

# AME ELITE (AME MK)

Stronger 2HFY25 earnings momentum

MALAYSIA | CONSTRUCTION | RESULT

- AME Elite's (AME) 6MFY25 results are deemed in line with expectations
- Stronger sequential 2HFY25 earnings to be lifted by recognition of RM210m data centre land sale
- Maintain BUY with unchanged SOP-derived TP of RM2.10

## Expect stronger sequential earnings

AME posted 6MFY25 revenue and core net profit of RM330m (-28% YoY) and RM38m (-27% YoY), respectively. Revenue slipped due to weaker contributions from property development (-53% YoY), offsetting the stronger engineering (+48% YoY) and property investment (+15% YoY) revenue. The 6MFY25 EBITDA margin improved 1ppts YoY to 20.2% on favourable revenue mix and margin improvements in construction (+5ppts) and property development (+2ppts) segments. 6MFY25 results accounted for 21% of our forecasts and 22% of the street's expectations, respectively. We deem results to be in line with expectations, as we anticipate lumpy earnings recognition in 3QFY25 due to the RM210m land sale to Quantum DC. AME declared an interim DPS of 3sen, and on track to achieve our 6sen assumption.

## Raising the bar on more robust demand

Sequential 2QFY25 revenue rose to RM187m (+32% QoQ), driven by strong growth in construction (+70%), property development (+22%), and engineering (+16%) segments. EBITDA margin rose 1ppts QoQ on improved construction margins (+6ppts) from newer projects. 2QFY25 posted a core net profit of RM23m (+59% QoQ) on the back of higher revenue and margin improvements. With RM359m property sales recognised in 6MFY25, AME has achieved 90% of its initial RM400m sales target and revised it upwards to RM550m (+38% increase). We expect the healthy unbilled property sales of RM459m and the remaining construction order book of RM148mn to sustain a stronger 2HFY25 earnings outlook.

## Maintain BUY with TP of RM2.10

We make no changes to our earnings forecast and maintain our BUY rating and SOP-derived TP of RM2.10. We continue to like AME for its presence in high-demand FDI hotspots in Johor. Key risks are higher building material prices and stiff competition within the industrial property sector.

### Key Financials

Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
Revenue (RMm)	575.9	716.9	956.3	788.3	799.6
EBITDA (RMm)	138.9	142.5	268.3	175.0	183.0
Pretax profit (RMm)	172.9	158.2	260.0	162.1	167.7
Net profit (RMm)	101.6	93.1	178.8	103.0	99.7
EPS (sen)	15.9	14.6	28.0	16.1	15.6
PER (x)	10.4	11.3	5.9	10.2	10.6
Core net profit (RMm)	87.6	91.2	178.8	103.0	99.7
Core EPS (sen)	13.7	14.3	28.0	16.1	15.6
Core EPS growth (%)	100.4	4.1	96.1	(42.4)	(3.2)
Core PER (x)	12.0	11.6	5.9	10.2	10.6
Net DPS (sen)	4.0	6.0	6.0	6.0	6.0
Dividend Yield (%)	2.4	3.6	3.6	3.6	3.6
EV/EBITDA (x)	6.6	6.7	3.3	5.6	5.1
Chg in EPS (%)			-	-	-
Phillip/Consensus (%)			1.1	1.0	0.8

Sources: Company, Bloomberg, Phillip Research forecasts

2 December 2024

## BUY (maintain)

LAST CLOSE PRICE	RM1.59
TARGET PRICE	RM2.10
TOTAL RETURN	32.1%

### COMPANY DATA

BLOOMBERG TICKER	AME MK EQUITY
O/S SHARES (MN):	639
MARKET CAP (USD mn / RM mn):	237 / 1055
52 - WK HI/LO (RM):	1.96 / 1.49
3M Average Daily T/O (mn):	0.51
NET CASH/(DEBT) (RMm)	19.20

### MAJOR SHAREHOLDERS (%)

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

### PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	3.7	4.4	2.4
FBMKLCI RETURN	(0.6)	(2.9)	14.3

### PRICE VS. FBMKLCI



Source: Bloomberg

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**Results at a glance**

Y/E Mar (RMm)	2QFY24	1QFY25	2QFY25	QoQ % chg	YoY % chg	6MFY24	6MFY25	YoY Comments % chg
<b>Revenue</b>	<b>233.3</b>	<b>142.4</b>	<b>187.2</b>	31.5	(19.8)	<b>455.8</b>	<b>329.6</b>	(27.7) Lower revenue due to lesser on-going industrial park developments
Op costs	(189.5)	(114.3)	(148.7)	30.1	(21.5)	(369.3)	(262.9)	(28.8)
<b>EBITDA</b>	<b>43.9</b>	<b>28.1</b>	<b>38.5</b>	37.1	(12.2)	<b>86.5</b>	<b>66.6</b>	(23.0)
<i>EBITDA margin (%)</i>	<i>18.8</i>	<i>19.7</i>	<i>20.6</i>	<i>0.8 ppt</i>	<i>1.8 ppt</i>	<i>19.0</i>	<i>20.2</i>	<i>1.2 ppt</i> Higher EBITDA margin driven by higher contribution from property investment
Depreciation	(1.6)	(1.6)	(1.1)	(33.9)	(33.6)	(3.2)	(2.7)	(15.3)
<b>EBIT</b>	<b>42.2</b>	<b>26.5</b>	<b>37.4</b>	41.5	(11.4)	<b>83.3</b>	<b>63.9</b>	(23.3)
<i>EBIT margin (%)</i>	<i>18.1</i>	<i>18.6</i>	<i>20.0</i>	<i>1.4 ppt</i>	<i>1.9 ppt</i>	<i>18.3</i>	<i>19.4</i>	<i>1.1 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)	<i>n.m</i>	<i>n.m</i>	2.8	(0.9)	<i>n.m</i>
EI	(3.2)	0.0	0.0	<i>n.m</i>	<i>n.m</i>	(5.6)	0.1	<i>n.m</i> RM0.1m gain on disposal and RM0.1m impairment loss on receivable
<b>Pretax profit</b>	<b>37.4</b>	<b>26.6</b>	<b>36.4</b>	36.9	(2.9)	<b>76.7</b>	<b>62.9</b>	(18.0)
<b>Core PBT</b>	<b>40.6</b>	<b>26.5</b>	<b>36.3</b>	36.9	(10.6)	<b>82.4</b>	<b>62.8</b>	(23.7)
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)	(4.9)	(14.9)	(18.8)	(12.8)	(10.6)	(17.3)
<b>Net profit</b>	<b>21.8</b>	<b>14.7</b>	<b>23.4</b>	59.0	7.2	<b>45.1</b>	<b>38.1</b>	(15.4)
EPS (sen)	3.4	2.3	3.5	52.6	2.6	7.1	5.8	(17.7)
<b>Core net profit</b>	<b>25.6</b>	<b>14.7</b>	<b>23.4</b>	59.0	(8.8)	<b>52.0</b>	<b>38.1</b>	(26.7) Within expectations

Sources: Company, Phillip Research

**Segmental revenue breakdown**

Y/E Mar (RMm)	2QFY24	1QFY25	2QFY25	QoQ % chg	YoY % chg	6MFY24	6MFY25	YoY % chg
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>	31.5	(19.8)	<b>455.8</b>	<b>329.6</b>	(27.7)

**Segmental operating profit breakdown**

Y/E Mar (RMm)	2QFY24	1QFY25	2QFY25	QoQ % chg	YoY % chg	6MFY24	6MFY25	YoY % chg
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	29.6	25.2	(14.7)
Elimination	1.1	0.2	2.4	<i>n.m</i>	<i>n.m</i>	(0.2)	2.6	<i>n.m</i>
<b>Total</b>	<b>42.2</b>	<b>26.5</b>	<b>37.4</b>	41.1	(11.5)	<b>84.2</b>	<b>63.9</b>	(24.2)

**Operating profit margin**

Y/E Mar (RMm)	2QFY24	1QFY25	2QFY25	QoQ ppt chg	YoY ppt chg	6MFY24	6MFY25	YoY ppt chg
Construction services	2.8	3.5	9.6	6.0ppt	6.7ppt	2.1	7.3	5.2ppt
Property development	16.2	15.4	19.9	4.5ppt	3.6ppt	16.3	17.9	1.6ppt
Engineering services	21.4	11.4	5.2	(6.3ppt)	(16.2ppt)	16.3	8.1	(8.2ppt)
Property investment	73.0	72.8	69.1	(3.8ppt)	(4.0ppt)	95.5	70.9	(24.6ppt)
<b>Total</b>	<b>18.1</b>	<b>18.6</b>	<b>20.0</b>	1.4ppt	1.9ppt	<b>18.5</b>	<b>19.4</b>	0.9ppt

Sources: Company, Phillip Research

Table 1: Sum of Parts (SOP) Valuation

SOP Component	Value (RMm)	PE (x) / Disc Rate (%)	SOP Value (RMm)
FY25E construction and engineering profit	26	14	369
Property developments @ DCF (WACC 7.6%)	637	20% discount	509
AME REIT (51% equity stake)	773	51%	392
Net cash/(debt)			70
<b>SOP Value</b>			<b>1,341</b>
No. of shares (m)			639
<b>SOP/share (RM)</b>			<b>2.10</b>

Source: Phillip Research forecasts

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