

Company Result

29 August 2022

# AME Elite Consortium Bhd

# HOLD

*Bogged down by higher construction costs*

Share Price	RM1.53
Target Price	RM1.63

## 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.

### Stock Data

Bursa / Bloomberg code	5293 / AME MK
Board / Sector	Main / Construction & Materials
Syariah Compliant status	Yes
Issued shares (m)	640.67
FTSE4Good Index	No
ESG Rating	☆
Market cap. (RMm)	980.23
52-week price Range	1.49-2.03
Beta	0.72
3-m Average Daily Volume	0.37
3-m Average Daily Value	0.60

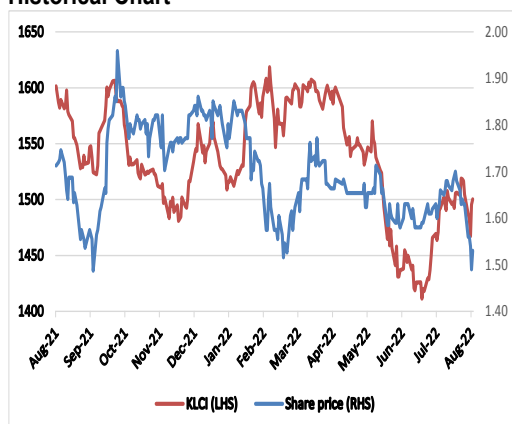
### Share Performance

	1m	3m	12m
Absolute (%)	-6.1	-6.1	-13.7
Relative (%-pts)	-6.6	-6.1	-8.6

### Major Shareholders

Major Shareholders	%
Lim Yook Kim	17.77
Lee Chai	17.59
Kang Ah Chee	17.42
Estimated Free Float	39.05

### Historical Chart



Source: Bloomberg

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- **AME Elite Consortium Berhad (AME) posted 1QFY23 core net earnings of RM7.5m, falling 1% yoy** due to higher finance cost as well as lower profit margins by the Construction and Engineering segments. The flat profit came despite quarterly revenue surging 78.4% YoY to RM136.9m following higher revenue contribution from Construction (+112% yoy to RM88m) and Property Development (+73.5% yoy to RM32.3m) due to higher stages of completion.
- **1QFY23 earnings below expectation.** The Group's core net profit achieved 15% of our full year forecast. While revenue was within expectation after hitting 27% of our FY23 estimate. The weaker-than-expected result is mainly due to weaker margin under the Construction segment.

## Comment

- **Flat yoy quarterly results bogged down by weaker Construction performance.** AME recorded flat yoy results mainly dragged by poor performances of Construction (segmental PBT: -32% yoy), and Engineering (segmental PBT: -70% yoy). The higher raw material cost and shortage of labour weighed on its Construction segment as its segmental margin down by 6.9ppt. Meanwhile, the Property Development segment achieved higher topline and bottomline (PBT: +1281% yoy)
- **Weaker qoq.** AME's 1QFY23 core net profit declined 60% qoq following lower contribution from Property Development (-50% qoq) and Engineering (-84% qoq) while quarterly revenue fell 2% qoq as revenue growth from Construction (+21% qoq) was not enough to cushion the declines in Property Development (-30% qoq) and Engineering (-47% qoq).
- **Healthy unbilled sales of industrial properties and construction orderbook.** AME successfully clinched RM65.8m of new property sales in 1QFY23 which is 75% qoq higher than RM37.6m in 4QFY22. As of 1QFY23, the Group has unbilled sales of RM120.4m after growing from RM91.3m in the previous quarter. On its Construction front, AME has an outstanding orderbook of RM318.7m, down from RM399.8m in 4QFY22. In August, AME formed a JV with Majestic Builders Sdn Bhd to co-develop an integrated industrial park on a parcel of 176-acre freehold land in Seberang Perai Tengah, Penang.
- **Free up cash for future landbanking upon listing of REIT.** Upon listing its REIT on 20<sup>th</sup> September, the Group is expected to raise RM255m from the exercise and proceeds are mainly used for future industrial property development

and investment projects including land acquisitions and JV (RM145m) besides debt settlement (RM105m). Also, AME will have more room to leverage as gearing ratio will be reduced from 0.4x to 0.2x. In the future, the Group would also be able to unlock the value of its leasing property assets by securitising those assets which fit the investment criteria of AME REIT.

### Earnings Outlook/Revision

- **We maintain our FY23F core net earnings forecast at RM51.7m in anticipation of better performance in view of the improved new property sales. Our FY23F core net earnings exclude c.RM36m disposal gain pursuant to the listing exercise.**

### Valuation & Recommendation

- **Maintain HOLD on AME with an unchanged target price of RM1.63.** Our target price is pegged at PE multiple of 20x FY23F fully-diluted EPS which is above its +1SD of 2-year mean PE.
- **Waiting for catalyst.** Whilst we deem the stock is fully valued at this juncton, we still favour the Group over the longer run due to resilient demand on industrial properties, as well as the Group's potential landbanking beyond Johor after listing of its REIT.

**Figure 1: Quarterly Result**

YEAR END MARCH	1QFY23	1QFY22	YoY	4QFY22	QoQ
	RMm	RMm	%	RMm	%
<i>Revenue</i>	136.9	76.8	78.4	139.7	-2.0
Gross profit	23.3	20.0	16.6	33.7	-31.0
<i>Operating Profit</i>	15.2	11.9	27.6	28.3	-46.2
Share of JV	-0.2	0.2	-198.2	1.5	n.a.
PBT	11.3	11.0	2.8	26.2	-56.7
PATAMI	7.5	7.6	-1.1	20.9	-63.9
<i>Core Net Profit</i>	7.5	7.6	-1.1	18.6	-59.5
Gross margin (%) / (ppts)	17.0	26.0	-9.0	24.1	-7.1
Operating margin (%) / (ppts)	11.1	15.5	-4.4	20.3	-9.1
PBT margin (%) / (ppts)	8.3	14.4	-6.1	18.8	-10.5
Net profit margin (%) / (ppts)	5.5	9.9	-4.4	15.0	-9.5
Core profit margin (%) / (ppts)	5.5	9.9	-4.4	13.3	-7.8
<b><u>SEGMENTAL REVENUE</u></b>					
Construction	87.9	41.5	111.8	72.5	21.2
Property development	32.3	18.6	73.5	46.3	-30.2
Engineering	5.2	6.0	-13.3	9.9	-47.3
Property Investment & Management Services (Core)	11.4	10.6	8.0	11.0	4.1
<b><u>SEGMENTAL PROFIT</u></b>					
Construction	2.8	4.2	-32.3	2.5	13.8
Property development	5.4	0.4	1280.7	10.6	-49.5
Engineering	0.3	1.1	-69.6	2.0	-84.1
Property Investment & Management Services (Core)	9.2	8.2	12.6	6.5	41.2
<b><u>SEGMENTAL PROFIT MARGIN</u></b>					
Construction(%) / (ppts)	3.2	10.1	-6.9	3.4	-0.2
Property development (%) / (ppts)	16.6	2.1	14.5	22.9	-6.3
Engineering (%) / (ppts)	6.1	17.5	-11.3	20.2	-14.1
Property Investment & Management Services (Core) (%) / (ppts)	80.2	76.9	3.3	59.1	21.1

Source: Company, JF Apex

**Figure 2: Financial Summary**

Year ending 31 March	FY20 RM'm	FY21 RM'm	FY22 RM'm	FY23F RM'm	FY24F RM'm
Revenue	380.3	460.6	398.4	507.6	482.1
Operating profit	93.4	81.5	74.5	84.7	88.6
PBT	88.7	79.6	68.9	84.2	89.7
PAT	68.6	58.0	52.4	63.2	67.3
Reported Net Profit	63.7	53.4	48.6	51.7	50.9
Core Earnings	50.2	48.4	46.3	51.7	50.9
<b><u>Growth (%)</u></b>					
Revenue	12.2%	21.1%	-13.5%	27.4%	-5.0%
Operating profit	21.9%	-12.7%	-8.6%	13.7%	4.6%
PBT	22.2%	-10.3%	-13.4%	22.2%	6.5%
PAT	34.5%	-15.5%	-9.7%	20.6%	6.5%
Reported Net Profit	34.7%	-16.2%	-9.0%	6.4%	-1.5%
Core Earnings	62.5%	-3.6%	-4.3%	11.7%	-1.5%
<b><u>Margin (%)</u></b>					
Operating profit	24.6%	17.7%	18.7%	16.7%	18.4%
PBT	23.3%	17.3%	17.3%	16.6%	18.6%
PAT	18.0%	12.6%	13.2%	12.4%	14.0%
Core Net profit	13.2%	10.5%	11.6%	10.2%	10.6%
<b><u>Ratio</u></b>					
ROE	9.5%	7.5%	6.8%	6.0%	0.06
ROA	5.5%	4.5%	4.1%	3.7%	3.4%
EPS	0.10	0.08	0.08	0.08	0.08
Fully-dilutd EPS	0.1	0.1	0.1	0.1	0.1
Core EPS	0.1	0.1	0.1	0.1	0.1
Fully-diluted Core EPS	0.1	0.1	0.1	0.1	0.1
BV/Share	1.04	1.11	1.11	1.35	1.24
P/B (x)	1.5	1.4	1.4	1.1	1.2
P/E (x)	15.4	18.4	20.2	19.0	19.3
FD P/E (x)	16.0	18.6	20.1	19.1	19.3
Core P/E (x)	19.5	20.3	21.2	19.0	19.3
FD Core P/E (x)	19.6	20.2	20.9	19.1	19.3
Net gearing/(cash)	14%	-3%	-3%	23%	24%
Dividend yield	2.0%	2.6%	1.6%	2.0%	2.6%
DPS (sen)	3.0	4.0	2.5	3.0	4.0

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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