

# AME ELITE (AME MK)

A soft quarter

MALAYSIA | CONSTRUCTION | RESULT

- AME Elite's (AME) 9MFY25 results missed our expectations, though we expect lumpy earnings recognition in 4QFY25 on RM210m data centre land sale
- AME is on track to meet its RM550m sales target, having achieved 78% YTD with RM430m in property sales recorded for 9MFY25
- Tweak our FY25-27E earnings by -8%/+4%/+2%. Maintain BUY with unchanged SOP-derived TP of RM2.10

## Missed expectations

AME posted 9MFY25 revenue of RM493m (-22% YoY) and core net profit of RM57m (-25% YoY), respectively. The softer revenue was due to weaker contributions from property development (-50% YoY), cushioned by more substantial construction (+22% YoY), engineering (+24% YoY), and property investment (+15% YoY) segments. EBITDA margin declined marginally to 19.7% (-0.4ppts) due to a higher revenue mix from the lower-margin construction segment. 9MFY25 results accounted for 32% of our forecasts and 33% of the street's expectations, which we deem below expectations. The result was missed due to slower-than-expected recognition from its property development segment. Nevertheless, we anticipate lumpy earnings recognition in 4QFY25 from the RM210m land sale to Quantum DC, which is expected to recognise a net gain of RM85m.

## Weaker QoQ due to timing of recognition; on track to achieve sales target

Sequentially, 3QFY25 core net profit fell 20% QoQ to RM19m on the back of softer revenue of RM163m (-13% QoQ), mainly due to a weaker property development segment (-25% QoQ). EBITDA margin contracted by 2ppts QoQ due to unfavourable revenue mix. AME is on track to meet its RM550m sales target, with RM430m in property sales recorded for 9MFY25 (78% of the target). Sales momentum is supported by the RM156m bookings, including RM56m from its newly launched RM1.3bn Northern TechValley in Penang.

## Maintain BUY with TP of RM2.10

We cut our FY25E earnings by 8% to account for weaker construction and property earnings recognition but raised FY26-27E earnings by 2-4% as we assume higher progress billings for its ongoing i-TechValley development. Maintain BUY rating and SOP-derived TP unchanged at RM2.10. We continue to like AME for its presence in high-demand FDI hotspots in Johor and Penang. 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	853.7	823.0	818.0
EBITDA (RMm)	138.9	142.5	249.8	181.5	186.6
Pretax profit (RMm)	172.9	158.2	241.6	167.5	170.3
Net profit (RMm)	101.6	93.1	164.7	107.1	101.7
EPS (sen)	15.9	14.6	25.8	16.8	15.9
PER (x)	10.4	11.3	6.5	10.0	10.6
Core net profit (RMm)	87.6	91.2	164.7	107.1	101.7
Core EPS (sen)	13.7	14.3	25.8	16.8	15.9
Core EPS growth (%)	100.4	4.1	80.7	(35.0)	(5.1)
Core PER (x)	12.0	11.6	6.5	10.0	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	3.8	5.7	5.2
Chg in EPS (%)			-7.8	+4.0	+2.0
Phillip/Consensus (%)			1.0	1.0	0.9

Sources: Company, Bloomberg, Phillip Research forecasts

28 February 2025

## BUY (maintain)

LAST CLOSE PRICE	RM1.68
TARGET PRICE	RM2.10
TOTAL RETURN	25.0%

### COMPANY DATA

BLOOMBERG TICKER	AME MK EQUITY
O/S SHARES (MN):	639
MARKET CAP (USD mn / RM mn):	242 / 1074
52 - WK HI/LO (RM):	1.96 / 1.49
3M Average Daily T/O (mn):	0.42
NET CASH/(DEBT) (RMm)	60.50

### MAJOR SHAREHOLDERS (%)

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

### PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	0.5	2.4	(1.2)
FBMKLCI RETURN	1.0	(0.7)	(3.2)

### PRICE VS. FBMKLCI



Source: Bloomberg

**Kei Jun THONG**

thong.keijun@phillipcapital.com.my

**Results at a glance**

Y/E Mar (RMm)	3QFY24	2QFY25	3QFY25	QoQ % chg	YoY % chg	9MFY24	9MFY25	YoY Comments % chg
<b>Revenue</b>	<b>176.2</b>	<b>187.2</b>	<b>163.4</b>	(12.7)	(7.3)	<b>632.1</b>	<b>492.9</b>	(22.0) Lower revenue due to lesser on-going industrial park developments
Op costs	(136.2)	(148.7)	(133.0)	(10.5)	(2.3)	(505.5)	(396.0)	(21.7)
<b>EBITDA</b>	<b>40.0</b>	<b>38.5</b>	<b>30.3</b>	(21.2)	(24.2)	<b>126.5</b>	<b>97.0</b>	(23.4)
<i>EBITDA margin (%)</i>	22.7	20.6	18.6	(2.0 ppt)	(4.1 ppt)	20.0	19.7	(0.4 ppt) Lower EBITDA margin due to increased revenue from construction services
Depreciation	(1.5)	(1.1)	(1.0)	(4.0)	(30.1)	(4.7)	(3.8)	(20.0)
<b>EBIT</b>	<b>38.5</b>	<b>37.4</b>	<b>29.3</b>	(21.7)	(23.9)	<b>121.9</b>	<b>93.2</b>	(23.5)
<i>EBIT margin (%)</i>	21.9	20.0	17.9	(2.1 ppt)	(3.9 ppt)	19.3	18.9	(0.4 ppt)
Int expense	(2.1)	(3.9)	(4.0)	2.4	86.6	(11.4)	(11.4)	(0.2)
Int and other inc	2.9	3.5	6.1	76.8	111.7	8.4	13.3	59.0
Associates	(0.1)	(0.7)	(0.6)	<i>n.m</i>	<i>n.m</i>	2.8	(1.5)	<i>n.m</i>
EI	(1.1)	0.0	(0.4)	<i>n.m</i>	<i>n.m</i>	(6.7)	(0.3)	<i>n.m</i> RM0.2m gain on PPE disposal, RM0.2m forex loss
<b>Pretax profit</b>	<b>38.1</b>	<b>36.4</b>	<b>30.4</b>	(16.3)	(20.2)	<b>114.9</b>	<b>93.3</b>	(18.7)
<b>Core PBT</b>	<b>39.2</b>	<b>36.3</b>	<b>30.8</b>	(15.2)	(21.4)	<b>121.6</b>	<b>93.6</b>	(23.0)
Tax	(9.7)	(8.1)	(6.4)	(21.1)	(34.0)	(28.5)	(20.6)	(27.8)
<i>Tax rate (%)</i>	25.3	22.2	21.0	(1.3 ppt)	(4.4 ppt)	24.8	22.1	(2.8 ppt)
MI	(6.5)	(4.9)	(5.6)	16.3	(13.7)	(19.3)	(16.2)	(16.1)
<b>Net profit</b>	<b>21.9</b>	<b>23.4</b>	<b>18.4</b>	(21.4)	(16.0)	<b>67.0</b>	<b>56.5</b>	(15.6)
EPS (sen)	3.4	3.5	2.9	(17.9)	(16.0)	10.5	8.7	(17.2)
<b>Core net profit</b>	<b>24.2</b>	<b>23.4</b>	<b>18.8</b>	(19.7)	(22.3)	<b>76.1</b>	<b>56.9</b>	(25.3) Missed expectations

Sources: Company, Phillip Research

**Segmental revenue breakdown**

Y/E Mar (RMm)	3QFY24	2QFY25	3QFY25	QoQ % chg	YoY % chg	9MFY24	9MFY25	YoY % chg
Construction services	35.2	63.2	67.2	6.2	90.9	137.4	167.7	22.0
Property development	98.5	73.4	54.9	(25.2)	(44.2)	380.6	188.7	(50.4)
Engineering services	25.8	32.1	22.3	(30.6)	(13.7)	66.3	82.0	23.7
Property investment	16.7	18.4	19.0	3.2	13.7	47.6	54.5	14.5
<b>Total</b>	<b>176.2</b>	<b>187.2</b>	<b>163.4</b>	(12.7)	(7.3)	<b>632.1</b>	<b>492.9</b>	(22.0)

**Segmental operating profit breakdown**

Y/E Mar (RMm)	3QFY24	2QFY25	3QFY25	QoQ % chg	YoY % chg	9MFY24	9MFY25	YoY % chg
Construction services	1.2	6.0	2.5	(58.0)	103.9	3.4	9.9	189.4
Property development	14.0	14.6	8.4	(42.4)	(39.9)	60.0	32.3	(46.2)
Engineering services	4.4	1.7	2.9	76.8	(32.9)	11.0	7.8	(29.2)
Property investment	25.6	12.7	12.9	1.7	(49.5)	49.4	38.1	(22.8)
Elimination	(4.2)	2.4	2.1	<i>n.m</i>	<i>n.m</i>	0.6	4.8	<i>n.m</i>
<b>Total</b>	<b>41.0</b>	<b>37.4</b>	<b>28.9</b>	(22.6)	(29.4)	<b>124.4</b>	<b>92.9</b>	(25.3)

**Operating profit margin**

Y/E Mar (RMm)	3QFY24	2QFY25	3QFY25	QoQ ppt chg	YoY ppt chg	9MFY24	9MFY25	YoY ppt chg
Construction services	3.5	9.6	3.8	(5.8ppt)	0.2ppt	2.5	5.9	3.4ppt
Property development	14.2	19.9	15.3	(4.6ppt)	1.1ppt	15.8	17.1	1.4ppt
Engineering services	16.9	5.2	13.2	8.0ppt	(3.8ppt)	16.5	9.5	(7.1ppt)
Property investment	153.3	69.1	68.1	(1.0ppt)	(85.2ppt)	103.7	69.9	(33.7ppt)
<b>Total</b>	<b>23.2</b>	<b>20.0</b>	<b>17.7</b>	(2.3ppt)	(5.5ppt)	<b>19.7</b>	<b>18.8</b>	(0.8ppt)

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	24	14	341
Property developments @ DCF (WACC 7.6%)	657	20% discount	526
AME REIT (51% equity stake)	871	51%	442
Net cash/(debt)			33
<b>SOP Value</b>			<b>1,342</b>
No. of shares (m)			639
<b>SOP/share (RM)</b>			<b>2.10</b>

Source: Phillip Research forecasts

## Contact Information (Regional Member Companies)

**SINGAPORE**

**Phillip Securities Pte Ltd**  
Raffles City Tower  
250, North Bridge Road #06-00  
Singapore 179101  
Tel +65 6533 6001  
Fax +65 6535 6631  
Website: [www.poems.com.sg](http://www.poems.com.sg)

**JAPAN**

**Phillip Securities Japan, Ltd.**  
4-2 Nihonbashi Kabuto-cho Chuo-ku,  
Tokyo 103-0026  
Tel +81-3 3666 2101  
Fax +81-3 3666 6090  
Website: [www.phillip.co.jp](http://www.phillip.co.jp)

**THAILAND**

**Phillip Securities (Thailand) Public Co. Ltd**  
15th Floor, Vorawat Building,  
849 Silom Road, Silom, Bangrak,  
Bangkok 10500 Thailand  
Tel +66-2 6351700 / 22680999  
Fax +66-2 22680921  
Website [www.phillip.co.th](http://www.phillip.co.th)

**UNITED STATES**

**Phillip Capital Inc**  
141 W Jackson Blvd Ste 3050  
The Chicago Board of Trade Building  
Chicago, IL 60604 USA  
Tel +1-312 356 9000  
Fax +1-312 356 9005  
Website: [www.phillipusa.com](http://www.phillipusa.com)

**INDIA**

**PhillipCapital (India) Private Limited**  
No.1, 18th Floor, Urmi Estate  
95, Ganpatrao Kadam Marg  
Lower Parel West, Mumbai 400-013  
Maharashtra, India  
Tel:+91-22-2300 2999/Fax:+91-22-2300 2969  
Website: [www.phillipcapital.in](http://www.phillipcapital.in)

**MALAYSIA**

**Phillip Capital Sdn Bhd**  
B-18-6 Block B Level 18 Unit 6 Megan Avenue II,  
No .12, Jalan Yap Kwan Seng, 50450 Kuala  
Lumpur  
Tel +603 2783 0300  
Fax +603 2166 5099  
Website: [www.phillip.com.my](http://www.phillip.com.my)

**INDONESIA**

**PT Phillip Securities Indonesia**  
ANZ Tower Level 23B,  
Jl Jend Sudirman Kav 33A  
Jakarta 10220 – Indonesia  
Tel +62-21 5790 0800  
Fax +62-21 5790 0809  
Website: [www.phillip.co.id](http://www.phillip.co.id)

**FRANCE**

**King & Shaxson Capital Limited**  
3rd Floor, 35 Rue de la Bienfaisance 75008  
Paris France  
Tel +33-1 45633100  
Fax +33-1 45636017  
Website: [www.kingandshaxson.com](http://www.kingandshaxson.com)

**AUSTRALIA**

**Phillip Capital Limited**  
Level 10, 330 Collins Street  
Melbourne, Victoria 3000, Australia  
Tel +61-03 8633 9803  
Fax +61-03 8633 9899  
Website: [www.phillipcapital.com.au](http://www.phillipcapital.com.au)

**TURKEY**

**PhillipCapital Menkul Degerler**  
Dr. Cemil Bengü Cad. Hak Is Merkezi  
No. 2 Kat. 6A Caglayan  
34403 Istanbul, Turkey  
Tel: 0212 296 84 84  
Fax: 0212 233 69 29  
Website: [www.phillipcapital.com.tr](http://www.phillipcapital.com.tr)

**HONG KONG**

**Phillip Securities (HK) Ltd**  
11/F United Centre 95 Queensway  
Hong Kong  
Tel +852 2277 6600  
Fax +852 2868 5307  
Websites: [www.phillip.com.hk](http://www.phillip.com.hk)

**CHINA**

**Phillip Financial Advisory (Shanghai) Co Ltd**  
No 550 Yan An East Road,  
Ocean Tower Unit 2318,  
Postal code 200001  
Tel +86-21 5169 9200  
Fax +86-21 6351 2940  
Website: [www.phillip.com.cn](http://www.phillip.com.cn)

**UNITED KINGDOM**

**King & Shaxson Capital Limited**  
6th Floor, Candlewick House,  
120 Cannon Street,  
London, EC4N 6AS  
Tel +44-20 7426 5950  
Fax +44-20 7626 1757  
Website: [www.kingandshaxson.com](http://www.kingandshaxson.com)

**CAMBODIA**

**Phillip Bank Plc**  
Ground Floor of B-Office Centre,#61-64,  
Norodom Blvd Corner Street 306,Sangkat  
Boeung Keng Kang 1, Khan Chamkamorn,  
Phnom Penh, Cambodia  
Tel: 855 (0) 7796 6151/855 (0) 1620 0769  
Website: [www.phillipbank.com.kh](http://www.phillipbank.com.kh)

**DUBAI**

**Phillip Futures DMCC**  
Member of the Dubai Gold and  
Commodities Exchange (DGCX)  
Unit No 601, Plot No 58, White Crown Bldg,  
Sheikh Zayed Road, P.O.Box 212291  
Dubai-UAE  
Tel: +971-4-3325052 / Fax: + 971-4-3328895

**Contact Information (Phillip Malaysia Investor Centres)****MALAYSIA****Phillip Investor Centre – Alor Setar (Kedah)**

Lot T-30 2nd Floor,  
Wisma PKNK, Jalan Sultan Badlisha,  
05000 Alor Setar, Kedah  
Tel: +604 731 7088 / Fax: 604 731 8428  
Website: [www.phillip.com.my](http://www.phillip.com.my)

**MALAYSIA****Phillip Investor Centre – Kluang (Johor)**

No. 73, 1st Floor,  
Jalan Rambutan, 86000 Kluang.  
Tel: +607 771 7922 / Fax: 607 771 7909  
Website: [www.phillip.com.my](http://www.phillip.com.my)

**MALAYSIA****Phillip Investor Centre – Kuantan (Pahang)**

1st Floor, B400,  
Jalan Beserah, 25300 Kuantan.  
Tel: +609 566 0800 / Fax: 609 566 0801  
Website: [www.phillip.com.my](http://www.phillip.com.my)

**MALAYSIA****Phillip Investor Centre – Kuching (Sarawak)**

Lot 2650 1st Floor, Suite A, Block 10 KCLD  
Central Park Commercial Centre,  
3rd Mile, Jalan Rock, 93200, Kuching,  
Sarawak, Malaysia.  
Tel: +6082 247 633 / Fax: 6082 245 644  
Website: [www.phillip.com.my](http://www.phillip.com.my)

**MALAYSIA****Phillip Investor Centre – Johor Bahru (Johor)**

15-01A, Jalan Molek 1/29,  
Taman Molek, 81100 Johor Bahru,  
Johor Darul Takzim, Malaysia  
Tel: +607 352 1808 / Fax: 607 352 4808  
Website: [www.phillip.com.my](http://www.phillip.com.my)

**MALAYSIA****Phillip Investor Centre – Kota Damansara (Petaling Jaya)**

12A, Jalan PJU 5/8,  
Dataran Sunway, Kota Damansara,  
47810 Petaling Jaya, Selangor, Malaysia.  
Tel: +603 9212 2818 / Fax: 603 6140 7133  
Website: [www.phillip.com.my](http://www.phillip.com.my)

**MALAYSIA****Phillip Investor Centre – Melaka**

No. 542A, Jalan Merdeka,  
Taman Melaka Raya,  
75000 Melaka, Malaysia  
Tel: +606 292 0018 / Fax: 606 292 4511  
Website: [www.phillip.com.my](http://www.phillip.com.my)

**MALAYSIA****Phillip Investor Centre – Sibul (Sarawak)**

No. 6B Jalan Bako,  
96000 Sibul, Sarawak.  
Tel: +6084 377 933 / Fax: -  
Website: [www.phillip.com.my](http://www.phillip.com.my)

**MALAYSIA****Phillip Investor Centre – Skudai (Johor)**

9A, Jalan Sutera Tanjung 8/2,  
Taman Sutera Utama,  
81300 Skudai, Johor, Malaysia.  
Tel: +607 557 2188 / Fax: 607 557 8788  
Website: [www.phillip.com.my](http://www.phillip.com.my)

**MALAYSIA****Phillip Investor Centre – Kota Kinabalu (Sabah)**

Lot No. G-4, Ground Floor,  
Menara MAA, No 6, Lorong Api-Api 1,  
88000 Kota Kinabalu, Sabah.  
Tel: +6088 335 346 / Fax: -  
Website: [www.phillip.com.my](http://www.phillip.com.my)

**MALAYSIA****Phillip Investor Centre – Penang**

No. 29A Ground Floor Suite 2, Beach Street,  
10300 Penang, Malaysia.  
Tel: +604 202 0039 / Fax: 607 261 3822  
Website: [www.phillip.com.my](http://www.phillip.com.my)

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SELL: Total stock return is expected to below 10% over a 12-month period

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