

*"1HFY25 results broadly within expectations; RM85.1m land sale gains to be recognised in 2HFY25"*

### Share price performance



	1M	3M	12M
Absolute (%)	1.2	4.4	-1.2
Rel KLCI (%)	2.5	8.3	-10.4

	BUY	HOLD	SELL
Consensus	5	-	-

### Stock Data

Sector	Construction
Issued shares (m)	639.1
Mkt cap (RMm)/(US\$m)	1,054.5/237.4
Avg daily vol - 6mth (m)	0.9
52-wk range (RM)	1.49-1.96
Est free float	38.4%
Stock Beta	0.57
Net cash/(debt) (RMm)	19.2
ROE (FY25E)	17.5%
Derivatives	Yes
Shariah Compliant	Yes
FTSE4Good Constituent	No
FBM EMAS (Top 200)	Top 25%
ESG Rank	

### Key Shareholders

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

Source: Bloomberg, Affin Hwang

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## AME Elite Consortium (AME MK)

**BUY (maintain)**

Up/Downside: +39.4%

**Price Target: RM2.30**

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

### On track for a record earnings year

- **6MFY25 core net profit came in at RM37.2m (-18% yoy); lofty RM85.1m profit from Iskandar Puteri land sale expected to be recognised in 2HFY25**
- **Earnings growth outlook underpinned by record high FY25 property sales target of RM550m, coupled with opportunistic property joint ventures (JVs) improving long-term expansion prospects**
- **We maintain our BUY call with an unchanged 12-month target price (TP) of RM2.30, based on a 20% discount to RNAV**

#### Broadly within expectations

AME's 6MFY25 core net profit came in at RM37.2m (-18% yoy), which we deem to be broadly within consensus and our expectations. Note that our full-year estimate of RM164.7m includes the RM85.1m Iskandar Puteri land-sale gain expected to be recognised in 2HFY25, barring which 6MFY25 core earnings make up 47% of our full-year forecast. On a quarterly basis, 2QFY25 revenue fell 20% yoy due to lower property development revenue (-47% yoy), partially cushioned by higher construction revenue (+19% yoy). The slowdown in the property development segment was mainly due to the timing difference in recognition of the aforementioned land sales. As a result, EBIT dipped 5% yoy from a high base, but improved 42% on a qoq basis.

#### Rosy outlook for both property and construction divisions

AME's 6MFY25 property sales hit RM359.1m, and management subsequently raised the FY25 sales target to RM550m – a record high. Unbilled sales remain elevated at RM459.5m (+6% qoq), while the construction order book was run down by 31% qoq to RM148.2m. We gather that construction order book replenishment was relatively slow during the quarter with only RM10.4m of new contracts, but prospects in coming quarters should improve, given that it is bidding for several external industrial building projects. Order book replenishment opportunities will also come from its external JVs, namely the JV in Penang with Majestic, JV with KL Kepong (KLK – HOLD) in Ijok, Selangor, and exploratory JV with SD Guthrie (SDG MK – HOLD) in Kulai, Johor.

#### Maintain BUY with an unchanged 12-month TP of RM2.30

AME continues to grow from strength to strength, successfully achieving geographical diversification to other key industrial development areas in Penang and Selangor, while strengthening its foothold in the Johor-Singapore Special Economic Zone (SEZ). We continue to like AME as a beneficiary of rising industrial property demand and the government's continued promotion of the Johor-Singapore SEZ. We maintain our BUY call with an unchanged TP of RM2.30, based on a 20% discount to RNAV. Downside risks: weaker-than-expected property sales.

#### Earnings & Valuation Summary

FYE 31 Mar	2023	2024	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)	10.4	11.3	6.4	9.5	8.6
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)	12.4	12.2	6.4	9.5	8.6
Net DPS (sen)	4.0	6.0	4.5	4.5	4.5
Dividend Yield (%)	2.4	3.6	2.7	2.7	2.7
EV/EBITDA	6.6	7.0	4.2	4.6	3.9

Chg in EPS (%)

Affin/Consensus (x)

-  
1.0 1.0 1.0

Source: Company, Bloomberg, Affin Hwang forecasts

**Fig 1: Results comparison**

FYE 31 Mar (RMm)	2QFY24	1QFY25	2QFY25	QoQ % chg	YoY % chg	6MFY24	6MFY25	YoY % chg	Comment
<b>Revenue</b>	<b>233.3</b>	<b>142.4</b>	<b>187.2</b>	<b>31.5</b>	<b>(19.8)</b>	<b>455.8</b>	<b>329.6</b>	<b>(27.7)</b>	Higher construction (+19% yoy), engineering (+27% yoy) and property investment (+14% yoy) revenue; lower property development (-47% yoy) revenue.
Op costs	(192.0)	(114.2)	(148.4)	29.9	(22.7)	(374.6)	(262.2)	(30.0)	
<b>EBITDA</b>	<b>41.3</b>	<b>28.2</b>	<b>38.8</b>	<b>37.6</b>	<b>(6.2)</b>	<b>81.3</b>	<b>67.4</b>	<b>(17.1)</b>	
<i>EBITDA margin (%)</i>	<i>17.7</i>	<i>19.8</i>	<i>20.7</i>	<i>0.9 ppt</i>	<i>3.0 ppt</i>	<i>17.8</i>	<i>20.4</i>	<i>2.6 ppt</i>	
Depreciation	(1.6)	(1.6)	(1.1)	(33.9)	(33.6)	(3.2)	(3.3)	3.2	
<b>EBIT</b>	<b>39.7</b>	<b>26.5</b>	<b>37.7</b>	<b>42.0</b>	<b>(5.0)</b>	<b>78.1</b>	<b>64.1</b>	<b>(18.0)</b>	Lower EBIT in tandem with lower property development revenue.
<i>EBIT margin (%)</i>	<i>17.0</i>	<i>18.6</i>	<i>20.1</i>	<i>1.5 ppt</i>	<i>3.1 ppt</i>	<i>17.1</i>	<i>19.4</i>	<i>2.3 ppt</i>	
Int expense	(4.7)	(3.5)	(3.9)	12.2	(16.1)	(9.3)	(7.4)	(20.3)	
Int and other inc	2.9	3.7	3.5	(7.4)	19.1	5.5	7.2	31.2	
Associates	0.2	(0.2)	(0.7)	n.m	n.m	2.8	(0.9)	n.m	Start-up loss for new Penang JV as the project was only launched in 3QFY25.
EI	(0.6)	(0.1)	(0.2)	303.8	(66.6)	(0.4)	(0.1)	(72.1)	
<b>PBT</b>	<b>37.4</b>	<b>26.6</b>	<b>36.4</b>	<b>36.9</b>	<b>(2.9)</b>	<b>76.7</b>	<b>62.9</b>	<b>(18.0)</b>	
<i>PBT margin (%)</i>	<i>16.0</i>	<i>18.6</i>	<i>19.4</i>	<i>0.8 ppt</i>	<i>3.4 ppt</i>	<i>16.8</i>	<i>19.1</i>	<i>2.3 ppt</i>	
<b>Core PBT</b>	<b>38.1</b>	<b>26.6</b>	<b>36.6</b>	<b>37.5</b>	<b>(4.0)</b>	<b>77.1</b>	<b>63.0</b>	<b>(18.3)</b>	
Tax	(9.6)	(6.1)	(8.1)	32.1	(16.1)	(18.9)	(14.2)	(24.7)	
<i>Tax rate (%)</i>	<i>25.7</i>	<i>23.1</i>	<i>22.2</i>	<i>(0.8 ppt)</i>	<i>(3.5 ppt)</i>	<i>24.6</i>	<i>22.6</i>	<i>(2.0 ppt)</i>	
MI	(6.0)	(5.7)	(5.9)	2.6	(2.1)	(12.8)	(11.6)	(9.5)	
<b>Net profit</b>	<b>21.8</b>	<b>14.7</b>	<b>22.4</b>	<b>52.2</b>	<b>2.7</b>	<b>45.1</b>	<b>37.1</b>	<b>(17.7)</b>	
EPS (sen)	3.4	2.3	3.5	52.6	2.6	7.1	5.8	(17.7)	
<b>Core net profit</b>	<b>22.5</b>	<b>14.8</b>	<b>22.6</b>	<b>53.1</b>	<b>0.7</b>	<b>45.5</b>	<b>37.2</b>	<b>(18.1)</b>	Within our and market expectations. Excluding one-off items.

Source: Affin Hwang, Company

**Fig 2: Segmental breakdown**

FYE 31 Mar (RMm)	2QFY24	1QFY25	2QFY25	QoQ % chg	YoY % chg	6MFY24	6MFY25	YoY % chg
<b>Segmental results</b>								
<b>Revenue</b>								
Construction services	53.3	37.3	63.2	69.8	18.7	102.2	100.5	(1.7)
Property development	138.8	60.3	73.4	21.7	(47.1)	282.2	133.8	(52.6)
Engineering services	25.2	27.6	32.1	16.3	27.3	40.5	59.7	47.5
Property investment	16.1	17.2	18.4	7.0	14.4	31.0	35.6	14.8
<b>Total</b>	<b>233.3</b>	<b>142.4</b>	<b>187.2</b>	<b>31.5</b>	<b>(19.8)</b>	<b>455.8</b>	<b>329.6</b>	<b>(27.7)</b>
<b>Operating profit</b>								
Construction services	1.5	1.3	6.0	361.9	299.6	2.2	7.4	238.5
Property development	22.5	9.3	14.6	57.1	(35.2)	46.0	23.9	(48.1)
Engineering services	5.4	3.2	1.7	(47.4)	(69.2)	6.6	4.8	(26.8)
Property investment	11.7	12.5	12.7	1.4	8.2	23.8	25.2	5.8
Elimination	(2.1)	0.2	2.5	>100	n.m	(0.9)	2.7	n.m
<b>Total</b>	<b>39.0</b>	<b>26.5</b>	<b>37.5</b>	<b>41.5</b>	<b>(4.0)</b>	<b>77.7</b>	<b>64.0</b>	<b>(17.7)</b>
<b>Operating profit margin (%)</b>								
Construction services	2.8	3.5	9.6	6.0 ppt	6.7 ppt	2.1	7.3	5.2 ppt
Property development	16.2	15.4	19.9	4.5 ppt	3.6 ppt	16.3	17.9	1.6 ppt
Engineering services	21.4	11.4	5.2	(6.3 ppt)	(16.2 ppt)	16.3	8.1	(8.2 ppt)
Property investment	73.0	72.8	69.1	(3.8 ppt)	(4.0 ppt)	76.9	70.9	(6.0 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
<b>RNAV</b>			<b>1,980</b>
No. of shares (m shrs)			641
<b>RNAV/share (RM)</b>			<b>3.09</b>
<b>Fully-diluted RNAV/share (RM)</b>			<b>2.88</b>
<b>Target price at 20% discount to FD RNAV/share</b>			<b>2.30</b>

Source: Affin Hwang estimates



## Important Disclosures and Disclaimer

### Equity Rating Structure and Definitions

<b>BUY</b>	Total return is expected to exceed +10% over a 12-month period
<b>HOLD</b>	Total return is expected to be between -5% and +10% over a 12-month period
<b>SELL</b>	Total return is expected to be below -5% over a 12-month period
<b>NOT RATED</b>	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.*

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