

Team Coverage

(603) 7890 8888

research.dept@apexsecurities.com.my

Recommendation:	BUY
Current Price:	RM 1.65
Previous Target Price:	RM 1.85
Target Price:	↑ RM 1.92
Upside/Downside:	16.4%

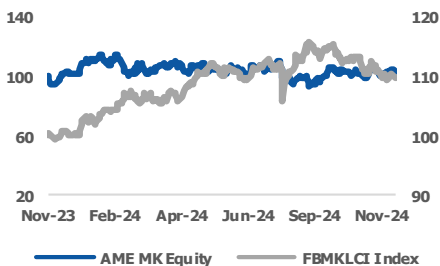
Stock information

Board	MAIN
Sector	Property
Bursa / Bloomberg Code	5293 / AME MK
Syariah Compliant	Yes
FTSE4Good Index	Yes
FTSE ESG Rating	☆☆★★
Bloomberg ESG Rating	N/A
Shares issued (m)	639.1
Market Cap (RM' m)	1,054.5
52-Week Price Range (RM)	1.49-1.96
Beta (x)	0.6
Free float (%)	38.4
3M Average Volume (m)	0.5
3M Average Value (RM' m)	0.8

Top 3 Shareholders (%)

Lim Yook Kim	17.8
Lee Chai	17.8
Kang Ah Chee	17.5

Share Price Performance



	1M	3M	12M
Absolute (%)	3.8	7.1	-1.2
Relative (%)	4.4	12.8	-9.7

AME Elite Consortium Berhad

In-line as favourable segment mix lifted margins

Summary

- **AME's 2QFY25 core net profit at RM22.4m (+2.7% yoy and +52.2% qoq) brings 6MFY25 core net profit to RM37.1m (17.7% yoy) came within expectations, amounting to 49.8% of in-house forecasted CNP of RM74.6m, but was only at 21.0% of consensus expectations of RM169.7m.**
- **Earnings sustainability will be supported by unbilled sales amounting to RM459.5m, coupled with the outstanding construction & engineering orderbook of RM148.2m alongside with the newly launch of new 176-ac industrial park at Penang that carries c.RM1.3bn GDV.**
- **We re-iterate our BUY recommendation on AME with higher TP of RM1.92, based on SOP valuation as we roll over our valuation metrics to FY26F.**

Results Review

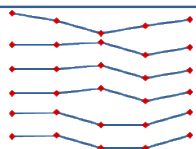
- **Results review.** 2QFY25 core net profit (CNP) added +2.7% yoy and jumped +52.2% qoq to RM22.4m, driven by better contribution from construction segment which saw acceleration of projects progress alongside with firmer contribution from property investment and management services segment which yields better margins. Revenue for the quarter, however, fell -19.8% yoy, but rose +31.5% qoq to RM187.2m. An interim dividend of 3.0 sen per share, payable on 30 Dec 2024 was declared.
- **Within expectations.** For 6MFY25, reported core net profit at RM37.1m (-17.7% yoy) came within in-house expectations, accounting to 49.8% of our full-year core net profit forecast at RM74.6m, but was only at 21.0% of consensus forecasted core net profit of RM169.7m.
- **Operations Highlights.** During the quarter, AME recorded new sales amounting to RM91.6m, bringing 6MFY25 new sales to RM359.1m (+166.8% yoy), supported by solid demand for industrial properties at the Group's i-TechValley at SILC industrial park. Recall that FY24 new sales only stood at RM283.6m. Consequently, AME has revised new sales target from RM400.0m to RM550.0m (our in-house target is at RM500.0m, which remains unchanged).
- **Industry Highlights.** With the government remains committed to push towards digital economy, demand for industrial parks to support high-tech industries and innovation-driven enterprises is expected to remain sturdy.
- **Outlook.** Going forward, we expect earnings to tick higher in upcoming quarters, backed by unbilled sales amounting to RM459.5m (up from RM434.5m in 1QFY25), coupled with the outstanding construction & engineering orderbook of RM148.2m, sustaining earnings visibility until FY26F. The newly launch of new 176-ac industrial park at Penang that carries c.RM1.3bn GDV in 4Q24 has commenced construction since August 2024 will continue to anchor revenue stream from the property development segment over the longer-run.

- **Valuation.** No changes to our earnings forecast. Consequently, we maintain our **BUY** recommendation on AME, but with a higher target price of **RM1.92** based on SOP valuations (refer table below) as we roll over our valuation metrics to FY26F.
- **Risk.** Geopolitical tensions, labour shortages, insufficient industrial land, and unexpected further rise in construction costs

Monday, December 2, 2024

Company Results

Figure 1: Results Comparison

FYE Mar (RM m)	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)	6MFY24	6MFY25	YoY (%)	5 Quarters Trend	Comments
Revenue	187.2	233.3	(19.8)	142.4	31.5	455.8	329.6	(27.7)		Decline yoy due to lower stages of work completed and the timing of recognition
EBITDA	38.6	40.7	(5.2)	28.1	37.1	80.9	66.7	(17.6)		
Pre-tax profit	36.4	37.4	(2.9)	26.6	36.9	76.7	62.9	(18.0)		
Net profit	22.4	21.8	2.7	14.7	52.2	45.1	37.1	(17.7)		
Core net profit	22.4	21.8	2.7	14.7	52.2	45.1	37.1	(17.7)		
Core EPS (sen)	0.7	0.6	2.7	0.4	52.2	1.3	1.1	(17.7)		
EBITDA margin (%)	20.6	17.4		19.8		17.7	20.2			
PBT margin (%)	19.4	16.0		18.6		16.8	19.1			
Core PATMI margin (%)	12.0	9.4		10.3		9.9	11.3			

Source: Company, Apex Securities

Financial Highlights
Income Statement

FYE Mar (RM m)	FY22	FY23	FY24	FY25F	FY26F
Revenue	398.4	575.9	716.9	767.4	886.8
Gross Profit	103.9	116.8	172.1	168.8	195.1
EBITDA	80.9	189.3	167.4	176.5	204.0
Depreciation & Amortisation	-6.4	-6.3	-6.4	-7.8	-8.5
EBIT	74.6	183.0	161.0	168.7	195.5
Net Finance Income/ (Cost)	-7.3	-13.3	-5.5	-6.2	-5.1
Associates & JV	1.6	3.2	2.7	3.8	4.4
Pre-tax Profit	68.9	172.9	158.2	166.4	194.8
Tax	-16.4	-30.9	-32.2	-39.9	-46.8
Profit After Tax	52.5	142.0	126.0	126.4	148.1
Minority Interest	4.0	40.7	32.9	51.8	59.9
Net Profit	48.6	101.3	93.1	74.6	88.2
Exceptionals	-3.3	18.0	6.3	0.0	0.0
Core Net Profit	51.9	83.3	86.8	74.6	88.2
Diluted Core Net Profit	-	-	-	73.8	87.3

Key Ratios

FYE Mar (RM m)	FY22	FY23	FY24	FY25F	FY26F
P/E (x)	24.9	15.5	14.9	17.3	14.6
EBITDA margin	20.3%	32.9%	23.4%	23.0%	23.0%
EBIT margin	18.7%	31.8%	22.5%	22.0%	22.0%
PBT margin	17.3%	30.0%	22.1%	21.7%	22.0%
PAT margin	13.2%	24.7%	17.6%	16.5%	16.7%
NP margin	12.2%	17.6%	13.0%	9.7%	9.9%
Core NP margin	12.2%	17.6%	13.0%	9.7%	9.9%
Dividend yield	5.0%	5.0%	5.0%	5.0%	5.0%
ROE	6.5%	9.0%	7.8%	6.1%	6.8%
ROA	3.2%	5.5%	5.3%	4.1%	4.6%
Net gearing	8.3%	Net Cash	Net Cash	Net Cash	Net Cash

Valuations

	FY26F	Valuation methodology
Property Development	938.6	20% discount to RNAV
Construction	115.1	8x P/E
Engineering	6.0	7x P/E
Property Investment & Management	154.0	7x P/E
AME REIT (51.2% equity stake)	296.0	
SOP Value	1509.7	
Enlarged no. of shares	783.0	
Fair Value (RM)	1.92	

Source: Company, Apex Securities

Balance Sheet

FYE Mar (RM m)	FY22	FY23	FY24	FY25F	FY26F
Cash	187.2	326.9	279.7	288.2	324.1
Receivables	82.3	111.4	142.8	147.2	145.8
Inventories	649.9	534.1	436.6	442.8	454.8
Other current assets	90.8	112.7	101.6	99.8	106.4
Total Current Assets	1010.2	1085.1	960.7	977.9	1031.1
Fixed Assets	134.6	149.3	146.9	177.5	213.3
Intangibles	0.0	0.0	0.0	0.0	0.0
Other non-current assets	367.7	593.4	654.4	662.8	671.4
Total Non-current assets	502.3	742.7	801.3	840.3	884.7
Short-term Debt	39.2	119.6	137.7	133.1	128.5
Payables	214.5	229.9	137.7	146.1	149.0
Other Current Liabilities	25.3	54.4	188.9	209.7	231.2
Total Current Liabilities	279.0	404.0	464.3	488.9	508.6
Long-term Debt	210.2	64.8	37.3	31.8	26.5
Other non-current liabilities	276.7	238.2	68.0	73.8	80.2
Total Non-current Liabilities	486.9	303.0	105.2	105.6	106.7
Shareholder's equity	706.0	811.0	873.9	874.9	875.9
Minority interest	40.7	309.8	318.5	348.9	424.6
Total Equity	746.7	1120.8	1192.4	1223.8	1300.5

Cash Flow

FYE Mar (RM m)	FY22	FY23	FY24	FY25F	FY26F
Pre-tax profit	68.9	172.9	158.2	166.4	194.8
Depreciation & amortisation	6.4	6.3	6.4	7.8	8.5
Changes in working capital	-108.7	-32.1	-62.3	-19.7	-21.6
Others	-23.2	-140.9	-64.4	-39.9	-46.8
Operating cash flow	-56.7	6.2	37.9	114.5	135.0
Net capex	-15.1	-35.2	-22.5	-38.4	-44.3
Others	3.1	16.2	19.3	0.0	0.0
Investing cash flow	-12.0	-19.0	-3.1	-38.4	-44.3
Dividends paid	-18.1	-28.5	-66.9	-44.8	-44.8
Others	0.5	177.8	-7.5	-9.8	-9.8
Financing cash flow	-17.6	149.4	-74.4	-54.7	-54.7
Net cash flow	-86.3	136.6	-39.6	21.5	35.9
Forex	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	255.9	169.7	306.3	266.7	288.2
Ending cash	169.7	306.3	266.7	288.2	324.1

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD

DEALING TEAM

RESEARCH TEAM

Head Office:

5th Floor Menara UAC, 12, Jalan PJU 7/5,
Mutiara Damansara,
47800 Petaling Jaya,
Selangor Darul Ehsan, Malaysia

General Line: (603) 7890 8899

Petaling Jaya Office:

16th Floor, Menara Choy Fook Onn,
No.1B Jalan Yong Shook Lin,
46050 Petaling Jaya,
Selangor Darul Ehsan, Malaysia

General Line: (603) 7620 1118

Head Office:

Kong Ming Ming (ext 2002)
Lee Chen Ming (ext 2029)
Shirley Chang (ext 2026)
Ahmad Mujib (ext 2028)
Azfar Bin Abdul Aziz (ext 2031)
Aizzat Bin Mohd Daud (ext 2030)

Institutional Dealing Team:

Low Jin Wu (ext 2109)

PJ Office:

General Line: (603) 7620 1118

Head Office:

Kenneth Leong (ext 2093)
Steven Chong (ext 2068)
Jayden Tan (ext 2069)
Chelsea Chew (ext 2070)
Tan Sue Wen (ext 2095)
Ong Tze Hern (ext 2113)
Samuel Woo (ext 2121)
Amir Hamdan (ext 2112)

RESEARCH RECOMMENDATION FRAMEWORK

STOCK RECOMMENDATIONS

BUY: Total returns* are expected to exceed 10% within the next 12 months.

HOLD: Total returns* are expected to be within +10% to – 10% within the next 12 months.

SELL: Total returns* are expected to be below -10% within the next 12 months.

TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.

TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.

*Capital gain

SECTOR RECOMMENDATIONS

OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.

NEUTRAL: The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.

UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

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