

AME Elite Consortium Berhad

Turning the tide

Summary

- AME Elite Consortium Bhd's 3QFY21 net profit rose 2.1% YoY to RM15.1m, mainly due to the fair value gains on investment properties of RM5.7m and lower administrative expenses. Revenue for the quarter climbed 12.6% YoY to RM121.7m. For 9MFY21, cumulative net profit fell 34.9% YoY to RM31.9m. Revenue for the period, however, rose 4.6% YoY to RM297.3m.
- The reported earnings accounted for 64.1% of our estimates at RM49.7m and 61.4% of consensus forecast of RM51.9m. Meanwhile, the reported revenue was at 76.6% of our estimated revenue of RM388.3m and 72.0% of consensus forecast at RM413.0m. We deemed the figures to be in line on expectations that the extended recovery in 4QFY21 will catch-up to our estimates.
- In 3QFY21, only the construction segment underperformed with EBIT falling 56.9% YoY to RM5.8m, dragged down by the timing of execution of external construction projects. As a result, the overall group EBIT margin declined to 16.7% vs. 25.5% recorded in the previous corresponding quarter.
- As of 3QFY21, AME is equipped with an unbilled construction orderbook of approximately RM200.0m, representing unbilled orderbook-to-cover ratio at 1.1x against FY20 construction revenue of RM185.2m that will provide earnings visibility over the next two years. While there were 22 Covid-19 cases reported at the worker's dormitory, AME has conducted immediate sanitisation and set up a separate off-site quarantine centre.
- After recording -68.0% decline to USD2.5bn in foreign direct investment (FDI) in 2020, we believe the figures should demonstrate strong recovery, as the political instability took a temporary backseat, coupled with the stronger ringgit against the Greenback. Still we caution that the rising competitiveness to attract FDI prevails against regional peers such as Indonesia, Cambodia, Vietnam and Myanmar that offers more business friendly initiatives.

Quarterly performance

FYE Mar (RM m)	3QFY20	2QFY21	3QFY21	QoQ (%)	YoY (%)	9MFY20	9MFY21	YoY (%)
Revenue	108.1	120.9	121.7	0.7	12.6	284.3	297.3	4.6
EBITDA	24.5	18.2	27.1	48.9	10.2	76.5	52.9	(30.8)
PBT	20.7	17.7	24.1	35.8	16.5	68.5	48.4	(29.4)
PAT	15.0	12.6	16.9	34.3	12.4	52.8	35.4	(32.9)
Core PATMI	14.8	11.4	15.1	32.9	2.1	49.0	31.9	(34.9)
Reported PATMI	14.8	11.4	15.1	32.9	2.1	49.0	31.9	(34.9)
Core EPS (sen)	3.5	2.7	3.5	32.9	2.1	11.5	7.5	(34.9)
EBITDA margin (%)	22.7	15.0	22.2			26.9	17.8	
PBT margin (%)	19.1	14.7	19.8			24.1	16.3	
Core PATMI margin (%)	13.7	9.4	12.4			17.2	10.7	

Results Note – 3QFY21

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HOLD

Share price	RM2.20
Target price	RM2.21
Previous TP	RM2.21
Capital upside	0.5%
Dividend return	1.7%
Total return	2.2%

Company profile

Principally involved in construction of customised large manufacturing plants and design, build and development of industrial parks

Stock information

Bursa Code	5216
Bloomberg ticker	AME MK
Listing market	Main
Share issued (m)	427.1
Market Cap (m)	939.7
52W High/Low	2.50/1.01
Est. Free float	29.3%
Beta (x)	0.4
3-mth avg vol ('000)	534.3
Shariah compliant	Yes

Major shareholders

	%
Lim Yook Kim	20.0
Lee Chai	19.7
Kang Ah Chee	19.6

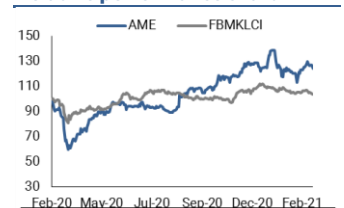
Share price vs. KLCI (%)

	1M	3M	12M
Hist. return			
Absolute	2.3	-3.5	24.4
Relative	2.0	-2.5	16.0

Earnings summary

FYE (Mar)	FY20	FY21f	FY22f
PATMI (m)	67.9	49.7	67.3
EPS (sen)	15.9	11.6	15.8
P/E (x)	13.8	18.9	14.0

Relative performance chart



Valuation & Recommendation

- With the reported earnings within our forecast, we made no changes to our earnings estimates and we maintained our **HOLD** recommendation on AME with a target price of RM2.21. Our target price is derived by ascribing a target PER of 14.0x to its FY22f EPS of 15.8 sen. A re-rating is in the cards, should margins recovery come above expectations in subsequent quarters or should sales from industrial properties gather pace.
- Risks to our recommendation and target price include dependence on the foreign direct investment in Malaysia. A change in government policy that is unfavourable to foreign investors will hinder the sales of their units in the industrial park. Failure to meet targeted orderbook replenishment may derail the prospect of earnings growth.

Financial Highlights

All items in (RM m) unless otherwise stated

Income Statement						Balance Sheet					
FYE Mar (RM m)	FY18	FY19	FY20	FY21f	FY22f	FYE Mar (RM m)	FY18	FY19	FY20	FY21f	FY22f
Revenue	341.3	339.0	380.3	388.3	450.1	Cash	109.8	102.5	191.8	158.4	169.1
EBITDA	95.8	82.0	99.8	78.4	102.9	Receivables	78.4	94.4	86.2	90.4	98.6
EBIT	90.2	76.6	93.3	71.5	95.1	Inventories	231.6	234.1	357.8	386.6	391.5
Net finance income/ (cost)	(0.4)	(3.4)	(10.0)	(10.4)	(11.4)	PPE	77.3	95.4	100.6	105.3	111.1
Associates & JV	5.5	(0.6)	5.3	5.8	6.8	Others	360.4	367.0	417.5	455.9	501.9
Profit before tax	95.2	72.6	88.7	66.9	90.5	Assets	857.5	893.4	1,153.9	1,196.7	1,272.2
Tax	(17.0)	(21.6)	(20.0)	(16.7)	(22.6)	Debts	219.7	215.8	283.2	305.7	329.8
Net profit	78.2	51.0	68.6	50.2	67.8	Payables	150.6	138.2	144.6	138.6	139.5
Minority interest	7.2	3.6	0.8	0.5	0.5	Others	91.5	102.6	58.3	51.7	47.5
Core earnings	71.0	47.3	67.9	49.7	67.3	Liabilities	461.8	456.7	486.2	496.1	516.8
Exceptional items	-	-	-	-	-	Shareholder's equity	369.1	406.4	633.9	670.8	722.1
Reported earnings	71.0	47.3	67.9	49.7	67.3	Minority interest	26.6	30.3	33.8	29.8	33.3
						Equity	395.7	436.7	667.6	700.6	755.4
Cash Flow Statement						Valuation & Ratios					
FYE Mar (RM m)	FY18	FY19	FY20	FY21f	FY22f	FYE Mar (RM m)	FY18	FY19	FY20	FY21f	FY22f
Profit before taxation	95.2	72.6	88.7	66.9	90.5	Core EPS (sen)	16.6	11.1	15.9	11.6	15.8
Depreciation & amortisation	5.6	5.4	6.5	6.9	7.7	P/E (x)	13.2	19.8	13.8	18.9	14.0
Changes in working capital	14.6	(17.5)	117.7	147.1	19.3	DPS (sen)	-	-	3.0	3.0	3.8
Share of JV profits	(5.5)	0.6	(5.2)	-	-	Dividend yield	0.0%	0.0%	1.4%	1.4%	1.7%
Taxation	(17.4)	(16.2)	(14.4)	(20.0)	(22.5)	BVPS (RM)	0.93	1.02	1.56	1.64	1.77
Others	(26.6)	(16.7)	(13.4)	(15.0)	(15.0)	P/B (x)	2.4	2.2	1.4	1.3	1.2
Operating cash flow	100.2	45.9	(40.1)	(108.3)	41.8	EBITDA margin	28.1%	24.2%	26.2%	20.2%	22.9%
Net capex	(43.1)	(48.2)	(63.0)	(54.2)	(98.5)	EBIT margin	26.4%	22.6%	24.5%	18.4%	21.1%
Others	(11.0)	7.6	19.3	25.0	-	PBT margin	27.9%	21.4%	23.3%	17.2%	20.1%
Investing cash flow	(54.1)	(40.6)	(43.7)	(29.2)	(98.5)	PAT margin	22.9%	15.0%	18.0%	12.9%	15.1%
Changes in borrowings	(31.2)	(3.9)	67.4	22.5	24.0	Core PAT margin	20.8%	14.0%	17.8%	12.8%	15.0%
Issuance of shares	0.3	-	107.6	-	-	ROE	17.9%	10.8%	10.2%	7.1%	8.9%
Dividends paid	(10.3)	(10.0)	-	(12.8)	(16.0)	ROA	8.3%	5.3%	5.9%	4.2%	5.3%
Others	(14.4)	6.2	1.5	-	-	Net gearing	27.8%	26.0%	13.7%	21.0%	21.3%
Financing cash flow	(51.0)	(12.2)	178.5	104.0	67.4						
Net cash flow	(4.9)	(6.9)	94.7	(33.4)	10.6						
Forex	-	-	-	-	-						
Others	-	-	-	-	-						
Beginning cash	90.2	85.3	78.4	173.2	139.8						
Ending cash	85.3	78.4	173.2	139.8	150.4						

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