

29 February 2024

Construction & Engineering | Construction

## AME Elite Consortium (AME MK)

**Buy** (Maintained)

### MYR450m Sales And Bookings Secured In 9MFY24

Target Price (Return): MYR2.00 (+20%)  
 Price (Market Cap): MYR1.67 (USD224m)  
 ESG score: 3.1 (out of 4)  
 Avg Daily Turnover (MYR/USD) 0.96m/0.20m

- **Maintain BUY and MYR2.00 TP, 20% upside and c.2% FY25F (Mar) yield.** 3QFY24 earnings beat expectations. Although sequential revenue was down, earnings were lifted by the disposal of an industrial property to AMEREIT (AMEREIT MK, NEUTRAL, TP: MYR1.42). Bookings in the pipeline are encouraging. We believe AME Elite Consortium is a beneficiary given the influx of foreign direct investments into the Johor region. Upcoming land acquisitions should lead to potential upside in our RNAV estimate. The recent weakness in share price represents a good opportunity for investors to enter.
- **3QFY24 results.** Sequential revenue was lower as more projects progressed towards the completion stage in 2QFY24. Despite the drop in revenue, EBIT was largely flat QoQ as the quarter saw the recognition of a fair value gain of MYR13.12m arising from the sale of an industrial property to AMEREIT. The property was initially classified as inventory. However, upon the sale to the REIT, the property was then reclassified as an investment property, with the fair value gain recognised. Also, as a result of the disposal, EBIT margin was higher at 22.7% vs 16.7% in 2QFY24.
- **YoY comparison.** Note, 9MFY23 earnings were much higher due to MYR54.8m fair value gain as a result of the sale of 10 plots of industrial properties to AMEREIT during the financial year.
- **MYR350m sales target should be on track.** New sales achieved MYR40.4m vs MYR88.5m in 2QFY24, bringing 9MFY24 total to MYR175m. Management guided that it has secured more than MYR450m worth of new property sales and bookings in AME's industrial parks for 9MFY24, which means MYR275m is expected to be sealed in the coming months. Depending on the timing, the company should be on track to achieve its MYR350m sales target by end FY24.
- **Forecasts.** We raise our FY24-26F earnings by 14-15% in view of the strong deal flows. Unbilled sales and outstanding construction & engineering orderbook fell to MYR159.2m and MYR199.8m, from MYR203.9m and MYR259m 2QFY24. Demand for industrial land and properties in Johor has picked up significantly driven by the influx of foreign direct investments in Iskandar Malaysia. Good infrastructure as well as close proximity to Singapore have been the key attractions.
- **Maintain TP.** Our TP is based on a 20% discount to RNAV and 2% ESG premium given our ESG score of 3.1 for the company.

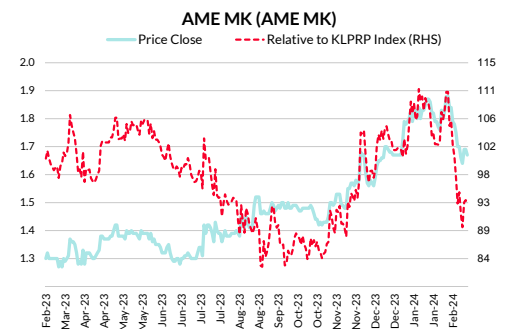
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#### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	0.0	(10.2)	(0.6)	12.1	28.5
Relative	(6.9)	(9.9)	(8.9)	4.0	(7.1)
52-wk Price low/high (MYR)				1.27	1.88



Source: Bloomberg

#### Overall ESG Score: 3.1 (out of 4)

##### E: GOOD

AME typically retains 15-20% of green areas to promote nature-oriented working and living environment. Its industrial buildings are designed to Green Building Index (GBI) standards, and the company also uses industrialised building system (IBS) to reduce energy, water and material wastage in construction sites.

##### S: EXCELLENT

AME emphasises health and safety at construction sites. It has obtained the OHSAS 18001 certification, and provides continuing education and training to its construction and engineering personnel.

##### G: EXCELLENT

50% of AME's board members are independent, with full disclosure on director remuneration, which includes salaries and bonuses on named basis. AME has an external investor relations team and holds investor meetings regularly. The management team is also easily accessible, embodying good transparency and disclosure practices.

#### Note:

Small cap stocks are defined as companies with a market capitalisation of less than USD0.5bn.

Forecasts and Valuation	Mar-22	Mar-23	Mar-24F	Mar-25F	Mar-26F
Total turnover (MYRm)	398	577	798	892	986
Recurring net profit (MYRm)	49	104	81	91	100
Recurring net profit growth (%)	(9.2)	113.2	(21.4)	11.5	10.7
Recurring EPS (MYR)	0.09	0.16	0.13	0.14	0.16
DPS (MYR)	0.03	0.04	0.04	0.05	0.05
Recurring P/E (x)	18.36	10.34	13.15	11.80	10.66
P/B (x)	1.52	1.32	1.23	1.15	1.07
Dividend Yield (%)	1.5	2.4	2.4	2.7	3.0
Return on average equity (%)	7.0	13.6	9.7	10.1	10.4
Net debt to equity (%)	8.3	net cash	net cash	net cash	0.9

Source: Company data, RHB

## Financial Exhibits

<b>Asia</b>	<b>Financial summary (MYR)</b>	<b>Mar-22</b>	<b>Mar-23</b>	<b>Mar-24F</b>	<b>Mar-25F</b>	<b>Mar-26F</b>
Malaysia	Recurring EPS	0.09	0.16	0.13	0.14	0.16
Construction & Engineering	EPS	0.09	0.16	0.13	0.14	0.16
<b>AME Elite Consortium</b>	DPS	0.03	0.04	0.04	0.05	0.05
AME MK	BVPS	1.10	1.27	1.36	1.45	1.56
Buy	Return on average equity (%)	7.0	13.6	9.7	10.1	10.4
	Return on average assets (%)	3.6	6.2	4.3	4.4	4.5
<b>Valuation basis</b>						
20% discount to RNAV	<b>Valuation metrics</b>	<b>Mar-22</b>	<b>Mar-23</b>	<b>Mar-24F</b>	<b>Mar-25F</b>	<b>Mar-26F</b>
	Recurring P/E (x)	18.36	10.34	13.15	11.80	10.66
	P/B (x)	1.5	1.3	1.2	1.1	1.1
	Dividend Yield (%)	1.5	2.4	2.4	2.7	3.0
	EV/EBITDA (x)	12.93	6.70	7.96	7.62	7.30
<b>Key drivers</b>						
i. Beneficiary of US-China trade tension;						
ii. Expansion in landbank and industrial parks in areas outside Johor.						
<b>Key risks</b>						
i. Unexpected economic downturn;						
ii. Unfavourable drastic turn in FDI policies.						
<b>Company Profile</b>						
AME Elite Consortium is involved in the construction of large manufacturing plants and industrial properties, with core expertise in the designing and building of industrial parks.						
	<b>Income statement (MYRm)</b>	<b>Mar-22</b>	<b>Mar-23</b>	<b>Mar-24F</b>	<b>Mar-25F</b>	<b>Mar-26F</b>
	Total turnover	398	577	798	892	986
	Gross profit	104	116	193	224	246
	EBITDA	75	186	170	189	207
	Operating profit	75	186	170	189	207
	Net interest	(7)	(13)	(13)	(14)	(13)
	Pre-tax profit	69	176	157	175	194
	Taxation	(16)	(32)	(39)	(44)	(48)
	Reported net profit	49	104	81	91	100
	Recurring net profit	49	104	81	91	100
	<b>Cash flow (MYRm)</b>	<b>Mar-22</b>	<b>Mar-23</b>	<b>Mar-24F</b>	<b>Mar-25F</b>	<b>Mar-26F</b>
	Change in working capital	(360)	86	(155)	(100)	(102)
	Cash flow from operations	(309)	227	(37)	31	43
	Cash flow from financing activities	1	(40)	0	0	0
	Cash at beginning of period	271	187	313	268	258
	Net change in cash	(308)	186	(37)	31	43
	Ending balance cash	(37)	374	276	299	301
	<b>Balance sheet (MYRm)</b>	<b>Mar-22</b>	<b>Mar-23</b>	<b>Mar-24F</b>	<b>Mar-25F</b>	<b>Mar-26F</b>
	Total cash and equivalents	187	313	268	258	257
	Tangible fixed assets	480	719	731	774	815
	Total investments	15	2	2	2	2
	Total other assets	7	10	10	10	10
	Total assets	1,513	1,819	1,994	2,159	2,334
	Short-term debt	39	115	115	115	115
	Total long-term debt	210	65	95	125	155
	Total liabilities	766	696	779	841	903
	Shareholders' equity	706	813	869	931	999
	Minority interests	41	310	346	387	432
	Total equity	747	1,123	1,215	1,317	1,431
	Total liabilities & equity	1,513	1,819	1,994	2,159	2,334
	<b>Key metrics</b>	<b>Mar-22</b>	<b>Mar-23</b>	<b>Mar-24F</b>	<b>Mar-25F</b>	<b>Mar-26F</b>
	Revenue growth (%)	(13.5)	44.9	38.3	11.8	10.5
	Recurring net profit growth (%)	(9.2)	113.2	(21.4)	11.5	10.7
	Gross margin (%)	26.1	20.2	24.1	25.2	25.0
	Recurring net profit margin (%)	12.2	17.9	10.2	10.2	10.2
	Dividend payout ratio (%)	33.0	24.8	31.5	31.8	31.9

Source: Company data, RHB

## Results At a Glance

Figure 1: Quarterly results

FYE Mar (MYRm)	3QFY23	2QFY24	3QFY24	QoQ (%)	YoY (%)	9MFY 23	9MFY24	YoY (%)	Comments
Turnover	134.3	233.3	176.2	(24.5)	31.2	418.7	632.1	51.0	
Construction	66.3	53.3	35.2	(33.9)	(47.0)	228.6	137.4	(39.9)	Revenue was lower QoQ as many projects were at the tail-end of completion in the previous quarter.
Prop Dev.	50.1	138.8	98.5	(29.0)	96.4	136.2	380.6	179.5	Revenue was higher in 2QFY24 as some projects were at the tail-end of development
Engineering	4.3	25.2	25.8	2.4	505.1	22.1	66.3	200.4	
Prop invt & mgt services	13.6	16.1	16.7	3.9	22.7				
EBIT	19.7	39.0	40.0	2.3	102.6	105.0	117.6	12.1	EBIT was lifted by a fair value gain of MYR13.12m as a result of the sale of an industrial property to the REIT in 3QFY24
Construction	2.3	1.5	1.2	(17.7)	(45.6)	7.0	3.4	(50.8)	
Prop Dev.	6.3	22.5	14.0	(37.9)	121.9	21.4	60.0	180.2	
Engineering	0.3	5.4	4.4	(18.8)	1207.5	1.6	11.0	598.4	
Prop invt & mgt services	12.8	11.7	25.6	117.9	100.2				
Net interest	(2.5)	(1.8)	(1.7)	(0.4)	(31.2)	(10.4)	(5.5)	(46.7)	
Pretax profit	20.6	37.4	38.1	1.8	85.0	97.8	114.9	17.4	
Taxation	(6.7)	(9.6)	(9.7)	0.3	44.6	(20.0)	(28.5)	42.9	
Minority interest	(4.6)	(6.0)	(6.5)	9.4	40.7	(16.7)	(19.3)	15.8	
Net profit	9.3	21.8	21.9	0.4	136.2	61.2	67.0	9.6	
Core net profit	9.3	21.8	21.9	0.4	136.2	61.2	67.0	9.6	Above expectations
EPS (sen)	1.5	3.4	3.4	0.3		9.6	10.5	9.8	
Gross DPS (sen)	0.0	2.0	0.0	0.0		1.0	2.0		
NTA/share (RM)	1.2	1.3	1.4	0.0		1.2	1.4		
EBIT margin (%)	14.7	16.7	22.7	0.0		0.0	0.0		
Pretax margin (%)	15.3	16.0	21.6	0.0		0.0	0.0		
Tax rate (%)	32.4	25.7	25.3	0.0		0.0	0.0		

Source: Company data, RHB

Figure 2: RNAV estimate for AME

Projects	Location	Landbank (acres)	Remaining GDV (MYRm)	Effective interest	NPV @ 9% (MYRm)
<b>Completed</b>					
i-Park @ Indahpura (Ph 1 & 2)	Johor	104.8	34	100%	11.9
<b>Ongoing</b>					
i-Park @ Indahpura (Ph 3)	Johor	85.4	32	50%	5.7
i-Park @ Senai Airport City (Ph 1 & 2)	Johor	98.1	121	80%	33.9
The Jacaranda	Johor	13.9	7	80%	1.6
i-Park @ Senai Airport City (Ph 3)	Johor	76.6	136	80%	37.9
i-Park @ Senai Airport City (Ph 3+)	Johor	15.0	7	100%	2.3
i-TechValley	Johor	169.8	1,310	100%	269.6
Seberang Prai Tengah	Penang	176.0	1,000	50%	85.9
Unbilled sales					88.7
Subtotal			1,720		537.5
Shareholders' equity					834.2
Total					1,371.7
Discount to RNAV					20%
Discounted RNAV					1,097.4
Equity value surplus from AME REIT (51.2%-owned)					162.0
Total RNAV					1,259.3
Share cap					640.67
Intrinsic value					1.97
ESG premium					2%
TP					2.00

Source: RHB

## Emissions And ESG

### Trend analysis

The company only started tracking and disclosing Scope 1, 2 and 3 GFG emissions in FY23.

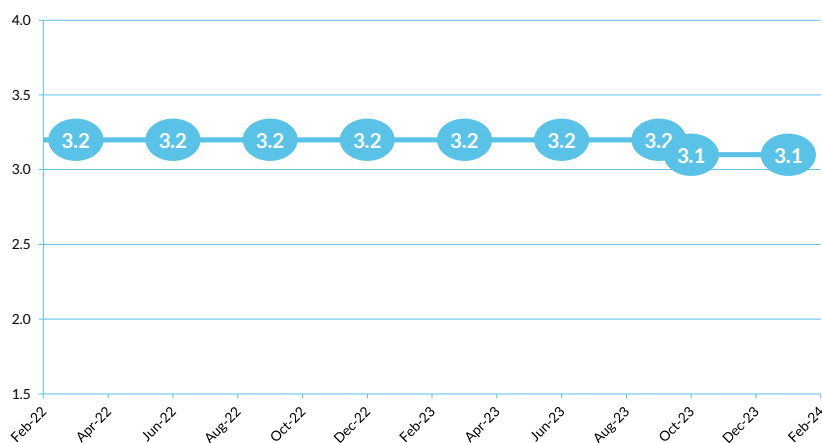
Emissions (tCO2e)	Mar-21	Mar-22	Mar-23
Scope 1	na	na	1,610
Scope 2	na	na	1,003
Scope 3	na	na	977
Total emissions	na	na	3,590

Source: Company data, RHB

## Latest ESG-Related Developments

- AME has employed a strategy to invest in renewable energy sources.
- Apart from installing solar panels to generate solar power on-site at selected buildings, the company is also utilising solar powered lighting at its construction sites for activities that need to run at night.

## ESG Rating History



Source: RHB

## Recommendation Chart



Date	Recommendation	Target Price	Price
2023-11-23	Buy	2.00	1.58
2023-11-19	Buy	2.00	1.55
2023-10-16	Buy	1.82	1.49
2020-09-04	Buy	2.34	1.27
2020-08-18	Buy	2.22	1.09

Source: RHB, Bloomberg

Source: RHB, Bloomberg

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<b>Buy:</b>	Share price may exceed 15% over the next 12 months
<b>Trading Buy:</b>	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
<b>Neutral:</b>	Share price may fall within the range of +/- 10% over the next 12 months
<b>Take Profit:</b>	Target price has been attained. Look to accumulate at lower levels
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<b>Not Rated:</b>	Stock is not within regular research coverage

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