

AME Elite Consortium Bhd

Outlook still upbeat

Summary

- AME Elite Consortium Bhd's 1QFY24 core net profit surged 282.4% YoY to RM23.3m, driven by the higher contributions from property development, engineering services, property investment and management services segment, as well as stronger recognition from the share of profit from the equity accounted joint ventures. Revenue for the quarter added 62.5% YoY to RM222.5m.
- The reported core net profit amounted to 34.9% of our expectations of RM66.7m and 35.8% of consensus expectations of RM65.0m. The better-than-expected results were mainly due to the strong contribution from the property development segment.
- We gather that AME is equipped with an outstanding construction & engineering orderbook of RM138.3m that will sustain earnings visibility for the next 2 years. After achieving a record-breaking new sales performance of RM479.2m in FY23, AME delivered new property sales at RM105.8m during the quarter. Moving forward, unbilled property sales at RM253.5m (slightly lower against RM351.3m registered in 3QFY23) will sustain the property development segment earnings for 2 years.
- Looking ahead, AME will be kept busy with the on-going industrial park developments with a balance GDV of more than RM1.00bn to sustain long term revenue visibility till 2030. The development of i-TechValley industrial park and the impending commencement of i-Park @ Senai Airport City (Phase 3) will support the long-term prospects. In addition, AME is undertaking further landbanking activities in Penang that sits on 176-ac of land through a joint development. The exercise that is target for completion in 2024 will generate potential GDV of RM1.00bn.
- Meanwhile, the construction of the first dormitory for i-TechValley at SILC, will bring additional capacity of 2,683 beds. Construction has commenced in the previous quarter and is slated for completion in 2H24. We expect take-up rates to remain favourable (>90%) that is similar to current i-Stay dormitories.
- We continue to favour AME that is well positioned to drawing global entrants into their industrial parks as multinational companies expands their supply chain into the Southeast Asia market. Already in 1Q23, Malaysia's foreign direct investment stood at RM37.5bn.

Quarterly performance								
FYE Mar (RM m)	1QFY23	4QFY23	1QFY24	QoQ (%)	YoY (%)	3MFY23	3MFY24	YoY (%)
Revenue	136.9	158.4	222.5	40.5	62.5	136.9	222.5	62.5
EBITDA	16.7	82.3	40.2	(51.1)	140.5	16.7	40.2	140.5
PBT	11.3	78.0	39.3	(49.6)	246.7	11.3	39.3	246.7
PAT	7.5	66.4	30.1	(54.7)	298.6	7.5	30.1	298.6
Core PATMI	6.1	21.6	23.3	7.5	282.4	6.1	23.3	282.4
Reported PATMI	6.1	42.3	23.3	(45.0)	282.4	6.1	23.3	282.4
Core EPS (sen)	0.9	3.4	3.6	7.5	282.4	0.9	3.6	282.4
EBITDA margin (%)	12.2	52.0	18.1			12.2	18.1	
PBT margin (%)	8.3	49.2	17.7			8.3	17.7	
Core PATMI margin (%)	4.4	13.7	10.5			4.4	10.5	

Ceasing Coverage Note

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BUY

Share price	RM1.41
Target price	-
Previous TP	RM1.87
Capital upside	32.6%
Dividend return	2.8%
Total return	35.4%

Company profile

Principally involved in the provision of engineering services, construction and general trading

Stock information

Bursa Code	5216
Bloomberg ticker	AME MK
Listing market	Main
Share issued (m)	640.7
Market Cap (m)	903.3
52W High/Low	1.61/1.15
Est. Free float	38.7%
Beta	0.8
3-mth avg vol ('000)	228.0
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	3.7	1.4	-5.7
Relative	1.4	-0.9	-5.4

Earnings snapshot

FYE (Mar)	FY23	FY24f	FY25f
PATMI (m)	77.6	66.7	71.5
EPS (sen)	12.1	10.4	11.2
P/E (x)	11.6	13.5	12.6

Relative performance chart



Valuation & Recommendation

- While the reported earnings came above expectations and outlook will be sustained by the expansion of i-Parks, we are ceasing coverage on AME due to the relocation of internal resources. Our last recommendation was **BUY** with a fair value 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-to-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.

Financial Highlights

All items in (RM m) unless otherwise stated

Income Statement						Balance Sheet					
FYE Mar (RM m)	FY21	FY22	FY23	FY24f	FY25f	FYE Mar (RM m)	FY21	FY22	FY23	FY24f	FY25f
Revenue	460.6	398.4	577.1	595.3	621.4	Cash	271.4	187.2	313.0	288.1	306.8
EBITDA	88.3	80.9	191.8	158.8	169.8	Receivables	94.3	82.3	120.3	114.2	119.2
EBIT	81.5	74.6	185.9	150.7	160.7	Inventories	311.5	649.9	519.3	712.4	743.6
Net finance income/ (cost)	(5.4)	(7.3)	(13.3)	(11.0)	(10.8)	PPE	131.6	147.0	162.0	183.6	205.6
Associates & JV	3.5	1.6	3.2	3.0	3.1	Others	383.0	446.1	704.1	665.3	675.8
Profit before tax	79.6	68.9	175.8	142.6	153.0	Assets	1,191.8	1,512.5	1,818.6	1,963.5	2,051.0
Tax	(21.7)	(16.4)	(31.6)	(34.2)	(36.7)	Debts	247.6	249.4	180.5	237.4	233.4
Net profit	57.9	52.5	144.2	108.4	116.3	Payables	147.2	214.5	220.0	122.6	205.0
Minority interest	4.4	4.0	40.7	41.7	44.8	Others	84.8	302.0	295.1	314.4	344.8
Core earnings	53.5	51.9	77.6	66.7	71.5	Liabilities	479.6	765.9	695.6	674.3	783.2
Diluted core earnings	-	-	-	68.2	70.6	Shareholder's equity	674.5	706.0	813.0	813.0	885.3
Exceptional items	-	(3.3)	25.9	-	-	Minority interest	37.7	40.7	310.0	476.2	382.5
Reported earnings	53.5	48.6	103.5	66.7	71.5	Equity	712.2	746.7	1,123.0	1,289.2	1,267.8
Cash Flow Statement						Valuation & Ratios					
FYE Mar (RM m)	FY21	FY22	FY23	FY24f	FY25f	FYE Mar (RM m)	FY21	FY22	FY23	FY24f	FY25f
Profit before taxation	79.6	68.9	175.8	142.6	153.0	Core EPS (sen)	8.3	8.1	12.1	10.4	11.2
Depreciation & amortisation	6.8	6.4	5.9	8.1	9.1	Diluted Core EPS (sen)	-	-	-	10.4	11.2
Changes in working capital	70.5	410.2	425.5	36.0	122.8	P/E (x)	16.9	17.4	11.6	13.5	12.6
Share of JV profits	(3.5)	(1.6)	(3.2)	-	-	Diluted P/E (x)	-	-	-	16.2	12.8
Taxation	(22.6)	(19.7)	(34.3)	(34.2)	(36.7)	DPS (sen)	4.0	2.5	4.0	4.0	4.0
Others	(6.5)	(4.5)	(117.1)	-	-	Dividend yield	2.8%	1.8%	2.8%	2.8%	2.8%
Operating cash flow	130.1	(56.7)	(4.1)	80.5	125.4	BVPS (RM)	1.11	1.17	1.75	2.01	1.98
Net capex	(7.9)	(15.1)	(35.3)	(29.8)	(31.1)	P/B (x)	1.3	1.2	0.8	0.7	0.7
Others	8.5	3.1	19.7	-	-	EBITDA margin	19.2%	20.3%	33.2%	26.7%	27.3%
Investing cash flow	0.6	(12.0)	(15.5)	(29.8)	(31.1)	EBIT margin	17.7%	18.7%	32.2%	25.3%	25.9%
Changes in borrowings	(35.6)	1.8	(8.1)	(4.0)	(4.0)	PBT margin	17.3%	17.3%	30.5%	24.0%	24.6%
Issuance of shares	0.5	-	281.5	-	-	PAT margin	12.6%	13.2%	25.0%	18.2%	18.7%
Dividends paid	(12.8)	(17.1)	(22.4)	(25.6)	(25.6)	Core PAT margin	11.6%	13.0%	13.4%	11.2%	11.5%
Others	-	-	(10.7)	-	-	ROE	7.5%	6.9%	6.9%	5.2%	5.6%
Financing cash flow	(47.9)	(17.6)	149.6	(75.6)	(75.6)	ROA	4.5%	3.4%	4.3%	3.4%	3.5%
Net cash flow	82.8	(86.3)	130.0	(24.9)	18.7	Net gearing	Net Cash	8.3%	Net Cash	Net Cash	Net Cash
Forex	-	-	-	-	-						
Others	-	-	-	-	-						
Beginning cash	173.2	255.9	169.7	299.6	274.7						
Ending cash	255.9	169.7	299.6	274.7	293.4						

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As of **Friday, 25 Aug, 2023**, the analyst(s), Kenneth Leong, whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:

(a) nil.

Stock recommendation guide

BUY	The share price is expected to appreciate more than 10% over the next 12 months
HOLD	The stock price is expected to range between -10% and +10% over the next 12 months
SELL	The share price is expected to fall more than 10% over the next 12 months
TRADING BUY	The share price is projected to rise more than 10% over the next three (3) months due to an ongoing or impending corporate development. The stock price is also expected to be volatile over the next three months
TRADING SELL	The stock price is expected to fall more than 10% over the next three months due to an ongoing or impending corporate developments. The stock price is also expected to be volatile over the next three months
NOT RATED	No recommendation is assigned
