

AME Elite Consortium Bhd

Growth supported by better property sales

Summary

- We attended AME Elite Consortium Bhd's (AME) post 4QFY22 results briefing and came away feeling reassured on their prospects moving into FY23f. Following the slowdown in performance over the past two financial years that was hampered by the Covid-19 impact, we anticipate AME to deliver stable improvements in coming years, largely supported by the prospects of stronger industrial property sales.
- After chalking in record high property sales of RM168.4m in FY22, we expect further improvement, premised on higher enquiries for industrial properties from international companies following the re-opening of international borders. Already, AME registered property bookings amounted to RM132.0m over the past 2 months against RM45.4m in 4QFY22. The improvement is mainly backed by a client from USA amounting to RM94.7m.
- Moving forward, AME intends to launch i-TechValley in SiLC in end-June 2022 that sits on 169.8-ac of land and carries a total GDV of RM1.50bn. As at end-FY22, unbilled sales amounting to RM74.0m will be recognised progressively.
- Elsewhere, construction orderbook replenishment at RM433.6m in FY22 with an outstanding orderbook of RM399.8m (mainly from in-house projects) will keep the segment busy over the next 18 months. We expect the future orderbook replenishment to be mainly anchored by in-house projects in line with their expansion of i-Park developments.
- The property leasing segment continues to demonstrate improvement through regular recurring income from the leasing agreements. Occupancy rates remains relatively healthy in both i-Park@Indahpura with 2,290 beds capacity (96.0%) and i-Park@Senai Airport City with 2,005 beds capacity (76.0%).
- Moving forward, the expansion of i-Stay@Indahpura comprising 2 new blocks will boost additional 2,290 beds, bumping total capacity to more than 6,500 beds. Upon completion tentatively in July 2022, the aforementioned expansion is expected to generate additional RM7.5m of rental income per annum, based on full occupancy.
- As at end-FY22, AME is backed by healthy cash and bank balances of RM187.2m and a low net gearing of 0.1x. This implies further room to tap into external financing for business expansion plans in the near future. While core net margins have been on a declining trend over the past 2 years, we expect improvement to take place from of the revision of rental income in property leasing.
- We gather that Bursa has approved the listing of industrial REIT spinoff. We expect corporate exercise to be completed tentatively in end-September 2023 will beef up AME's war chest. At the same time, proceeds from the spinoff has been earmarked mainly for land-banking replenishment activities as the group aims to replicate their success of i-Park models in other states across Peninsular Malaysia.

Company Update

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HOLD

Share price	RM1.74
Target price	RM1.87
Previous TP	RM1.65
Capital upside	7.5%
Dividend return	2.3%
Total return	9.8%

Company profile

Primarily 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)	1,114.8
52W High/Low	2.03/1.49
Est. Free float	39.1%
Beta (x)	0.4
3-mth avg vol ('000)	389.8
Shariah compliant	Yes

Major shareholders

	%
Lim Yook Kim	17.8
Lee Chai	17.6
Kang Ah Chee	17.4

Share price vs. KLCI (%)

	1M	3M	12M
Hist. return			
Absolute	1.8	8.7	3.2
Relative	3.5	13.4	4.2

Earnings summary

	FY22	FY23f	FY24f
FYE (Mar)			
PATMI (m)	48.6	59.9	71.5
EPS (sen)	6.5	9.3	11.2
P/E (x)	25.4	17.7	14.8

Relative performance chart



Valuation & Recommendation

- We tweaked earnings forecast higher by 2.3% and 11.7% to RM59.9m and RM71.5m for both FY23f and FY24f respectively after taking into account for the stronger property sales. Consequently, we maintained **HOLD** on AME, with a higher target price of RM1.87 (from RM1.65).
- Our target price is derived by ascribing a higher target PER of 20.0x (from 18.0x) to its revised FY23f EPS of 9.3 sen. The assigned revised PER is in line with the historical 1-year mean average and is slightly higher against the construction industry average of 15.0-18.0x, 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. Also, weaker-than-expected construction orderbook replenishment and slower-than-expected industrial property sales may hamper the prospect of earnings growth.

Financial Highlights

All items in (RM m) unless otherwise stated

Income Statement						Balance Sheet					
FYE Mar (RM m)	FY20	FY21	FY22	FY23f	FY24f	FYE Mar (RM m)	FY20	FY21	FY22	FY23f	FY24f
Revenue	380.3	460.6	398.4	518.1	595.3	Cash	191.8	271.4	187.2	221.9	204.4
EBITDA	99.8	88.3	80.9	95.9	113.1	Receivables	86.2	94.3	82.3	99.4	114.2
EBIT	93.3	81.5	74.6	88.9	104.9	Inventories	357.8	311.5	649.9	651.5	698.7
Net finance income/ (cost)	(10.0)	(5.4)	(7.3)	(8.0)	(9.6)	PPE	100.6	131.6	147.0	166.0	187.5
Associates & JV	5.3	3.5	1.6	2.6	3.0	Others	417.5	383.0	435.8	438.5	455.0
Profit before tax	88.7	79.6	68.9	83.5	98.3	Assets	1,153.9	1,191.8	1,502.2	1,577.3	1,659.7
Tax	(20.0)	(21.7)	(16.4)	(20.0)	(23.6)	Debts	283.2	247.6	249.4	241.4	237.4
Net profit	68.6	57.9	52.5	63.4	74.7	Payables	144.6	147.2	188.4	183.8	184.6
Minority interest	4.5	4.4	4.0	3.6	3.2	Others	58.3	84.8	317.8	349.6	383.2
Core earnings	56.9	53.5	41.6	59.9	71.5	Liabilities	486.2	479.6	755.6	774.8	805.1
Diluted core earnings	-	-	-	64.0	73.6	Shareholder's equity	633.9	674.5	706.0	707.0	707.0
Exceptional items	7.3	-	7.0	-	-	Minority interest	33.8	37.7	40.7	95.4	147.5
Reported earnings	64.1	53.5	48.6	59.9	71.5	Equity	667.6	712.2	746.7	802.5	854.6
Cash Flow Statement						Valuation & Ratios					
FYE Mar (RM m)	FY20	FY21	FY22	FY23f	FY24f	FYE Mar (RM m)	FY20	FY21	FY22	FY23f	FY24f
Profit before taxation	88.7	79.6	68.9	83.5	98.3	Core EPS (sen)	8.9	8.3	6.5	9.3	11.2
Depreciation & amortisation	6.5	6.8	6.4	7.0	8.2	Diluted Core EPS (sen)	-	-	-	9.3	11.2
Changes in working capital	117.7	70.5	373.2	14.2	75.1	P/E (x)	18.6	19.8	25.4	17.7	14.8
Share of JV profits	(5.2)	(3.5)	(1.6)	-	-	Diluted P/E (x)	-	-	-	20.2	17.6
Taxation	(14.4)	(22.6)	(19.7)	(20.0)	(23.6)	DPS (sen)	3.0	4.0	2.5	4.0	4.0
Others	(13.4)	(6.5)	(4.5)	-	-	Dividend yield	1.8%	2.4%	1.5%	2.4%	2.4%
Operating cash flow	(40.1)	130.1	(56.7)	56.2	7.8	BVPS (RM)	1.04	1.11	1.17	1.25	1.33
Net capex	(63.0)	(7.9)	(15.1)	(25.9)	(29.8)	P/B (x)	1.6	1.5	1.4	1.3	1.2
Others	19.3	8.5	3.1	-	-	EBITDA margin	26.2%	19.2%	20.3%	18.5%	19.0%
Investing cash flow	(43.7)	0.6	(12.0)	(25.9)	(29.8)	EBIT margin	24.5%	17.7%	18.7%	17.2%	17.6%
Changes in borrowings	67.4	(35.6)	1.8	(8.1)	(4.0)	PBT margin	23.3%	17.3%	17.3%	16.1%	16.5%
Issuance of shares	107.6	0.5	-	-	-	PAT margin	18.0%	12.6%	13.2%	12.2%	12.6%
Dividends paid	-	(12.8)	(17.1)	(25.6)	(25.6)	Core PAT margin	15.0%	11.6%	10.4%	11.6%	12.0%
Others	1.5	-	-	-	-	ROE	8.5%	7.5%	5.6%	7.5%	8.4%
Financing cash flow	178.5	(47.9)	(17.6)	4.4	4.4	ROA	4.9%	4.5%	2.8%	3.8%	4.3%
Net cash flow	94.7	82.8	(86.3)	34.7	(17.6)	Net gearing	13.7%	Net Cash	8.3%	2.4%	3.9%
Forex	-	-	-	-	-						
Others	-	-	-	-	-						
Beginning cash	78.4	173.2	255.9	169.7	204.4						
Ending cash	173.2	255.9	169.7	204.4	186.8						

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