

## AME Elite Consortium Bhd

Slightly below expectations

### Summary

- AME Elite Consortium Bhd's 4QFY23 core net profit fell 10.5% YoY to RM21.6m, following the divestment of 49.0% stake in AME REIT for the latter's listing process. Revenue for the quarter, however, improved 13.4% YoY to RM158.4m. A single-tier interim dividend of 3.0 sen per share was declared, payable on 7th July 2023.
- For FY23, cumulative core net profit gained 49.6% YoY to RM77.6m; amounted to 94.7% of our expectations of RM81.9m and 107.3% of consensus expectations of RM72.3m. With economic activities gathering pace and demand for industrial properties staying firm, we reckon AME may continue to thrive moving into FY24.
- Moving forward, AME is equipped with an outstanding construction orderbook of RM173.0m to sustain earnings visibility for the next 2 years. For FY23, new property sales recorded at RM479.2m, which has largely surpassed FY22 sales of RM168.4m. Unbilled property sales at c. RM351.3m (up from RM273.0m in 3QFY23) will sustain the property development segment earnings for 2 years.
- We expect AME will be kept busy with the on-going industrial park developments with a balance GDV of RM1.52bn to sustain long term revenue visibility till 2030. As of FY23, AME is equipped with a sizeable war chest of RM313.0m that can be utilised for future landbanking activities.
- With the existing workers' dormitories close to full taken up conditions, AME will be embarking onto the construction of new dormitory at i-Techvalley@SiLC with a capacity of 2,688 beds. The aforementioned project is expected to commence construction in 2Q23 and is expected to be completed in 2H24 and will bring total number of beds for workers' dormitories at c. 9,095 beds.
- In 1Q23, Malaysia's FDI stood at RM12.0bn (the smallest amount since 3Q21) as foreign investors pulled the handbrake following the rising operational cost pressure and concern over the rising risk of recession. Still, we expect the foreign direct investment (FDI) for the rest of the year to remain sturdy, anchored by the MoU from Chinese entities to commit and investment of RM170.0bn that was inked on 11th April 2023.

Quarterly performance								
FYE Mar (RM m)	4QFY22	3QFY23	4QFY23	QoQ (%)	YoY (%)	12MFY22	12MFY23	YoY (%)
Revenue	139.7	134.3	158.4	17.9	13.4	398.4	577.1	44.9
EBITDA	30.0	21.1	82.3	290.8	174.7	80.9	191.8	137.0
PBT	26.2	20.6	78.0	278.5	197.2	68.9	175.8	155.1
PAT	22.6	13.9	66.4	376.7	193.1	52.5	144.2	174.6
Core PATMI	20.9	9.3	42.3	356.4	102.8	48.6	103.5	113.2
Reported PATMI	24.2	9.3	21.6	133.2	(10.5)	51.9	77.6	49.6
Core EPS (sen)	3.3	1.4	6.6	356.4	102.8	7.6	16.2	113.2
EBITDA margin (%)	21.4	15.7	52.0			20.3	33.2	
PBT margin (%)	18.8	15.3	49.2			17.3	30.5	
Core PATMI margin (%)	14.9	6.9	26.7			12.2	17.9	

Results Note – 4QFY23

**Kenneth Leong**  
kennethleong@msec.com.my  
(603) 2201 2100

### BUY

Share price	RM1.39
Target price	RM1.87
Previous TP	RM1.87
Capital upside	35.3%
Dividend return	2.9%
Total return	38.1%

### Company profile

Principally involved in construction of customised large manufacturing plants and design, build and development of industrial parks

### Stock information

Bursa Code	5216
Bloomberg ticker	AME MK
Listing market	Main
Share issued (m)	640.7
Market Cap (m)	890.5
52W High/Low	1.72/1.15
Est. Free float	34.7%
Beta (x)	0.7
3-mth avg vol ('000)	80.6
Shariah compliant	Yes

### Major shareholders

Lim Yook Kim	17.8
Lee Chai	17.8
Kang Ah Chee	17.5

### Share price vs. KLCI (%)

Hist. return	1M	3M	12M
Absolute	-2.1	6.9	-16.7
Relative	-1.2	10.8	-8.1

### Earnings summary

FYE (Mar)	FY23	FY24f	FY25f
PATMI (m)	77.6	66.7	71.5
EPS (sen)	12.1	10.4	11.2
P/E (x)	11.5	13.3	12.5

### Relative performance chart



## Valuation & Recommendation

- Despite the reported earnings came in slightly below expectations, we made no changes to our earnings forecast as we reckon that earnings growth in coming years will be backed by the robust industrial property sales. Consequently, we maintained **BUY** on AME, with an unchanged target price of RM1.87.
- Our target price is derived by ascribing a target PER of 18.0x to its FY24f EPS of 10.4 sen. The assigned PER is slightly above the small-mid cap construction peers trading at 13.0-15.0x, premised to AME's position as a niche construction player, specialising in the industrial REIT space.
- Risks to our recommendation and target price include dependency on the foreign direct investment in Malaysia. Weaker-than-expected orderbook replenishment or slower-than-expected industrial property sales may hamper the prospect of earnings recovery.

## Financial Highlights

All items in (RM m) unless otherwise stated

Income Statement						Balance Sheet					
FYE Mar (RM m)	FY21	FY22	FY23	FY24f	FY25f	FYE Mar (RM m)	FY21	FY22	FY23	FY24f	FY25f
Revenue	460.6	398.4	577.1	595.3	621.4	Cash	271.4	187.2	313.0	288.1	306.8
EBITDA	88.3	80.9	191.8	158.8	169.8	Receivables	94.3	82.3	120.3	114.2	119.2
EBIT	81.5	74.6	185.9	150.7	160.7	Inventories	311.5	649.9	519.3	712.4	743.6
Net finance income/ (cost)	(5.4)	(7.3)	(13.3)	(11.0)	(10.8)	PPE	131.6	147.0	162.0	183.6	205.6
Associates & JV	3.5	1.6	3.2	3.0	3.1	Others	383.0	446.1	704.1	665.3	675.8
Profit before tax	79.6	68.9	175.8	142.6	153.0	Assets	1,191.8	1,512.5	1,818.6	1,963.5	2,051.0
Tax	(21.7)	(16.4)	(31.6)	(34.2)	(36.7)	Debts	247.6	249.4	180.5	237.4	233.4
Net profit	57.9	52.5	144.2	108.4	116.3	Payables	147.2	214.5	220.0	122.6	205.0
Minority interest	4.4	4.0	40.7	41.7	44.8	Others	84.8	302.0	295.1	314.4	344.8
Core earnings	53.5	51.9	77.6	66.7	71.5	Liabilities	479.6	765.9	695.6	674.3	783.2
Diluted core earnings	-	-	-	68.3	70.6	Shareholder's equity	674.5	706.0	813.0	813.0	885.3
Exceptional items	-	(3.3)	25.9	-	-	Minority interest	37.7	40.7	310.0	476.2	382.5
Reported earnings	53.5	48.6	103.5	66.7	71.5	Equity	712.2	746.7	1,123.0	1,289.2	1,267.8
Cash Flow Statement						Valuation & Ratios					
FYE Mar (RM m)	FY21	FY22	FY23	FY24f	FY25f	FYE Mar (RM m)	FY21	FY22	FY23	FY24f	FY25f
Profit before taxation	79.6	68.9	175.8	142.6	153.0	Core EPS (sen)	8.3	8.1	12.1	10.4	11.2
Depreciation & amortisation	6.8	6.4	5.9	8.1	9.1	Diluted Core EPS (sen)	-	-	-	10.4	11.2
Changes in working capital	70.5	410.2	425.5	36.0	122.8	P/E (x)	16.7	17.2	11.5	13.3	12.5
Share of JV profits	(3.5)	(1.6)	(3.2)	-	-	Diluted P/E (x)	-	-	-	15.9	12.6
Taxation	(22.6)	(19.7)	(34.3)	(34.2)	(36.7)	DPS (sen)	4.0	2.5	4.0	4.0	4.0
Others	(6.5)	(4.5)	(117.1)	-	-	Dividend yield	2.9%	1.8%	2.9%	2.9%	2.9%
Operating cash flow	130.1	(56.7)	(4.1)	80.5	125.4	BVPS (RM)	1.11	1.17	1.75	2.01	1.98
Net capex	(7.9)	(15.1)	(35.3)	(29.8)	(31.1)	P/B (x)	1.3	1.2	0.8	0.7	0.7
Others	8.5	3.1	19.7	-	-	EBITDA margin	19.2%	20.3%	33.2%	26.7%	27.3%
Investing cash flow	0.6	(12.0)	(15.5)	(29.8)	(31.1)	EBIT margin	17.7%	18.7%	32.2%	25.3%	25.9%
Changes in borrowings	(35.6)	1.8	(8.1)	(4.0)	(4.0)	PBT margin	17.3%	17.3%	30.5%	24.0%	24.6%
Issuance of shares	0.5	-	281.5	-	-	PAT margin	12.6%	13.2%	25.0%	18.2%	18.7%
Dividends paid	(12.8)	(17.1)	(22.4)	(25.6)	(25.6)	Core PAT margin	11.6%	13.0%	13.4%	11.2%	11.5%
Others	-	-	(10.7)	-	-	ROE	7.5%	6.9%	6.9%	5.2%	5.6%
Financing cash flow	(47.9)	(17.6)	149.6	(75.6)	(75.6)	ROA	4.5%	3.4%	4.3%	3.4%	3.5%
Net cash flow	82.8	(86.3)	130.0	(24.9)	18.7	Net gearing	Net Cash	8.3%	Net Cash	Net Cash	Net Cash
Forex	-	-	-	-	-						
Others	-	-	-	-	-						
Beginning cash	173.2	255.9	169.7	299.6	274.7						
Ending cash	255.9	169.7	299.6	274.7	293.4						

Disclaimer: This report is prepared exclusively for Malacca Securities Sdn Bhd's (MSSB) clients and is not intended to be distributed to any other party in any form or manner. All information, assumptions, estimates and opinions contained in this report is based on available data and the information is believed to be reliable at the time of writing. MSSB and/or its associated persons does not warrant, represent and/or guarantee the accuracy of any opinions and information herein in any manner whatsoever and no reliance upon the report and/or any parts thereof by anyone shall give rise to any claim whatsoever against MSSB. This report is for information purposes only and shall not be construed as an offer, invitation or solicitation to buy or sell the securities or any related investment or financial instruments mentioned in this report. MSSB and/or its associated persons may from time to time have an interest in the securities mentioned herein.