

"FY21 results were above market expectations but within ours"

Share price performance



	1M	3M	12M
Absolute (%)	6.5	4.5	32.2
Rel KLCI (%)	8.5	3.5	19.2

	BUY	HOLD	SELL
Consensus	3	-	-

Source: Bloomberg

Stock Data

Sector	Construction
Issued shares (m)	427.1
Mkt cap (RMm)/(US\$m)	982.4/237.4
Avg daily vol - 6mth (m)	0.6
52-wk range (RM)	1.50-2.50
Est free float	29.3%
Stock Beta	NA
Net cash/(debt) (RMm)	23.8
ROE (FY22E)	9.8%
Derivatives	No
Shariah Compliant	Yes

Key Shareholders

Lim Yook Kim	20.0%
Lee Chai	19.7%
Kang Ah Chee	19.6%
Lee Sai Boon	6.5%

Source: Affin Hwang, Bloomberg

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AME Elite Consortium (AME MK)

BUY (maintain)

Up/Downside: +19.6%

Price Target: RM2.75

Previous Target (Rating): RM2.60 (BUY)

Delivered strong 4Q FY21 performance

- AME delivered a strong 4QFY21 net profit of RM22.8m (+54% yoy) as it closed several sizeable industrial property sales during the quarter and accelerated construction progress billings
- Core earnings grew 10% yoy to RM62.4m in FY21, driven by higher property sales and good construction division performance. We fine-tune our earnings after inputting the FY21 figures
- AME remains one of our top small-cap sector BUYs with a higher target price of RM2.75, based on a 20% discount to RNAV

Core earnings were within expectations

AME's core earnings of RM62.4m (+10% yoy) in FY21 were above market expectations (RM54.6m) but within ours (RM60.1m). Revenue grew 21% yoy to RM460.6m in FY21, driven by higher property development (+113% yoy) and property investment (+5% yoy) revenue. This was partly offset by lower construction (-1% yoy) and engineering (-35% yoy) revenue. The Movement Control Order (MCO) 1.0 adversely impacted work progress for its construction and engineering projects. Operating profit fell 11% yoy to RM83m as all its divisions except for the property development segment (+96% yoy) saw lower earnings. Net fair value loss of RM7.5m for its investment properties reduced net profit in FY21 to RM54.6m, down 14% yoy.

Reasonable construction order book and property unbilled sales

Its remaining construction order book of 147.6m and property unbilled sales of RM64.3m from its i-Park developments will be recognised over the next six months. This will support FY22E earnings.

Rewarding shareholders

AME declared a higher interim DPS of 4 sen for FY21, compared to 3 sen for FY20 as operating cash flow improved and the group turned to a net cash position of RM23.8m (RM0.06/sh). The company also proposed a 1-for-2 bonus issue of shares, issuance of 1 free warrant for every 3 shares held and an employees' share option scheme (ESOS) of up to 10% of issued shares. The exercise price for the proposed warrant issuance has not been determined. But at the indicative price of RM1.45, AME will raise RM205.9m in cash when the warrants are exercised. We reiterate our BUY call with a 12-month TP of RM2.75 (from RM2.60), based on a 20% discount to our higher RNAV (reflects higher net cash and rolling over our valuation basis to FY22E). Downside risk: slower property sales and new contract wins.

Earnings & Valuation Summary

FYE 31 Mar	2020	2021	2022E	2023E	2024E
Revenue (RMm)	380.3	460.6	435.7	486.7	552.6
EBITDA (RMm)	93.1	97.5	105.5	119.4	148.5
Pretax profit (RMm)	88.7	81.1	91.9	106.6	135.5
Net profit (RMm)	63.7	54.6	68.5	79.5	101.0
EPS (sen)	14.9	12.8	16.0	18.6	23.6
PER (x)	15.4	18.0	14.3	12.4	9.7
Core net profit (RMm)	56.9	62.4	68.5	79.5	101.0
Core EPS (sen)	13.3	14.6	16.0	18.6	23.6
Core EPS growth (%)	75.7	9.6	9.8	16.0	27.1
Core PER (x)	17.3	15.8	14.3	12.4	9.7
Net DPS (sen)	3.0	4.0	4.0	4.0	4.0
Dividend Yield (%)	1.3	1.7	1.7	1.7	1.7
EV/EBITDA	11.5	10.1	9.2	8.1	6.3

Chg in EPS (%)	(0.3)	1.0	New
Affin/Consensus (x)	1.1	1.0	-

Source: Company, Bloomberg, Affin Hwang forecasts

Fig 1: Results comparison

FYE 31 Mar (RMm)	4QFY20	3QFY21	4QFY21	QoQ % chg	YoY % chg	FY20	FY21	YoY % chg	Comments
Revenue	98.1	121.7	163.3	34.2	66.5	380.3	460.6	21.1	FY21: Higher property development (+113% yoy) and investment (+5% yoy) revenue, partly offset by lower construction (-1% yoy) and engineering (-35% yoy) revenue.
Op costs	(80.8)	(100.3)	(129.5)	29.1	60.3	(288.9)	(363.1)	25.7	
EBITDA	17.3	21.3	33.8	58.4	95.5	93.1	97.5	6.7	Lower profit margins due to certain construction projects at early stages of implementation.
<i>EBITDA margin (%)</i>	<i>17.6</i>	<i>17.5</i>	<i>20.7</i>	<i>3.2 ppt</i>	<i>3.1 ppt</i>	<i>24.5</i>	<i>21.2</i>	<i>(3.3 ppt)</i>	
Depreciation	(2.0)	(1.6)	(1.9)	20.5	(3.1)	(4.9)	(6.8)	38.8	Lower borrowings with improving operating cash flow.
EBIT	15.3	19.8	31.9	61.4	108.0	86.6	90.8	4.9	
<i>EBIT margin (%)</i>	<i>15.6</i>	<i>16.3</i>	<i>19.5</i>	<i>3.3 ppt</i>	<i>3.9 ppt</i>	<i>22.8</i>	<i>19.7</i>	<i>(3.0 ppt)</i>	Rising cash pile increases interest income and turned net cash in 3QFY21.
Int expense	(3.2)	(2.3)	(2.3)	2.8	(26.6)	(14.0)	(9.8)	(29.6)	
Int and other inc	1.5	1.1	1.2	16.7	(16.8)	4.0	4.4	10.4	Mainly fair value gain/(loss) for investment properties.
Associates	0.4	(0.2)	0.5	n.m	28.9	5.2	3.5	(33.0)	
EI	6.1	5.7	1.4	(75.2)	(76.8)	6.8	(7.8)	n.m	
PBT	20.1	24.1	32.7	36.0	62.5	88.7	81.1	(8.5)	Within expectations.
<i>PBT margin (%)</i>	<i>20.5</i>	<i>19.8</i>	<i>20.0</i>	<i>0.3 ppt</i>	<i>(0.5 ppt)</i>	<i>23.3</i>	<i>17.6</i>	<i>(5.7 ppt)</i>	
Core PBT	14.0	18.4	31.3	70.5	123.3	81.8	88.9	8.6	Excluding one-off items. Within expectations.
Tax	(4.3)	(7.2)	(9.1)	26.2	109.6	(20.0)	(22.1)	10.2	
<i>Tax rate (%)</i>	<i>21.5</i>	<i>29.9</i>	<i>27.8</i>	<i>(2.2 ppt)</i>	<i>6.3 ppt</i>	<i>22.6</i>	<i>27.2</i>	<i>4.6 ppt</i>	
MI	(1.0)	(1.7)	(0.9)	(49.2)	(13.6)	(4.9)	(4.4)	(9.1)	
Net profit	14.8	15.1	22.8	50.3	53.8	63.7	54.6	(14.3)	
EPS (sen)	3.5	3.6	5.3	50.1	54.0	13.4	12.8	(4.3)	
Core net profit	8.7	9.4	21.3	126.2	146.1	56.9	62.4	9.6	

Source: Affin Hwang, Company

Fig 2: Segmental breakdown

FYE 31 Mar (RMm)	4QFY20	3QFY21	4QFY21	QoQ % chg	YoY % chg	FY20	FY21	YoY % chg
Segmental results								
Revenue								
Construction services	44.8	52.9	58.7	11.0	31.0	185.2	182.7	(1.3)
Property development	22.6	48.0	84.2	75.3	272.4	92.3	197.2	113.5
Engineering services	21.3	11.6	10.6	(9.0)	(50.3)	68.2	44.3	(35.0)
Property investment	9.4	9.1	9.8	7.7	4.7	34.6	36.4	5.0
Total	98.1	121.7	163.3	34.2	66.5	380.3	460.6	21.1
Operating profit								
Construction services	5.6	5.8	12.0	105.4	114.0	34.0	20.7	(39.0)
Property development	7.1	9.9	13.7	37.6	91.5	18.3	35.9	96.2
Engineering services	(0.1)	1.8	2.5	37.1	(1,985.5)	5.3	1.2	(76.8)
Property investment	11.7	12.4	7.7	(38.0)	(34.2)	39.1	33.6	(14.1)
Total	24.3	30.0	35.8	19.6	47.5	96.7	91.5	(5.4)
Operating profit margin (%)								
Construction services	12.5	11.0	20.4	9.4 ppt	7.9 ppt	18.3	11.3	(7.0 ppt)
Property development	31.6	20.7	16.2	(4.5 ppt)	(15.4 ppt)	19.8	18.2	(1.6 ppt)
Engineering services	(0.6)	15.5	23.4	7.9 ppt	24.0 ppt	7.8	2.8	(5.0 ppt)
Property investment	124.8	136.2	78.5	(57.7 ppt)	(46.3 ppt)	113.0	92.4	(20.5 ppt)

Source: Affin Hwang, Company

Fig 3: RNAV/share and target price

Segments	Stake (%)	RNAV (RMm)	Old RNAV (RMm)	Change (%)
Construction @ PE 14x sustainable PAT of RM40m	100	560	560	0
Engineering @ PE 14x sustainable PAT of RM5m	100	70	70	0
Property development @ DCF (WACC 7.2%)	100	381	392	(3)
Property investment @ Market value	100	433	434	(0)
Net cash/(debt)		24	(69)	(134)
RNAV		1,467	1,386	6
No. of shares (m shrs)		427	427	0
RNAV/share (RM)		3.43	3.25	5.81
Target price at 30% discount to RNAV/share		2.75	2.60	5.81

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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