

AME Elite Consortium Berhad

Resilient property sales

Summary

- We attended AME Elite Consortium Bhd's (AME) post 4QFY21 results briefing and came away feeling slightly upbeat on the prospects of AME moving into FY22. After a quiet period in 1HFY21 due to the impact of Covid-19, we gather that AME has secured new property bookings of RM107.8m in FY21. Moving into FY22f, AME targets RM200.0m of new sales, subject to the Covid-19 situation. This will exceed the RM140.0m new sales recorded in FY21.
- We expect the resilient property sales to sustain, premised to the several new enquiries from overseas clients for property bookings. On the SiLC land acquisition, AME has received shareholders approval on 8th April 2021 and is currently pending Economic Planning Unit (EPU) consent. The move will enlarge AME landbank to 237.0-ac, bringing additional gross development value (GDV) of RM1.50bn. For the time being, unbilled sales amounting to RM64.3m will be recognised progressively.
- On the rental of workers dormitories, occupancy rate for i-Stay@Indahpura and i-Stay@Senai Airport City remains relatively healthy at 97% and 95% respectively. Meanwhile, the expansion of i-Stay@Indahpura with 2 new blocks will generate additional 2,700 beds, bumping total capacity to 5,200 beds at end-2021. Upon completion, expansion is expected to generate additional RM7.5m of rental income per annum, based on full capacity.
- To ensure un-interrupted work progress under the implementation of FMCO, AME has submitted the applications to MITI, pending for approval. Based on the previous round of MCO, we note that all works have received permission to proceed. Hence, we expect the work orders to proceed accordingly.
- On the flipside, construction margins are expected to be impacted, in view of the surge in building material prices in recent months. Moving forward, its outstanding construction orderbook of RM147.6m, comprising RM109.1m from the construction segment and RM38.5m from the engineering services segment will sustain earnings visibility over the next year.
- Elsewhere, we note that AME has submitted all relevant documents and consultations to the Securities Commission in regards to the industrial REIT spinoff, pending review. The move is expected to take place sometime at end-2021, subject to the progress of approvals.
- Meanwhile, AME has recently announced a proposal of bonus issue of 1 bonus share for every 2 AME shares held on an entitlement date and 1 free warrant for every 3 existing AME shares held on the entitlement date. The move is to reward existing shareholders as well as enhance the trading liquidity. Also, AME has proposed for an establishment of an employees' share option scheme of up to 10.0% of the total number of issued shares of AME.

Company Update

Kenneth Leong
kennethleong@msec.com.my
(603) 2201 2100

HOLD

Share price	RM2.57
Target price	RM2.57
Previous TP	RM2.25
Capital upside	-
Dividend return	1.9%
Total return	1.9%

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)	1,119.0
52W High/Low	2.65/1.50
Est. Free float	29.3%
Beta (x)	0.5
3-mth avg vol ('000)	659.5
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
Absolute	21.3	23.6	52.4
Relative	21.8	21.7	41.6

Earnings summary

FYE (Mar)	FY21	FY22f	FY23f
PATMI (m)	62.1	68.6	75.6
EPS (sen)	14.5	16.1	17.7
P/E (x)	17.7	16.0	14.5

Relative performance chart



Valuation & Recommendation

- We maintained our earnings forecast and **HOLD** recommendation on AME, but a higher target price of RM2.57 (from RM2.25). Our target price is derived by ascribing a higher target PER of 16.0x (previously 14.0x) to its FY22f EPS of 16.1 sen. The upward revision is backed by the improving outlook and also slightly above the small-mid cap construction peers trading at 11.0-15.0x, premised to AME's position as a niche construction player, specialising in the industrial REIT space.
- 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)	FY19	FY20	FY21	FY22f	FY23f	FYE Mar (RM m)	FY19	FY20	FY21	FY22f	FY23f
Revenue	339.0	380.3	460.6	491.2	580.6	Cash	102.5	191.8	271.4	238.1	185.4
EBITDA	82.0	99.8	89.8	101.7	114.8	Receivables	94.4	86.2	94.3	100.9	111.3
EBIT	76.6	93.3	83.0	94.7	106.7	Inventories	234.1	357.8	311.5	308.9	310.3
Net finance income/ (cost)	(3.4)	(8.6)	(5.4)	(2.3)	(2.9)	PPE	95.4	100.6	131.6	139.4	148.6
Associates & JV	(0.6)	5.3	3.5	4.9	5.8	Others	367.0	417.5	385.9	420.2	444.5
Profit before tax	72.6	90.0	81.1	97.4	109.6	Assets	893.4	1,153.9	1,194.7	1,207.5	1,200.2
Tax	(21.6)	(20.0)	(22.1)	(24.3)	(29.6)	Debts	215.8	283.2	247.6	215.4	183.9
Net profit	51.0	69.9	59.1	73.0	80.0	Payables	138.2	144.6	159.7	155.5	181.9
Minority interest	3.6	4.5	4.4	4.4	4.4	Others	102.6	58.3	74.0	69.4	76.0
Core earnings	47.3	57.5	62.1	68.6	75.6	Liabilities	456.7	486.2	481.3	440.3	441.8
Exceptional items	-	(7.9)	7.5	-	-	Shareholder's equity	406.4	633.9	675.7	722.9	722.9
Reported earnings	47.3	65.4	54.6	68.6	75.6	Minority interest	30.3	33.8	37.7	44.4	35.5
						Equity	436.7	667.6	713.4	767.3	758.4
Cash Flow Statement						Valuation & Ratios					
FYE Mar (RM m)	FY19	FY20	FY21	FY22f	FY23f	FYE Mar (RM m)	FY19	FY20	FY21	FY22f	FY23f
Profit before taxation	72.6	90.0	81.1	97.4	109.6	Core EPS (sen)	11.1	13.5	14.5	16.1	17.7
Depreciation & amortisation	5.4	6.6	6.8	7.0	8.1	P/E (x)	23.2	19.1	17.7	16.0	14.5
Changes in working capital	(17.5)	117.7	83.0	1.0	44.1	DPS (sen)	-	3.0	4.0	5.0	5.5
Share of JV profits	0.6	(5.2)	(3.5)	-	-	Dividend yield	0.0%	1.2%	1.6%	1.9%	2.1%
Taxation	(16.2)	(14.4)	(22.6)	(22.5)	(22.5)	BVPS (RM)	1.02	1.56	1.67	1.80	1.78
Others	(16.7)	(13.4)	(7.1)	(15.0)	(15.0)	P/B (x)	2.5	1.6	1.5	1.4	1.4
Operating cash flow	45.9	(40.1)	129.5	59.2	28.8	EBITDA margin	24.2%	26.2%	19.5%	20.7%	19.8%
Net capex	(48.2)	(63.0)	(7.3)	(99.7)	(102.4)	EBIT margin	22.6%	24.5%	18.0%	19.3%	18.4%
Others	7.6	19.3	9.2	-	-	PBT margin	21.4%	23.7%	17.6%	19.8%	18.9%
Investing cash flow	(40.6)	(43.7)	1.9	(99.7)	(102.4)	PAT margin	15.0%	18.4%	12.8%	14.9%	13.8%
Changes in borrowings	(3.9)	67.4	(35.6)	(32.3)	(31.5)	Core PAT margin	14.0%	15.1%	13.5%	14.0%	13.0%
Issuance of shares	-	107.6	0.5	-	-	ROE	10.8%	8.6%	8.7%	8.9%	10.0%
Dividends paid	(10.0)	-	(17.1)	(21.4)	(23.5)	ROA	5.3%	5.0%	5.2%	5.7%	6.3%
Others	6.2	1.5	-	-	-	Net gearing	26.0%	13.7%	Net Cash	Net Cash	Net Cash
Financing cash flow	(12.2)	178.5	(52.2)	7.2	20.9						
Net cash flow	(6.9)	94.7	79.2	(33.3)	(52.8)						
Forex	-	-	-	-	-						
Others	-	-	-	-	-						
Beginning cash	85.3	78.4	173.2	252.4	219.1						
Ending cash	78.4	173.2	252.4	219.1	166.3						

Disclaimer: This report is prepared exclusively for Malacca Securities Sdn Bhd's (MSSB) clients and is not intended to be distributed to any other party in any form or manner. All information, assumptions, estimates and opinions contained in this report is based on available data and the information is believed to be reliable at the time of writing. MSSB and/or its associated persons does not warrant, represent and/or guarantee the accuracy of any opinions and information herein in any manner whatsoever and no reliance upon the report and/or any parts thereof by anyone shall give rise to any claim whatsoever against MSSB. This report is for information purposes only and shall not be construed as an offer, invitation or solicitation to buy or sell the securities or any related investment or financial instruments mentioned in this report. MSSB and/or its associated persons may from time to time have an interest in the securities mentioned herein.