

FY20: Above expectations

AME Elite's FY20 results were above our expectations. Net profit jumped 35% yoy to RM64m in FY20, driven by higher earnings for all divisions and a RM13.5m fair-value gain on its investment properties. This was partly offset by RM2.9m listing expenses incurred. Core net profit of RM53m (+64% yoy) was within our expectation. We cut our core EPS forecasts by 2-4% in FY21-22E for higher interest expenses. We reiterate our BUY call with a lower 12-month target price (TP) of 2.00, based on a 30% discount to RNAV.

Strong earnings momentum

Net profit of RM64m in FY20 was above our forecast of RM58m. There was a RM13.5m fair-value gain on its investment properties, which was higher than our expectation. AME's revenue grew 12% yoy to RM380m in FY20, mainly driven by higher property development (+114% yoy), property investment (+61% yoy) and engineering services (+68% yoy) revenue. This was partly offset by lower construction revenue (-21% yoy) as some existing projects were near completion and new projects are still at initial stages.

Core earnings fell QoQ due to MCO

Core net profit jumped 64% yoy to RM53m in FY20, driven by better performance for all divisions. Sequentially, core net profit fell 50% qoq to RM8.3m in 4QFY20, mainly due to the government's Movement Control Order impacting progress billings and property sales.

High new construction contracts secured in FY20

AME is seeing higher demand for its industrial properties (purchase and lease) in i-Park@Indahpura and i-Park@Senai Airport City (SAC) from foreign companies from China, Singapore, Australia, Hong Kong, Japan and the US. AME secured higher value of new construction contracts worth RM451.9m in FY20 compared to RM117.3m in FY19. We introduce our FY23E core EPS of 15.4 sen (+11% yoy) assuming new contracts secured of RM200m and property sales of RM157m to drive earnings growth.

Maintain BUY

AME declared a maiden interim dividend of 3 sen (ex-date on 30 July 2020), giving reasonable net yield of 1.8% for a growth company. We cut our RNAV/share estimate to RM2.86 from RM3.11 to reflect the net debt position of RM91m at end-FY20. Based on the same 30% discount to RNAV, we reduce our TP to RM2.00 from RM2.18. AME remains as one of our top construction sector small-cap BUYs.

Earnings & Valuation Summary

FYE 31 Mar	2019	2020	2021E	2022E	2023E
Revenue (RMm)	339.0	380.3	450.4	408.5	367.3
EBITDA (RMm)	67.0	89.2	90.3	96.1	106.3
Pretax profit (RMm)	72.6	88.7	73.8	79.3	88.2
Net profit (RMm)	47.3	63.7	55.0	59.0	65.7
EPS (sen)	11.1	14.9	12.9	13.8	15.4
PER (x)	15.2	11.3	13.1	12.2	11.0
Core net profit (RMm)	32.4	53.0	55.0	59.0	65.7
Core EPS (sen)	7.6	12.4	12.9	13.8	15.4
Core EPS growth (%)	(24.5)	63.8	3.7	7.4	11.3
Core PER (x)	22.3	13.6	13.1	12.2	11.0
Net DPS (sen)	0.0	3.0	3.0	3.0	3.0
Dividend Yield (%)	0.0	1.8	1.8	1.8	1.8
EV/EBITDA (x)	12.5	9.1	9.2	8.4	7.3
Chg in EPS (%)			(2.3)	(4.3)	New
Affin/Consensus (x)			NA	NA	NA

Source: Company, Bloomberg, Affin Hwang forecasts

Results Note

AME Elite

AME MK
Sector: Construction & Infra

RM1.69 @ 26 June 2020

BUY (maintain)

Upside 18%

Price Target: RM2.00

Previous Target: RM2.18



Price Performance

	1M	3M	12M
Absolute	-2.9%	40.8%	NA
Rel to KLCI	-6.3%	25.3%	NA

Stock Data

Issued shares (m)	427.1
Mkt cap (RMm)/(US\$m)	721.8/168.7
Avg daily vol - 6mth (m)	0.9
52-wk range (RM)	1.01-2.05
Est free float	29.5%
BV per share (RM)	1.48
P/BV (x)	1.1
Net cash/(debt) (RMm) (4Q20)	(91)
ROE (FY21E)	8.4%
Derivatives	Nil
Shariah Compliant	Yes

Key Shareholders

Lim Yook Kim	21.0%
Kang Ah Chee	21.0%
Lee Chai	21.3%
Lee Sai Boon	7.1%

Source: Affin Hwang, Bloomberg

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Outthink. Outperform.

Key risks

Key downside risks are slower industrial property sales, higher building material costs and weaker demand for construction services for industrial buildings.

Fig 1: Results summary

FYE 31 Mar (RMm)	4QFY19	3QFY20	4QFY20	QoQ % chg	YoY % chg	FY19	FY20	YoY % chg	Comments
Revenue	69.1	106.1	98.1	(7.5)	42.0	339.0	380.3	12.2	Higher property development (+114% yoy), engineering (+68% yoy) and property investment (+61% yoy) revenue, which was partially offset by lower construction revenue (-21% yoy).
Op costs	(52.1)	(79.7)	(81.2)	1.9	55.7	(272.0)	(291.1)	7.0	
EBITDA	17.0	26.4	16.9	(35.9)	(0.3)	67.0	89.2	33.2	
<i>EBITDA margin (%)</i>	<i>24.6</i>	<i>24.9</i>	<i>17.3</i>	<i>(7.6 ppt)</i>	<i>(7.3 ppt)</i>	<i>19.8</i>	<i>23.5</i>	<i>3.7 ppt</i>	Higher profit margins for construction division and better property sales mix.
Depreciation	(1.3)	(1.6)	(2.0)	23.3	44.8	(5.4)	(6.5)	21.6	
EBIT	15.6	24.8	15.0	(39.7)	(4.1)	61.6	82.7	34.2	
<i>EBIT margin (%)</i>	<i>22.6</i>	<i>23.4</i>	<i>15.3</i>	<i>(8.1 ppt)</i>	<i>(7.3 ppt)</i>	<i>18.2</i>	<i>21.7</i>	<i>3.6 ppt</i>	
Int expense	(2.2)	(3.5)	(3.2)	(9.4)	45.2	(6.6)	(14.0)	111.3	Higher borrowings to acquire new land bank.
Int and other inc	0.9	1.1	1.5	29.5	58.1	3.2	4.0	25.6	
Associates	(0.8)	0.1	0.4	340.9	n.m	(0.6)	5.2	n.m	
EI	16.6	(1.9)	6.5	n.m	(60.9)	15.0	10.7	(28.5)	Includes RM13.5m fair value gain on investment properties, offset by listing expenses of RM2.9m.
PBT	30.2	20.7	20.1	(2.5)	(33.3)	72.6	88.7	22.2	
<i>PBT margin (%)</i>	<i>43.7</i>	<i>19.5</i>	<i>20.5</i>	<i>1.1 ppt</i>	<i>(23.1 ppt)</i>	<i>21.4</i>	<i>23.3</i>	<i>1.9 ppt</i>	
Core PBT	13.6	22.5	13.6	(39.4)	0.7	57.6	78.0	35.3	
Tax	(11.4)	(5.7)	(4.3)	(23.4)	(62.0)	(21.6)	(20.0)	(7.3)	
<i>Tax rate (%)</i>	<i>37.8</i>	<i>27.4</i>	<i>21.5</i>	<i>(5.9 ppt)</i>	<i>(16.3 ppt)</i>	<i>29.8</i>	<i>22.6</i>	<i>(7.2 ppt)</i>	
MI	(3.0)	(0.2)	(1.0)	494.1	(66.0)	(3.6)	(4.9)	34.4	
Net profit	15.8	14.8	14.8	(0.3)	(6.3)	47.3	63.7	34.6	Above expectations.
EPS (sen)	4.6	3.6	3.5	(3.1)	(25.1)	9.2	13.4	44.7	
Core net profit	(0.8)	16.7	8.3	(50.3)	n.m	32.4	53.0	63.8	Excluding one-off items. Within expectations.

Source: Affin Hwang estimates, Company

Fig 2: Segmental results summary

FYE 31 Mar (RMm)	4QFY19	3QFY20	4QFY20	QoQ % chg	YoY % chg	FY19	FY20	YoY (%)
Segmental results								
Revenue								
Construction services	42.5	60.1	44.8	(25.4)	5.6	233.7	185.2	(26.6)
Property development	12.7	14.0	22.6	62.0	78.2	43.1	92.3	129.0
Engineering services	8.0	23.2	21.3	(8.1)	165.6	40.7	68.2	43.6
Property investment	5.9	8.9	9.4	5.3	57.8	21.5	34.6	62.1
Total	69.1	106.1	98.1	(7.5)	42.0	339.0	380.3	4.6
EBIT								
Construction services	5.1	13.6	5.6	(58.6)	9.7	28.9	34.0	19.2
Property development	7.4	1.8	7.1	294.0	(4.0)	5.9	18.3	(834.4)
Engineering services	2.0	1.5	(0.1)	(108.9)	(106.6)	4.7	5.3	101.6
Property investment	18.5	6.3	11.7	85.2	(36.8)	32.2	39.1	100.0
Total	33.0	23.1	24.3	5.0	(26.4)	71.7	96.7	87.1
EBIT margin %								
Construction services	12.0	22.6	12.5	(10.1 ppt)	0.5 ppt	12.4	18.3	7.8 ppt
Property development	58.6	13.0	31.6	18.6 ppt	(27.1 ppt)	13.7	19.8	21.0 ppt
Engineering services	24.7	6.3	(0.6)	(7.0 ppt)	(25.3 ppt)	11.5	7.8	3.3 ppt
Property investment	311.8	71.0	124.8	53.8 ppt	>(100 ppt)	149.6	113.0	20.6 ppt

Source: Affin Hwang estimates, Company

Fig 3: Change in RNAV and target price

Segments	Stake (%)	RNAV (RMm)	Old RNAV (RMm)	Change (%)
Construction @ PE 14x sustainable PAT of RM35m	100	490	490	0
Engineering @ PE 14x sustainable PAT of RM5m	100	70	70	0
Property development @ DCF (WACC 7.5%)	100	319	319	0
Property investment @ Market value	100	434	434	0
Net cash/(debt)		(91)	17	(625)
RNAV		1,221	1,330	(8)
No. of shares (m shrs)		427		0
RNAV/share (RM)		2.86	3.11	(8)
Target price at 30% discount to RNAV/share		2.00	2.18	(8)

Source: Affin Hwang estimates

Important Disclosures and Disclaimer

Equity Rating Structure and Definitions

BUY	Total return is expected to exceed +10% over a 12-month period
HOLD	Total return is expected to be between -5% and +10% over a 12-month period
SELL	Total return is expected to be below -5% over a 12-month period
NOT RATED	Affin Hwang Investment Bank Berhad does not provide research coverage or rating for this company. Report is intended as information only and not as a recommendation

The total expected return is defined as the percentage upside/downside to our target price plus the net dividend yield over the next 12 months.

OVERWEIGHT	Industry, as defined by the analyst's coverage universe, is expected to outperform the KLCI benchmark over the next 12 months
NEUTRAL	Industry, as defined by the analyst's coverage universe, is expected to perform inline with the KLCI benchmark over the next 12 months
UNDERWEIGHT	Industry, as defined by the analyst's coverage universe is expected to under-perform the KLCI benchmark over the next 12 months

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