

## AME Elite Consortium Bhd

Lifted by REIT spin-off

### Summary

- AME Elite Consortium Bhd's 2QFY23 net profit surged 369.7% YoY to RM45.8m, following one-off disposal of 10 plots of industrial properties to AME Real Estate Investment Trust for RM54.8m. Revenue for the quarter expanded 70.8% YoY to RM147.5m.
- For 6MFY23, cumulative net profit jumped 205.9% YoY to RM51.9m, while core net profit was only at RM9.2m (39.8% of our expectations of RM23.0m). We deem the figures to be in line as 2H figures are seasonally stronger and that may see core earnings to play catch up.
- We reckon that development of new industrial park, namely i-TechValley is expected to see higher contribution following the recent commencement. Industrial property sales are expected to stay buoyant, riding onto the on-going trade diversion from US-China trade war.
- Moving forward, AME is equipped with an outstanding construction orderbook of RM304.2m to sustain earnings visibility over the next 2 years. For 1HFY23, new property sales of RM124.0m makes up to 49.6% of our projection at RM250.0m. This brings unbilled property sales to RM122.9m (up from RM120.4m in 1QFY23) to sustain the property development segment earnings for 2 years.
- Take-up rate for i-Park industrial properties remains sturdy in the recent quarter, premised to the reopening of national borders. For now, AME will focus onto their existing 3 i-Parks at Johor. In the meantime, the proposed development of an integrated industrial park in Penang may only take place sometime in 2024 after the completing the acquisition of land tentatively in 3Q23. Apart from that, AME is also continuously eyeing for opportunities to replicate their successful i-Park business model across Peninsular Malaysia.
- We expect foreign direct investment (FDI) flow to remain solid over the foreseeable future as the recent appointment of new government offers some political stability. We also expect no significant changes from the re-tabling of Budget 2023 that offers business-friendly measures such as extension of tax incentives.

#### Quarterly performance

FYE Mar (RM m)	2QFY22	1QFY23	2QFY23	QoQ (%)	YoY (%)	6MFY22	6MFY23	YoY (%)
Revenue	86.3	136.9	147.5	7.7	70.8	163.1	284.4	74.4
EBITDA	18.1	16.7	71.7	328.6	297.1	31.6	88.4	179.5
PBT	15.3	11.3	65.9	481.1	331.4	26.3	77.2	193.6
PAT	10.6	7.5	56.4	647.6	430.8	18.2	63.9	250.3
Core PATMI	9.8	6.1	3.1	(49.6)	(68.6)	17.0	9.2	(46.1)
Reported PATMI	9.8	6.1	45.8	653.3	369.7	17.0	51.9	205.9
Core EPS (sen)	1.5	0.9	0.5	(49.6)	(68.6)	2.6	1.4	(46.1)
EBITDA margin (%)	20.9	12.2	48.6			19.4	31.1	
PBT margin (%)	17.7	8.3	44.7			16.1	27.1	
Core PATMI margin (%)	11.3	4.4	2.1			10.4	3.2	

Results Note – 2QFY23

**Kenneth Leong**  
[kennethleong@msec.com.my](mailto:kennethleong@msec.com.my)  
(603) 2201 2100

### BUY

Share price	RM1.32
Target price	RM1.87
Previous TP	RM1.87
Capital upside	41.7%
Dividend return	3.0%
Total return	44.7%

#### 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)	845.7
52W High/Low	1.92/1.21
Est. Free float	34.8%
Beta (x)	0.7
3-mth avg vol ('000)	817.8
Shariah compliant	Yes

#### Major shareholders

	%
Lim Yook Kim	17.8
Lee Chai	17.7
Kang Ah Chee	17.5

#### Share price vs. KLCI (%)

	1M	3M	12M
Hist. return	1M	3M	12M
Absolute	-1.5	-13.1	-24.1
Relative	-3.5	-11.7	-23.5

#### Earnings summary

FYE (Mar)	FY22	FY23f	FY24f
PATMI (m)	48.5	77.7	66.4
EPS (sen)	7.6	12.1	10.4
P/E (x)	17.4	10.9	12.7

#### Relative performance chart



## Valuation & Recommendation

- With the reported earnings deem to be within expectations as we anticipate 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 18.0x to its FY24f EPS of 10.4 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	239.8	217.9
EBITDA	99.8	88.3	80.9	119.2	107.1	Receivables	86.2	94.3	82.3	99.4	114.2
EBIT	93.3	81.5	74.6	112.2	98.9	Inventories	357.8	311.5	649.9	651.5	698.7
Net finance income/ (cost)	(10.0)	(5.4)	(7.3)	(7.8)	(9.4)	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
<b>Profit before tax</b>	<b>88.7</b>	<b>79.6</b>	<b>68.9</b>	<b>107.0</b>	<b>92.5</b>	<b>Assets</b>	<b>1,153.9</b>	<b>1,191.8</b>	<b>1,502.2</b>	<b>1,595.1</b>	<b>1,673.2</b>
Tax	(20.0)	(21.7)	(16.4)	(25.7)	(22.2)	Debts	283.2	247.6	249.4	241.4	237.4
<b>Net profit</b>	<b>68.6</b>	<b>57.9</b>	<b>52.5</b>	<b>81.3</b>	<b>70.3</b>	Payables	144.6	147.2	188.4	183.8	184.6
Minority interest	4.5	4.4	4.0	3.6	3.9	Others	58.3	84.8	317.8	349.6	383.2
<b>Core earnings</b>	<b>56.9</b>	<b>53.5</b>	<b>41.6</b>	<b>23.0</b>	<b>66.4</b>	<b>Liabilities</b>	<b>486.2</b>	<b>479.6</b>	<b>755.6</b>	<b>774.8</b>	<b>805.1</b>
Diluted core earnings	-	-	-	81.9	68.4	Shareholder's equity	633.9	674.5	706.0	706.7	706.7
Exceptional items	7.3	-	7.0	54.8	-	Minority interest	33.8	37.7	40.7	113.6	161.3
Reported earnings	64.1	53.5	48.6	77.7	66.4	<b>Equity</b>	<b>667.6</b>	<b>712.2</b>	<b>746.7</b>	<b>820.3</b>	<b>868.0</b>
<b>Cash Flow Statement</b>						<b>Valuation &amp; Ratios</b>					
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	107.0	92.5	Core EPS (sen)	8.9	8.3	6.5	3.6	10.4
Depreciation & amortisation	6.5	6.8	6.4	7.0	8.2	Diluted Core EPS (sen)	-	-	-	12.1	10.4
Changes in working capital	117.7	70.5	373.2	14.2	75.1	P/E (x)	14.9	15.8	20.4	36.8	12.7
Share of JV profits	(5.2)	(3.5)	(1.6)	-	-	Diluted P/E (x)	-	-	-	12.6	15.1
Taxation	(14.4)	(22.6)	(19.7)	(25.7)	(22.2)	DPS (sen)	3.0	4.0	2.5	4.0	4.0
Others	(13.4)	(6.5)	(4.5)	-	-	Dividend yield	2.3%	3.0%	1.9%	3.0%	3.0%
<b>Operating cash flow</b>	<b>(40.1)</b>	<b>130.1</b>	<b>(56.7)</b>	<b>74.1</b>	<b>3.4</b>	BVPS (RM)	1.04	1.11	1.17	1.28	1.35
Net capex	(63.0)	(7.9)	(15.1)	(25.9)	(29.8)	P/B (x)	1.3	1.2	1.1	1.0	1.0
Others	19.3	8.5	3.1	-	-	EBITDA margin	26.2%	19.2%	20.3%	23.0%	18.0%
<b>Investing cash flow</b>	<b>(43.7)</b>	<b>0.6</b>	<b>(12.0)</b>	<b>(25.9)</b>	<b>(29.8)</b>	EBIT margin	24.5%	17.7%	18.7%	21.7%	16.6%
Changes in borrowings	67.4	(35.6)	1.8	(8.1)	(4.0)	PBT margin	23.3%	17.3%	17.3%	20.6%	15.5%
Issuance of shares	107.6	0.5	-	-	-	PAT margin	18.0%	12.6%	13.2%	15.7%	11.8%
Dividends paid	-	(12.8)	(17.1)	(25.6)	(25.6)	Core PAT margin	15.0%	11.6%	10.4%	4.4%	11.2%
Others	1.5	-	-	-	-	ROE	8.5%	7.5%	5.6%	2.8%	7.6%
<b>Financing cash flow</b>	<b>178.5</b>	<b>(47.9)</b>	<b>(17.6)</b>	<b>4.4</b>	<b>4.4</b>	ROA	4.9%	4.5%	2.8%	1.4%	4.0%
<b>Net cash flow</b>	<b>94.7</b>	<b>82.8</b>	<b>(86.3)</b>	<b>52.6</b>	<b>(21.9)</b>	<b>Net gearing</b>	<b>13.7%</b>	<b>Net Cash</b>	<b>8.3%</b>	<b>0.2%</b>	<b>2.2%</b>
Forex	-	-	-	-	-						
Others	-	-	-	-	-						
Beginning cash	78.4	173.2	255.9	169.7	222.2						
Ending cash	173.2	255.9	169.7	222.2	200.3						

*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.*