

"1QFY25 results were broadly within our expectation"

Share price performance



	1M	3M	12M
Absolute (%)	-3.4	-1.2	23.0
Rel KLCI (%)	-5.2	-4.5	7.0

	BUY	HOLD	SELL
Consensus	4	1	-

Stock Data

Sector	Construction
Issued shares (m)	639.1
Mkt cap (RMm)/(US\$m)	1,022.5/235.4
Avg daily vol - 6mth (m)	1.2
52-wk range (RM)	1.38-1.96
Est free float	38.4%
Stock Beta	0.48
Net cash/(debt) (RMm)	115.6
ROE (FY25E)	17.5%
Derivatives	Yes
Shariah Compliant	Yes
FTSE4Good Constituent	No
FBM EMAS (Top 200)	Top 25%
ESG Rank	
ESG Risk Rating	19.1 (-2.5 yoy)

Key Shareholders

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

Source: Bloomberg, Affin Hwang, ESG Risk Rating
Powered by Sustainalytics, Bursa Malaysia

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AME Elite Consortium (AME MK)

BUY (maintain)

Up/Downside: +43.8%

Price Target: RM2.30

Previous Target (Rating): RM2.30 (BUY)

Ramping up for a record year

- 1QFY25 core net profit came in at RM14.8m (+4.7% qoq, -35.8% yoy), construction and property segments saw slower revenue recognition
- We deem the results to be broadly in line with expectations, as its robust unbilled sales and construction orderbook is expected to underpin earnings momentum
- We reiterate our BUY call with unchanged 12-month target price (TP) of RM2.30, based on 20% discount to RNAV

Broadly in line with expectations

AME's 1QFY25 core net profit came in at RM14.8m (+4.7% qoq, -35.8% yoy), lagging both our and consensus full-year estimates of RM164.7m and RM139.5m respectively. To clarify, our FY25 earnings forecast includes an RM85.1m land-sale gain; therefore, 1QFY25's core net profit makes up 19% of our forecast excluding the land sale gain – broadly within our expectation. On a yoy basis, revenue declined 36% from a high base in 1QFY24. Construction and property development segments saw a slowdown – down 24% and 58% in revenue. We attribute the slowdown in the construction segment to ongoing project at the tail end and new project is still at preliminary stages of construction. The property development segment is held back by lower stages of work done, causing slower revenue recognition. EBIT improved 26.1% qoq but eased 31% yoy off a high base in 1QFY24. Conversely, EBIT margin dipped 6.2 ppt on a qoq basis but improved by 1.4 ppt yoy.

Construction order book and unbilled sales remain healthy

AME saw strong property sales of RM266.5m in 1QFY25. For context, the whole of FY24 recorded RM278m in property sales. Unbilled sales and construction order book remains robust, at RM434.5m and RM214.9m respectively. The subsequent conversion of unbilled sales and recognition of order book provides earnings visibility and will underpin the earnings momentum in FY25-26E.

Reiterate BUY with unchanged 12-month TP of RM2.30

We continue to see AME benefiting from the rising demand for industrial properties, supported by the potential Johor-Singapore Special Economic Zone. We also do not discount the probability of AME venturing into data centre construction having completed a land sale to a data centre developer. We reiterate our BUY call with TP of RM2.30, based on 20% discount to RNAV. Downside risks: weaker-than-expected property sales.

Earnings & Valuation Summary

FYE 31 Mar	2023	2024E	2025E	2026E	2027E
Revenue (RMm)	575.9	716.9	1,075.2	675.3	469.5
EBITDA (RMm)	151.4	151.4	253.0	185.3	168.6
Pretax profit (RMm)	172.9	158.2	247.1	186.9	177.7
Net profit (RMm)	101.6	93.1	164.7	110.7	122.0
EPS (sen)	15.8	14.6	25.8	17.3	19.1
PER (x)	10.1	11.0	6.2	9.2	8.4
Core net profit (RMm)	85.2	86.4	164.7	110.7	122.0
Core EPS (sen)	13.3	13.5	25.8	17.3	19.1
Core EPS growth (%)	94.6	1.7	90.5	(32.8)	10.2
Core PER (x)	12.0	11.8	6.2	9.2	8.4
Net DPS (sen)	4.0	6.0	4.5	4.5	4.5
Dividend Yield (%)	2.5	3.8	2.8	2.8	2.8
EV/EBITDA	6.4	6.8	4.1	4.5	3.7

Chg in EPS (%)	-	-	-	-	-
Affin/Consensus (x)	1.2	1.1	1.1	1.1	1.1

Source: Company, Bloomberg, Affin Hwang forecasts

Fig 1: Results comparison

FYE 31 Mar (RMm)	1QFY24	4QFY24	1QFY25	QoQ % chg	YoY % chg	Comments
Revenue	222.5	84.8	142.4	67.9	(36.0)	Higher property investment (+15% yoy), engineering (+81% yoy) revenue. But lower construction (-24% yoy) and property development (-58% yoy) revenue.
Op costs	(182.5)	(62.2)	(114.2)	83.7	(37.4)	
EBITDA	40.0	22.7	28.2	24.4	(29.5)	
<i>EBITDA margin (%)</i>	<i>18.0</i>	<i>26.7</i>	<i>19.8</i>	<i>(6.9 ppt)</i>	<i>1.8 ppt</i>	
Depreciation	(1.6)	(1.6)	(1.6)	1.4	3.6	
EBIT	38.4	21.0	26.5	26.1	(30.9)	
<i>EBIT margin (%)</i>	<i>17.3</i>	<i>24.8</i>	<i>18.6</i>	<i>(6.2 ppt)</i>	<i>1.4 ppt</i>	
Int expense	(4.6)	(3.9)	(3.5)	(11.3)	(24.5)	
Int and other inc	2.6	4.0	3.7	(6.8)	44.9	
Associates	2.7	(0.1)	(0.2)	88.8	NA	
EI	0.3	22.3	(0.1)	NA	NA	
PBT	39.3	43.3	26.6	(38.7)	(32.4)	
<i>PBT margin (%)</i>	<i>17.7</i>	<i>51.1</i>	<i>18.6</i>	<i>(32.4 ppt)</i>	<i>1.0 ppt</i>	
Core PBT	39.0	21.0	26.6	26.6	(31.9)	
Tax	(9.2)	(3.6)	(6.1)	68.9	(33.7)	Tax rate normalised close to corporate tax rate.
<i>Tax rate (%)</i>	<i>23.5</i>	<i>8.4</i>	<i>23.1</i>	<i>14.7 ppt</i>	<i>(0.5 ppt)</i>	
MI	(6.8)	(13.6)	(5.7)	(58.1)	(16.0)	
Net profit	23.3	26.1	14.7	(43.6)	(36.7)	Within our expectation.
EPS (sen)	3.6	4.1	2.3	(43.6)	(36.8)	
Core net profit	23.0	14.1	14.8	4.7	(35.8)	Within our expectation. Excluding one-off items.

Source: Affin Hwang, Company

Fig 2: Segmental breakdown

FYE 31 Mar (RMm)	1QFY24	4QFY24	1QFY25	QoQ % chg	YoY % chg
Segmental results					
Revenue					
Construction services	49.0	11.5	37.3	223.2	(23.9)
Property development	143.4	41.9	60.3	44.2	(57.9)
Engineering services	15.3	14.1	27.6	95.5	80.9
Property investment	14.9	17.3	17.2	(0.8)	15.4
Total	222.5	84.8	142.4	67.9	(36.0)
Operating profit					
Construction services	0.7	(0.4)	1.3	(469.8)	98.3
Property development	23.5	6.3	9.3	48.1	(60.4)
Engineering services	1.2	1.7	3.2	91.0	164.7
Property investment	12.1	33.3	12.5	(62.4)	3.6
Elimination	1.2	2.5	0.2	(91.7)	(83.1)
Total	38.6	43.3	26.5	(38.9)	(31.5)
Operating profit margin (%)					
Construction services	1.3	(3.1)	3.5	6.6 ppt	2.2 ppt
Property development	16.4	15.0	15.4	0.4 ppt	(1.0 ppt)
Engineering services	7.8	11.7	11.4	(0.3 ppt)	3.6 ppt
Property investment	81.1	192.2	72.8	(119.3 ppt)	(8.3 ppt)

Source: Affin Hwang, Company

Fig 3: RNAV/share and target price

	Segments	Stake (%)	RNAV (RMm)
Construction @ PE 14x sustainable PAT of RM25m		100	350
Engineering @ PE 14x sustainable PAT of RM5m		100	70
Property development @ DCF (WACC 7.2%)		100	734
AME REIT @ RM1.49 share price		51	395
Net cash/(debt)			431
RNAV			1,980
No. of shares (m shrs)			641
RNAV/share (RM)			3.09
Fully-diluted RNAV/share (RM)			2.88
Target price at 20% discount to FD RNAV/share			2.30

Source: Affin Hwang estimates



Important Disclosures and Disclaimer

Equity Rating Structure and Definitions

BUY	Total return is expected to exceed +10% over a 12-month period
HOLD	Total return is expected to be between -5% and +10% over a 12-month period
SELL	Total return is expected to be below -5% over a 12-month period
NOT RATED	Affin Hwang Investment Bank Berhad does not provide research coverage or rating for this company. Report is intended as information only and not as a recommendation

The total expected return is defined as the percentage upside/downside to our target price plus the net dividend yield over the next 12 months.

OVERWEIGHT	Industry, as defined by the analyst's coverage universe, is expected to outperform the KLCI benchmark over the next 12 months
NEUTRAL	Industry, as defined by the analyst's coverage universe, is expected to perform inline with the KLCI benchmark over the next 12 months
UNDERWEIGHT	Industry, as defined by the analyst's coverage universe is expected to under-perform the KLCI benchmark over the next 12 months

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