

Company Result

28 May 2021

AME Consortium Berhad

BUY

Better year ahead

Maintained

Share Price	RM2.30
Target Price	RM2.53

Results

Company Description

AME Elite Consortium Berhad provides real estate services. The Company offers property management, development, construction, and engineering solutions. AME Elite Consortium serves customers in Malaysia.

- **AME recorded 4QFY21 core earnings of RM21.1m (after excluding its fair value gain on investment properties net of tax and MI of RM1.7m), which surged strongly by 115.3% yoy and 80.3% qoq.**
- **FY21 exceeding our expectation.** The Group chalked up RM49.5m core net profit for its full year FY21 result (-7.5% yoy), exceeding our estimate by 14.6%. The better-than-expected result was due to faster-than-expected progress billings for its Property Development segment, mainly contributed by its EMS client in Johor.

Stock Data

Bursa / Bloomberg code	5293 / AME MK
Board / Sector	Main / Construction & Materials
Syariah Compliant status	Yes
Issued shares (m)	427.12
FTSE4Good Index	No
ESG Rating	☆
Market cap. (RMm)	982.36
52-week price Range	1.50-2.50
3-m Average Daily Volume	0.64
3-m Average Daily Value [^]	1.40

Comment

Share Performance

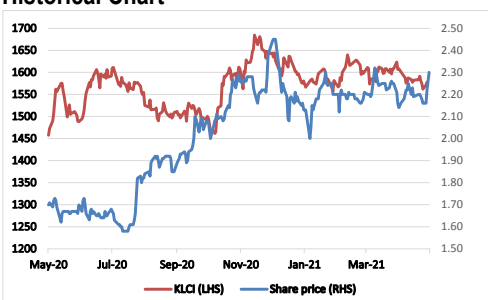
	1m	3m	12m
Absolute (%)	7.5	4.5	32.9
Relative (%-pts)	8.5	3.5	21.6

- **Stellar 4Q results underpinned by Construction, Property Development and Engineering segments.** AME achieved commendable 4QFY21 thanks to better showings posted by its Construction (segmental revenue: +31.0% yoy and +11.0% qoq; segmental profit: +114.3% yoy and +106.9% qoq), Property Development (segmental revenue: +272.6% yoy and 75.4% qoq; segmental profit: +93.0% yoy and +38.4% qoq) as well as turnaround of its Engineering division (4QFY21 segmental profit of RM2.5m vs loss of RM0.1m in a year ago and further strengthened 38.9% qoq).
- **Softer FY21.** However, the Group's full year FY21 result was weaker yoy as impacted by the MCO which caused temporary disruption on its projects progress especially for its Construction (segmental profit slid 39.1% yoy) and Engineering (segmental profit tumbled 75.5% yoy) divisions, coupled with lower project margin and lower share of JV profit, -34.0% yoy (i.e. i-Park@Indahpura, Phase 3 project). Also, the higher effective tax rate (FY21: 27.3% vs FY20: 22.5%) weighed on AME's overall yearly performance.

Major Shareholders

	%
Lim Yook Kim	19.95
Lee Chai	19.74
Kang Ah Chee	19.60
Estimated Free Float	29.26

Historical Chart



Source: Bloomberg

- **Resilient orderbook.....** AME has an outstanding orderbook of RM147.6m of construction and engineering works as of 4QFY21. The Group has successfully clinched RM65.2m worth of jobs during FY21, falling short of its target orderbook of RM136m for FY21. However, the Group envisages to clinch RM44.3m worth of construction and engineering works in the near future.
- **.....and unbilled sales.** Property development wise, AME has chalked up RM140.3m new sales for its industrial properties in FY21. Still, management is sanguine on its sales prospects as it has secured RM107.8m bookings in 4QFY21 (FY21 sales target of RM200m). Meanwhile, the Group boasts RM64.3m unbilled sales as of 4QFY21 which render earnings visibility for the next 6 months.

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- **Anticipating better FY22F.** AME has secured substantial investments from several multinational companies with local presence at the beginning of FY22 to build their industrial facilities in its i-Parks, and the Group continues to receive inquiries about its i-Park industrial properties from several prospective customers. Moving forward, the Group will continue developing i-Park@Senai Airport City (Phase 3) and expanding its construction and property development segments to improve the Group's bottom line.
- **Interim dividend of 4.0 sen/share.** The Group has declared an interim dividend of 4.0 sen/share for its FY21 with ex-date on 16 June. This translates into a dividend yield of 1.7% based on last closing price.
- **Proposed bonus issue and free warrant.** On a separate announcement, AME has proposed 1-for-2 bonus issue together with 1-for-3 free warrants. This is to reward its shareholders and further improve its share liquidity.

Earnings Outlook/Revision

- **We lift our FY22F core net earnings marginally by 4.9% to RM58.3m** from RM55.6m after increasing our progress billings for Property Development and Engineering margin. **We also take this opportunity to introduce our FY23F core profit of RM71.9m.** Our FY22F and FY23F core earnings estimates represent yoy growth of 17.8% and 19.2% respectively.

Valuation & Recommendation

- **Maintain BUY on AME with a higher target price of RM2.53 (previously RM2.41) after our earnings upgrade.** Our revised target price is pegged at PE of 18.5x FY22F core EPS which is in line with upcycle valuations of large-cap construction players.
- **We like the stock for its: 1) potential landbanking in Klang Valley, 2) potential listing of industrial REIT in the medium term with asset size of around RM500-600m which includes i-Park (leasing of industrial properties) and i-Stay (worker dormitories); and 3) unique business model which is relatively unfazed by prevailing pandemic and economic downturn.**

Figure 1: Quarterly Result

YEAR END MARCH	4Q21	4Q20	YoY	3Q21	QoQ	FY21	FY20	YoY
	RMm	RMm	%	RMm	%	RMm	RMm	%
Revenue	163.3	98.1	66.5	121.7	34.2	460.6	380.4	21.1
Gross profit	43.5	27.2	59.9	27.7	57.0	110.7	120.3	-8.0
Operating Profit	33.3	21.5	54.9	25.5	30.6	83.0	93.4	-11.1
Share of JV	0.5	0.4	25.0	(0.2)	n.a.	3.5	5.3	-34.0
PBT	32.7	20.1	62.7	24.1	35.7	81.1	88.7	-8.6
PATAMI	22.8	15.2	50.0	15.1	51.0	54.6	64.1	-14.8
Core Net Profit	21.1	9.8	115.3	11.7	80.3	49.5	53.5	-7.5
Gross margin (%) / (ppts)	26.6	27.7	-1.1	22.8	3.9	24.0	31.6	-7.6
Operating margin (%) / (ppts)	20.4	21.9	-1.5	21.0	-0.6	18.0	24.6	-6.5
PBT margin (%) / (ppts)	20.0	20.5	-0.5	19.8	0.2	17.6	23.3	-5.7
Net profit margin (%) / (ppts)	14.0	15.5	-1.5	12.4	1.6	11.9	16.9	-5.0
Core profit margin (%) / (ppts)	12.9	10.0	2.9	9.6	3.3	10.7	14.1	-3.3
SEGMENTAL REVENUE								
Construction	58.7	44.8	31.0	52.9	11.0	182.6	185.1	-1.4
Property development	84.2	22.6	272.6	48.0	75.4	197.1	92.4	113.3
Engineering	10.6	21.3	-50.2	11.6	-8.6	44.3	68.2	-35.0
Property Investment & Management Services (Core)	9.8	9.4	4.3	9.1	7.7	36.3	34.7	4.6
SEGMENTAL PROFIT								
Construction	12.0	5.6	114.3	5.8	106.9	20.7	34.0	-39.1
Property development	13.7	7.1	93.0	9.9	38.4	35.9	18.3	96.2
Engineering	2.5	-0.1	n.a.	1.8	38.9	1.3	5.3	-75.5
Property Investment & Management Services (Core)	6.2	5.5	12.7	6.7	-7.5	26.4	25.6	3.1
SEGMENTAL PROFIT MARGIN								
Construction (%) / (ppts)	20.4	12.5	7.9	11.0	9.5	11.3	18.4	-7.0
Property development (%) / (ppts)	16.3	31.4	-15.1	20.6	-4.4	18.2	19.8	-1.6
Engineering (%) / (ppts)	23.6	-0.5	n.a.	15.5	8.1	2.9	7.8	-4.8
Property Investment & Management Services (Core) (%) / (ppts)	63.3	58.5	4.8	73.6	-10.4	72.7	73.8	-1.0

Source: Company, JF Apex

Figure 2: Financial Summary

Year ending 31 March	FY18	FY19	FY20	FY21	FY22F	FY23F
	RM'm	RM'm	RM'm	RM'm	RM'm	RM'm
Revenue	341.3	339.0	380.3	460.6	498.8	520.1
Operating profit	90.2	76.6	93.4	83.0	89.4	101.0
PBT	95.2	72.6	88.7	81.1	84.7	99.6
PAT	78.2	51.0	68.6	59.1	62.7	74.7
Reported Net Profit	71.0	47.3	63.7	54.6	58.3	69.5
Core Earnings	42.9	30.9	50.2	49.5	58.3	69.5
<u>Growth (%)</u>						
Revenue	14.1%	-0.7%	12.2%	21.1%	8.3%	4.3%
Operating profit	32.1%	-15.1%	21.9%	-11.1%	7.7%	13.0%
PBT	27.8%	-23.7%	22.2%	-8.6%	4.5%	17.5%
PAT	37.0%	-34.8%	34.5%	-13.8%	6.1%	19.1%
Reported Net Profit	23.1%	-33.4%	34.7%	-14.3%	6.8%	19.1%
Core Earnings	4.6%	-28.0%	62.5%	-1.4%	17.8%	19.1%
<u>Margin (%)</u>						
Operating profit	26.4%	22.6%	24.6%	18.0%	17.9%	19.4%
PBT	27.9%	21.4%	23.3%	17.6%	17.0%	19.1%
PAT	22.9%	15.0%	18.0%	12.8%	12.6%	14.4%
Core Net profit	12.6%	9.1%	13.2%	10.7%	11.7%	13.4%
<u>Ratio</u>						
ROE	17.9%	10.8%	9.5%	7.7%	8.5%	13.2%
ROA	8.3%	5.3%	5.5%	4.6%	5.0%	6.6%
EPS	0.17	0.11	0.15	0.13	0.14	0.16
Core EPS	0.10	0.07	0.12	0.12	0.14	0.16
BV/Share	0.93	1.02	1.57	1.67	1.61	1.23
P/B (x)	2.5	2.2	1.5	1.4	1.4	1.9
P/E (x)	13.8	20.8	15.4	18.0	16.8	14.1
Core P/E (x)	22.9	31.8	19.6	19.8	16.8	14.1
Net gearing/(cash)	28%	26%	14%	-3%	4%	40%
Dividend yield	1.3%	0.5%	1.3%	1.7%	2.1%	2.5%
DPS (sen)	3.0	1.2	3.0	4.0	4.8	5.7

Source: Company, JF Apex

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JF APEX SECURITIES - RESEARCH RECOMMENDATION FRAMEWORK

STOCK RECOMMENDATIONS

- BUY** : The stock's total returns* are expected to exceed 10% within the next 12 months.
- HOLD** : The stock's total returns* are expected to be within +10% to – 10% within the next 12 months.
- SELL** : The stock's total returns* are expected to be below -10% within the next 12 months.
- TRADING BUY** : The stock's total returns* are expected to exceed 10% within the next 3 months.
- TRADING SELL** : The stock's total returns* are expected to be below -10% within the next 3 months.

*capital gain + dividend yield

SECTOR RECOMMENDATIONS

- OVERWEIGHT** : The industry as defined by the analyst is expected to exceed 10% within the next 12 months.
- MARKETWEIGHT** : The industry as defined by the analyst is expected to be within +10% to – 10% within the next 12 months.
- UNDERWEIGHT** : The industry as defined by the analyst, is expected to be below -10% within the next 12 months.

ESG RECOMMENDATIONS

- ☆☆☆☆ : Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSA Russell
- ☆☆☆ : Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSA Russell
- ☆☆ : Top 51-75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSA Russell
- ☆ : Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSA Russell

Source: Bursa Malaysia and FTSE Russell

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