced a notable decline.

There was a moderate growth of the firm's asset base during the period. It appeared to be in an expansionary mode via asset growth.

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KEY FINANCIAL METRICS

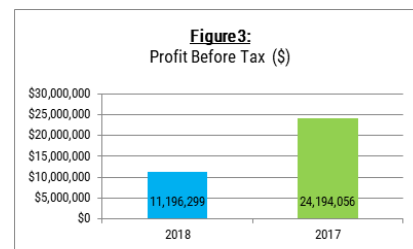
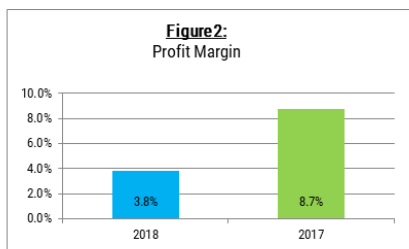
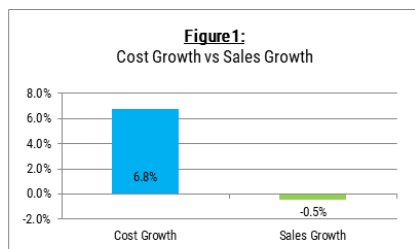


COMPANY INFORMATION

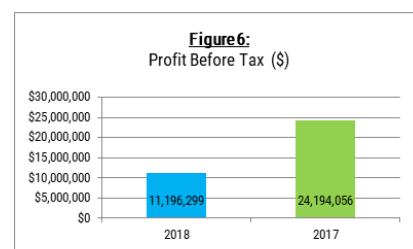
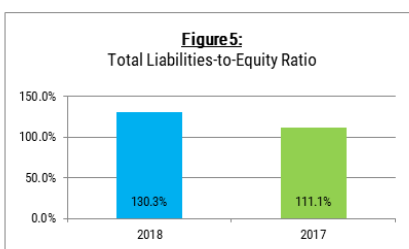
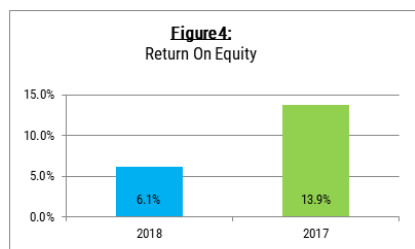
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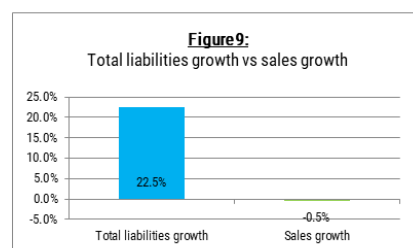
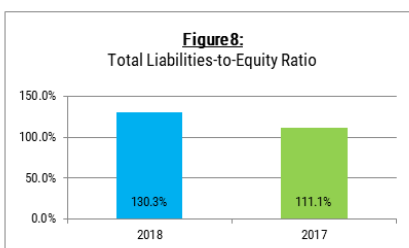
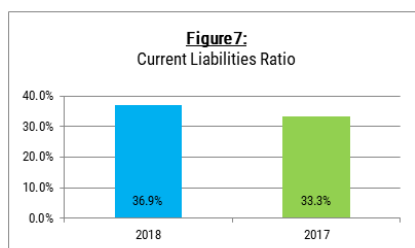
BUSINESS PERFORMANCE RATING (BPR)



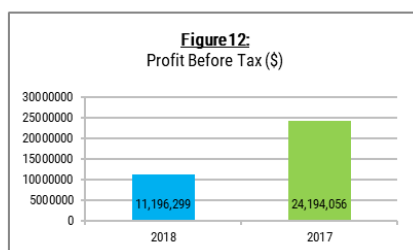
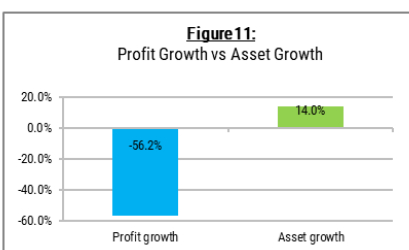
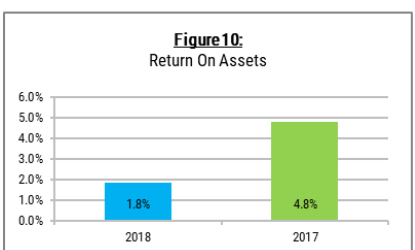
SHAREHOLDER VALUE RATING (SVR)



RISK & LIABILITIES RATING (RLR)

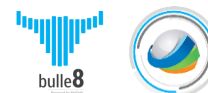


PRODUCTIVITY RATING (PRR)



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INVESTOR CHECKLIST (I)



COMPANY INFORMATION

Date of Report: 08 March 2019

Company Name: Advancecon Holdings Berhad		Registration Number: N.A.	Country: MALAYSIA
MSIC Code: N.A.	Industry: Building Construction	Latest Financial Year: 2018	Currency: MYR

KEY AREAS TO CHECK

	ROADMAP STATEMENT	ACTION PLAN	CHECK LIST	TARGET DATE
BUSINESS PERFORMANCE REPORT (BPR)	Modest increase in costs was experienced by the firm during the period.	<ul style="list-style-type: none"> Compare the cost behaviour against sales and profitability performance. Clarify how sustainable the cost containment will be. Identify trends and drivers in the industry that may affect expenditure levels in the future. 		
SHAREHOLDER VALUE REPORT (SVR)	There was a notable decline in the firm's overall profitability compared to the previous period.	<ul style="list-style-type: none"> Assess the cost structure between the two periods. Evaluate major sources of revenue and detect for any significant withdrawal of major clients during the period. Examine the primary and secondary inputs utilised to generate profits for the firms. Conduct price margin analysis between the two periods. Detect for any concentration risk of clients that resulted in decline in profitability rate. 		
RISK AND LIABILITIES REPORT (RLR)	There is unlikely to be any movement in the direction of sales for the firm and indicated an indifferent growth position. Little evidence of any demand changes for its goods and services.	<ul style="list-style-type: none"> Assess the market place for products and services which may be used as a replacement or substitute for the firm's existing products and services. Perform an assessment of the changes in demand for the goods and services, at different varying prices. Identify the individual products which contribute least to the topline and consider removing them from the product range. Perform a price analysis to determine whether there had been any price adjustments which resulted in higher volumes but lower prices. Develop and review a customer/client database and individually assess each customer/client for their potential to the firm. 		
PRODUCTIVITY REPORT (PRR)	In comparison over the two most recent years, the profitability of the firm experienced a notable decline.	<ul style="list-style-type: none"> Perform an analysis of the costs in the business over the two most recent financial years. Perform an assessment of clients contribution to revenues and determine whether any single or significant clients have materially affected the <i>reduced level of sales</i>. Inspect in detail the main and supporting contributors to profits of the firm. Evaluate the profit margins by prices of the various products and/or services over the two most recent financial years. Determine whether the severe decline in profitability was as a result of over reliance on a single client. 		

INVESTOR CHECKLIST (II)



COMPANY INFORMATION

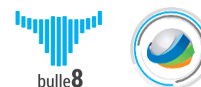
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SSIC Code: N.A.	Industry: Building Construction	Latest Financial Year: 2018	Currency: MYR

KEY AREAS TO CHECK

ROADMAP STATEMENT	ACTION PLAN	CHECK LIST	TARGET DATE
<p>BUSINESS PERFORMANCE REPORT (BPR)</p> <p>Small decline in profit margins was experienced where this could signify increasing competition and operational costs during the period.</p>	<ul style="list-style-type: none"> Seek inputs if Management has formulated a business strategy to improve margins for subsequent years. Ascertain if there are going to be any improvements to be made on the business model of the firm. Check if there are concentration of customer base within its revenue mix. Check if there are limited product/service lines that may be less relevant for the changing demographics or settings. 		
<p>SHAREHOLDER VALUE REPORT (SVR)</p> <p>The shareholders experienced major constrains to their investments during the period. The valuation of the firm could be eroded significantly because of the decline in ROE.</p>	<ul style="list-style-type: none"> Ascertain whether the losses are due to structural or cyclical (seasonal) effects. Further examine the relevance and demand of the firm's products in the marketplace. Obtain listings of key clients and ascertain whether any pullout from any of its customers that caused the decline. Assess whether there have been structural downward changes in pricing expectations from customers. Gather past performance data and future estimates on pipelines and orders for a longer trend analysis. 		
<p>RISK AND LIABILITIES REPORT (RLR)</p> <p>The firm registered a faster liability growth than its sales growth during the period. The drive for expansion appeared to be driven by aggressive gearing process, rather than margins and pricing management.</p>	<ul style="list-style-type: none"> Evaluate liability trends in past years and compare against revenue. Assess creditor payment policies and drawdown facilities to have better understanding how the firm manages its liabilities. Examine the firm's access to trade finance and long-term financing facilities. Obtain insights on the firm's expansion plans and financing strategies. Ascertain the extent the firm relies on internal financing to expand or manage its working capital needs. 		
<p>PRODUCTIVITY REPORT (PRR)</p> <p>There was a moderate growth of the firm's asset base during the period. It appeared to be in an expansionary mode via asset growth.</p>	<ul style="list-style-type: none"> Establish understanding of how the acquired assets formed part of the expansion plans of the firm. Check their rates of revenue and profitability arising from the rapid asset expansion trends experienced by firm. Ascertain the types of assets being acquired; trade versus non-trade. Evaluate whether the acquired assets are part of a horizontal or vertical types of expansion. 		

KEY FINANCIAL RATIOS - SUMMARY



COMPANY INFORMATION

Date of Report: 8 March 2019

Company Name: Advancecon Holdings Berhad		Registration Number: N.A.	Country: MALAYSIA
MSIC Code: N.A.	Industry: Building Construction	Latest Financial Year: 2018	Currency: MYR

Share Price: \$0.31	P/E Ratio: 14.76	Peers Avg P/E : 30	Earnings Per Share: 0.22	Price-Book Value: 1.97	Dividend Yield: 3.23%
Market Listing Origin: BURSA	Qterly FCF Per Share: 0.05	Net Tangible Asset: 0.44	Date of Information: 0/1/1900	Data Source: 0 January 1900	

KEY FINANCIAL DATA

MYR	2018	2017	%Chg
Sales	201,275,678.00	202,238,336.00	-0.5%
Profit Before Tax	11,196,299.00	24,194,056.00	-53.7%
Profit After Tax	7,732,039.00	17,659,692.00	-56.2%
Total Asset	420,173,976.00	368,677,637.00	14.0%
Total Liabilities	237,720,342.00	194,069,747.00	22.5%
Current Liabilities	155,082,125.00	122,699,512.00	26.4%
Shareholder Fund	182,453,634.00	174,607,890.00	4.5%
Total Debt	75,289,000.00	42,486,000.00	77.2%
Cash + Short Term Investment + Other Investment	45,964,650.00	52,945,850.00	-13.2%
Net Receivable + Cash	287,290,250.00	211,676,150.00	35.7%

PERFORMANCE METRICS

Business Potential Ratios	Company Percentage
Rate of Sales Growth	-0.5%
Rate of Cost Growth	6.8%
Cost/Sales Growth	6.4%
Profit Margin (after tax)	3.8%
Profit Margin Growth	-4.9%
Return On Assets Growth	-2.9%
Return on Assets (after tax)	1.8%
Profit Before Tax Growth	-53.7%
Asset Growth	14.0%

Risk & Valuation Ratios	Company Percentage
Return on Equity (pre tax)	6.1%
Total Liabilities-to-Equity Ratio	130.3%
Profit Before Tax Growth	-53.7%
Profit Margin (after tax)	3.8%
Current Liability Ratio	36.9%
Total Liab. Growth vs Sales Growth	23.0%
Rate of Sales Growth	-0.5%

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FINANCIAL RATIOS EXPLANATION



"BEAR" RATINGS

BLACK (B)	EMERALD (E)	AMBER (A)	RED (R)
High Intrinsic Value	Above Average Intrinsic Value	Average Intrinsic Value	Low Intrinsic Value
Greater than or equal to 10, less than or equal to 12	Greater than or equal to 7, less than 10	Greater than or equal to 4, less than 7	Less than 4, greater than or equal to 1

DESCRIPTION

METHODOLOGY

The Financial Scores are the result of conducting the regression analysis of more than 100,000 companies since 1992 and have been validated/back tested against credit downgrades, defaults, corporate actions and significant shifts in the economic cycles: by countries and industry groups.

- Measures sales, expenses and profitability of the business
- Assess suitability for investment purposes
- Evaluates sustainability for generation of future inflows
- Identification of ways to improve current performance

Business Performance

- Rate of Sales Growth:* $(\text{Sales (Current year)} - \text{Sales (previous year)}) / \text{Sales (previous year)}$
- Rate of Cost Growth:* $(\text{Cost (Current year)} - \text{Cost (previous year)}) / \text{Cost (previous year)}$
- Cost/Sales Growth:* $\text{Cost} / \text{Sales (Current year)} - \text{Cost} / \text{Sales (Previous year)}$
- Profit Margin (After Tax):* $\text{Profit after Tax} / \text{Sales}$
- Profit Margin Growth:* $(\text{Profit after tax} / \text{sales (Current year)}) - (\text{Profit after Tax} / \text{Sales (previous year)})$

- Measures Return on Equity, Debt-to-Equity, Profit before Tax Growth, Profit Margin for latest year
- Understand the efficiency and effectiveness of investments
- Indicates how much funds are used for expansion/ secure new markets

Shareholder Value

- Return on Equity (Pre-tax):* $\text{Profit before Tax} / \text{Shareholders fund}$
- Total Liabilities-to-Equity Ratio:* $\text{Total Liabilities} / \text{Shareholder Fund}$
- Profit before Tax Growth:* $(\text{Profit before Tax (Current year)} - \text{PBT (previous year)}) / \text{Profit before Tax (previous year)}$
- Profit Margin (After Tax):* $\text{Profit after Tax} / \text{Sales}$

- Measures current liability, liability-to-equity, total liabilities growth and rate of sales growth of the business
- Determines the direction in which the business is heading
- Identify types of financing plans of the business Indicates the level of risk exposure and leverage faced by the business

Risk and Liabilities

- Current Liabilities Ratio:* $\text{Current Liabilities} / \text{Total Assets}$
- Total Liabilities-to-Equity Ratio:* $\text{Total Liabilities} / \text{Shareholder Funds}$
- Total Liabilities Growth vs Sales Growth:* $((\text{Liabilities (Current year)} - \text{Liabilities (Previous year)}) / \text{Liabilities (Previous year)}) - ((\text{Sales (Current year)} - \text{Sales (Previous year)}) / \text{Sales (Previous Year)})$
- Rate of Sales Growth:* $(\text{Sales (Current year)} - \text{Sales (previous year)}) / \text{Sales (previous year)}$

- Indicates the performance of assets
- Provides an overview on how the assets are being utilized and liabilities are managed
- Portrays the interrelation between assets efficiency and the profitability of the business

Productivity

- Return on Assets Growth:* $(\text{Profit after tax} / \text{Total Assets (current year)}) - (\text{Profit after tax} / \text{Total Assets (previous year)})$
- Return on Assets:* $\text{Profit after tax} / \text{Total asset}$
- Profit Before Tax Growth:* $(\text{Profit before tax (current year)} - \text{Profit before tax (previous year)}) / \text{Profit before tax (previous year)}$
- Asset Growth:* $(\text{Total Assets (Current year)} - \text{Total Assets (previous year)}) / \text{Total Assets (previous year)}$

PRACTICAL USES

Business Performance

If you are an investor or thinking of partnering with this company, the factors listed here could assist you in the decision whether to invest in a company or consider partnering with them via joint ventures.

For creditors and debt financiers, you would want to have a good understanding of whether this company's business performance is sustainable to generate future inflows to pay existing and/or future obligations.

Shareholder Value

Existing and even potential new shareholders should use this report to find out how much the profits are being generated and how these are being achieved.

It is also to gauge the adequacy of returns to shareholders who may come into the firm at different period of time.

Users could have a closer look at how internal reserves are used for expansion, new funds being raised to secure new markets/clients and how much dividends could be paid out to manage its ROE levels.

Risk and Liabilities

Financiers such as bank and private lenders should use this report under two circumstances:

1. At the point of lending
2. Upon lending, they can get a sense of how the balance sheet risks may evolve based on ascertaining their risk appetite at the onset.

The effects of ascertaining risk appetite usually come at a later stage; and it is a powerful indicator to determine where the firm is heading and how it is going to finance its plans

Productivity

Financiers with vested interests in the firm are required to know the performance of assets that have been invested by the firm.

The asset structure of the firm is a good indicator of how resourceful or efficient management has been in order to generate profits for the period; and to what extent this has been achieved.

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- 1. Net Tangible Asset:** represents a company's total amount of assets minus its liabilities. It allows us to calculate company's assets position without including intangible assets.
- 2. Earnings per Share (EPS):** represents a company's profits that allocated to each shares. EPS helps to determine share price as it is used to calculate P/E ratio.
- 3. Return on Equity (ROE):** used to measure a company's financial performance as it shows how much profit each dollar of common stockholders' equity generates.
- 4. Price-Earnings Ratio (PER):** represents the relationship between a company's stock price and earnings per share (EPS). It tells investors if a stock is overvalued or undervalued.
- 5. Dividend yield:** represents a company's annual dividend compared to its share price. It indicates company's confidence in distributing dividends. The dividend yield must be at least two-thirds of the long-term AAA bond yield.
- 6. Price-to-Book Ratio:** measures whether a stock is over or undervalued by comparing a stock's market value to its book value and is calculated by dividing the current closing price by the latest quarter's book value per share.
- 7. Free Cash Flow:** refers to the cash produced by a company through its operations, minus the cost of expenditures. When a company's share price is low and free cash flow is on the rise, the odds are good that earnings and the value of the shares will soon be heading up.
- 8. Price Earnings Growth (PEG):** This ratio is used to determine a stock's value while considering the company's earnings growth. It's calculated by dividing a stock's P/E ratio by the growth of its earnings for a specified time period.

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