

AME Elite Consortium Bhd

Meeting expectations

Summary

- AME Elite Consortium Bhd's 3QFY23 core net profit fell 13.4% YoY to RM9.3m, mainly due to divestment of 49.0% stake in AME REIT to facilitate the listing process in 3Q22. Revenue for the quarter, however, added 40.6% YoY to RM134.3m.
- For 9MFY23, cumulative net profit jumped 121.0% YoY to RM61.2m, while core net profit was at RM18.4m amounted to 80.2% of our expectations of RM23.0m. We reckon that overall improvement may sustain moving into the final quarter of the financial year that will be driven by the improved foreign direct investment (FDI) following the re-opening of national borders.
- Moving forward, AME is equipped with an outstanding construction orderbook of c. RM300.0m to sustain earnings visibility over the next 2 years. For 9MFY23, new property sales of c. RM200.0m make up to 80.0% of our projection at RM250.0m. As a result, unbilled property sales at c. RM130.0m (up from RM122.9m in 2QFY23) will sustain the property development segment earnings for 2 years. Following the disposal of 10 plots of land to AME REIT, the group is equipped with a sizeable war chest with a net cash position at RM189.3m.
- Take-up rate for i-Park industrial properties remains stable in the recent quarter, driven by rapid industrialisation. Meanwhile, the acquisition of 72 freehold industrial plots with combined area of 169.8-ac is well on track for completion in mid-2023, pending a release of 1 bumi lot.
- With the development of i-Park @ Senai Airport City (Phase 3) in place, we reckon that the development of new industrial park, namely i-TechValley that commenced since 1QFY23 is expected to see higher contribution over the foreseeable future. The latter is expected to generate a total of RM1.50bn in GDV.
- We expect the improvement of foreign direct investment (FDI) will continue to drive demand in the manufacturing and e-commerce industry, which consequently translate to higher demand for industrial space. Already, we gather that industrial property transactions volume in Malaysia for 9M22 rose 57.5% YoY to 6,044 units, while value transacted increased 34.9% YoY to RM15.20bn.

Quarterly performance								
FYE Mar (RM m)	3QFY22	2QFY23	3QFY23	QoQ (%)	YoY (%)	9MFY22	9MFY23	YoY (%)
Revenue	95.6	147.5	134.3	(8.9)	40.6	258.7	418.7	61.9
EBITDA	19.3	71.7	21.1	(70.6)	8.9	51.0	109.5	114.8
PBT	16.4	65.9	20.6	(68.7)	25.9	42.7	97.8	129.2
PAT	11.6	56.4	13.9	(75.3)	19.7	29.9	77.8	160.6
Core PATMI	10.7	3.1	9.3	202.5	(13.4)	27.7	18.4	(33.4)
Reported PATMI	10.7	45.8	9.3	(79.7)	(13.4)	27.7	61.2	121.0
Core EPS (sen)	1.7	0.5	1.4	202.5	(13.4)	4.3	2.9	(33.4)
EBITDA margin (%)	20.2	48.6	15.7			19.7	26.1	
PBT margin (%)	17.1	44.7	15.3			16.5	23.4	
Core PATMI margin (%)	11.2	2.1	6.9			10.7	4.4	

Results Note – 3QFY23

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BUY

Share price	RM1.28
Target price	RM1.87
Previous TP	RM1.87
Capital upside	46.1%
Dividend return	3.1%
Total return	49.2%

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)	820.1
52W High/Low	1.81/1.15
Est. Free float	34.7%
Beta (x)	0.8
3-mth avg vol ('000)	296.9
Shariah compliant	Yes

Major shareholders

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

Share price vs. KLCI (%)

Hist. return	1M	3M	12M
Absolute	-0.8	-0.8	-29.6
Relative	3.6	1.3	-16.6

Earnings summary

FYE (Mar)	FY22	FY23f	FY24f
PATMI (m)	41.6	23.0	66.4
EPS (sen)	6.5	3.6	10.4
P/E (x)	19.7	35.7	12.3

Relative performance chart



Valuation & Recommendation

- With the reported earnings came in within expectations, 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
Profit before tax	88.7	79.6	68.9	107.0	92.5	Assets	1,153.9	1,191.8	1,502.2	1,595.1	1,673.2
Tax	(20.0)	(21.7)	(16.4)	(25.7)	(22.2)	Debts	283.2	247.6	249.4	241.4	237.4
Net profit	68.6	57.9	52.5	81.3	70.3	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
Core earnings	56.9	53.5	41.6	23.0	66.4	Liabilities	486.2	479.6	755.6	774.8	805.1
Diluted core earnings	-	-	-	81.9	68.4	Shareholder's equity	633.9	674.5	706.0	706.8	706.8
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	Equity	667.6	712.2	746.7	820.4	868.1
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	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)	14.4	15.3	19.7	35.7	12.3
Share of JV profits	(5.2)	(3.5)	(1.6)	-	-	Diluted P/E (x)	-	-	-	12.2	14.6
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%	3.1%	2.0%	3.1%	3.1%
Operating cash flow	(40.1)	130.1	(56.7)	74.1	3.4	BVPS (RM)	1.04	1.11	1.17	1.28	1.36
Net capex	(63.0)	(7.9)	(15.1)	(25.9)	(29.8)	P/B (x)	1.2	1.2	1.1	1.0	0.9
Others	19.3	8.5	3.1	-	-	EBITDA margin	26.2%	19.2%	20.3%	23.0%	18.0%
Investing cash flow	(43.7)	0.6	(12.0)	(25.9)	(29.8)	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%
Financing cash flow	178.5	(47.9)	(17.6)	4.4	4.4	ROA	4.9%	4.5%	2.8%	1.4%	4.0%
Net cash flow	94.7	82.8	(86.3)	52.6	(21.9)	Net gearing	13.7%	Net Cash	8.3%	0.2%	2.2%
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						

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