

AME Elite Consortium Bhd

Starting in first gear

Summary

- AME Elite Consortium Bhd's 1QFY23 core net profit fell 15.7% YoY to RM6.1m, mainly attributed by higher finance charges following the unwinding of discount on the deferred purchase considerations for land acquisition and higher minority interest. Revenue for the quarter, however, climbed 78.4% YoY to RM136.9m.
- The reported core net profit came in at 10.2% of our expectations of RM58.6m and 9.5% of consensus forecast of RM63.8m. We deem the figures to be in line as historically, 1Q figures are seasonally weaker. Recall that 1QFY22 core net profit only makes up to 14.9% of total net profit in FY22.
- Moving into subsequent quarters, we reckon industrial property sales may gather pace, particularly toward international prospective buyers. At the same time, the uninterrupted site works also bodes well for to the construction and sales delivery progress.
- As of 1QFY23, AME is equipped with an outstanding construction orderbook of RM318.7m to sustain earnings visibility over the next 2 years. Meanwhile, unbilled property sales of RM120.4m (up from RM91.3m in 4QFY22) will sustain the property development segment earnings for 2 years. After delivering new property sales of RM168.4m in FY22, we expect stronger performance to come by for FY23f at RM250.0m (1QFY23 new property sales at RM65.8m).
- We gather that the take-up rate for i-Park industrial properties have turned healthier in recent quarter, premised to the reopening of national borders. Development of new industrial park, namely i-TechValley at Southern Industrial and Logistics Clusters (SiLC), Johor Bahru will sustain earnings growth, while, on-going projects such as i-Park@Indahpura (Phase 3) and i-Park@Senai Airport City will keep the development of integrate industrial park business segment busy.
- On the proposed REIT listing, the restricted offer for sale (ROFS) on the basis of 1 ROFS for every 5 AME shares was completed recently and the listing of AME REIT is tentatively on 20th September 2022. We are sanguine on the REIT spin-off for AME to unlock the value of its unit and also will beef up AME's war chest to fund working capital and future expansion plans.

Quarterly performance

FYEMar (RM m)	1QFY22	4QFY22	1QFY23	QoQ (%)	YoY (%)
Revenue	76.8	139.7	136.9	(2.0)	78.4
EBITDA	13.6	30.0	16.7	(44.2)	23.2
PBT	11.0	26.2	11.3	(56.8)	2.8
PAT	7.6	22.6	7.5	(66.7)	(1.1)
Core PATMI	7.2	13.9	6.1	(56.1)	(15.7)
Reported PATMI	7.2	20.9	6.1	(70.9)	(15.7)
Core EPS (sen)	1.1	2.2	0.9	(56.1)	(15.7)
EBITDA margin (%)	17.7	21.4	12.2		
PBT margin (%)	14.4	18.8	8.3		
Core PATMI margin (%)	9.4	9.9	4.4		

Results Note – 1QFY23

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BUY

Share price	RM1.53
Target price	RM1.87
Previous TP	RM1.87
Capital upside	22.2%
Dividend return	2.6%
Total return	24.8%

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)	640.7
Market Cap (m)	980.2
52W High/Low	2.03/1.49
Est. Free float	35.0%
Beta (x)	0.7
3-mth avg vol ('000)	348.1
Shariah compliant	Yes

Major shareholders

	%
Lim Yook Kim	17.8
Lee Chai	17.6
Kang Ah Chee	17.4

Share price vs. KLCI (%)

	1M	3M	12M
Hist. return	1M	3M	12M
Absolute	-4.4	-7.3	-16.2
Relative	-4.9	-4.4	-12.5

Earnings summary

FYE (Mar)	FY22	FY23f	FY24f
PATMI (m)	41.6	59.9	71.5
EPS (sen)	7.6	9.3	11.2
P/E (x)	20.2	16.4	13.7

Relative performance chart



Valuation & Recommendation

- With the reported earnings deem to be within expectations as we reckon the subsequent quarters will make up to the shortfall, we made no changes to our earnings forecast. Consequently, we maintained **BUY** on AME, with an unchanged target price of RM1.87.
- Our target price is derived by ascribing a target PER of 20.0x to its FY23f EPS of 9.3 sen. The assigned PER is slightly above the small-mid cap construction peers trading at 13.0-15.0x, premised to AME's position as a niche construction player, specialising in the industrial REIT space.
- Risks to our recommendation and target price include dependency on the foreign direct investment in Malaysia. Weaker-than-expected orderbook replenishment or slower-than-expected industrial property sales may hamper the prospect of earnings recovery.

Financial Highlights

All items in (RM m) unless otherwise stated

Income Statement						Balance Sheet					
FYE Mar (RM m)	FY20	FY21	FY22	FY23f	FY24f	FYE Mar (RM m)	FY20	FY21	FY22	FY23f	FY24f
Revenue	380.3	460.6	398.4	518.1	595.3	Cash	191.8	271.4	187.2	221.9	204.4
EBITDA	99.8	88.3	80.9	95.9	113.1	Receivables	86.2	94.3	82.3	99.4	114.2
EBIT	93.3	81.5	74.6	88.9	104.9	Inventories	357.8	311.5	649.9	651.5	698.7
Net finance income/ (cost)	(10.0)	(5.4)	(7.3)	(8.0)	(9.6)	PPE	100.6	131.6	147.0	166.0	187.5
Associates & JV	5.3	3.5	1.6	2.6	3.0	Others	417.5	383.0	435.8	438.5	455.0
Profit before tax	88.7	79.6	68.9	83.5	98.3	Assets	1,153.9	1,191.8	1,502.2	1,577.3	1,659.7
Tax	(20.0)	(21.7)	(16.4)	(20.0)	(23.6)	Debts	283.2	247.6	249.4	241.4	237.4
Net profit	68.6	57.9	52.5	63.4	74.7	Payables	144.6	147.2	188.4	183.8	184.6
Minority interest	4.5	4.4	4.0	3.6	3.2	Others	58.3	84.8	317.8	349.6	383.2
Core earnings	56.9	53.5	41.6	59.9	71.5	Liabilities	486.2	479.6	755.6	774.8	805.1
Diluted core earnings	-	-	-	64.0	73.6	Shareholder's equity	633.9	674.5	706.0	706.1	706.1
Exceptional items	7.3	-	7.0	-	-	Minority interest	33.8	37.7	40.7	96.3	148.4
Reported earnings	64.1	53.5	48.6	59.9	71.5	Equity	667.6	712.2	746.7	802.5	854.6
Cash Flow Statement						Valuation & Ratios					
FYE Mar (RM m)	FY20	FY21	FY22	FY23f	FY24f	FYE Mar (RM m)	FY20	FY21	FY22	FY23f	FY24f
Profit before taxation	88.7	79.6	68.9	83.5	98.3	Core EPS (sen)	8.9	8.3	6.5	9.3	11.2
Depreciation & amortisation	6.5	6.8	6.4	7.0	8.2	Diluted Core EPS (sen)	-	-	-	9.3	11.2
Changes in working capital	117.7	70.5	373.2	14.2	75.1	P/E (x)	17.2	18.3	23.6	16.4	13.7
Share of JV profits	(5.2)	(3.5)	(1.6)	-	-	Diluted P/E (x)	-	-	-	18.7	16.3
Taxation	(14.4)	(22.6)	(19.7)	(20.0)	(23.6)	DPS (sen)	3.0	4.0	2.5	4.0	4.0
Others	(13.4)	(6.5)	(4.5)	-	-	Dividend yield	2.0%	2.6%	1.6%	2.6%	2.6%
Operating cash flow	(40.1)	130.1	(56.7)	56.2	7.8	BVPS (RM)	1.04	1.11	1.17	1.25	1.33
Net capex	(63.0)	(7.9)	(15.1)	(25.9)	(29.8)	P/B (x)	1.5	1.4	1.3	1.2	1.1
Others	19.3	8.5	3.1	-	-	EBITDA margin	26.2%	19.2%	20.3%	18.5%	19.0%
Investing cash flow	(43.7)	0.6	(12.0)	(25.9)	(29.8)	EBIT margin	24.5%	17.7%	18.7%	17.2%	17.6%
Changes in borrowings	67.4	(35.6)	1.8	(8.1)	(4.0)	PBT margin	23.3%	17.3%	17.3%	16.1%	16.5%
Issuance of shares	107.6	0.5	-	-	-	PAT margin	18.0%	12.6%	13.2%	12.2%	12.6%
Dividends paid	-	(12.8)	(17.1)	(25.6)	(25.6)	Core PAT margin	15.0%	11.6%	10.4%	11.6%	12.0%
Others	1.5	-	-	-	-	ROE	8.5%	7.5%	5.6%	7.5%	8.4%
Financing cash flow	178.5	(47.9)	(17.6)	4.4	4.4	ROA	4.9%	4.5%	2.8%	3.8%	4.3%
Net cash flow	94.7	82.8	(86.3)	34.7	(17.6)	Net gearing	13.7%	Net Cash	8.3%	2.4%	3.9%
Forex	-	-	-	-	-						
Others	-	-	-	-	-						
Beginning cash	78.4	173.2	255.9	169.7	204.4						
Ending cash	173.2	255.9	169.7	204.4	186.8						

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