

**Team Coverage**

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<b>Recommendation:</b>	<b>BUY</b>
<b>Current Price:</b>	<b>RM 1.60</b>
<b>Previous Target Price:</b>	<b>RM 1.95</b>
<b>Target Price:</b>	<b>RM 1.85</b>
<b>Upside/Downside:</b>	<b>15.6%</b>

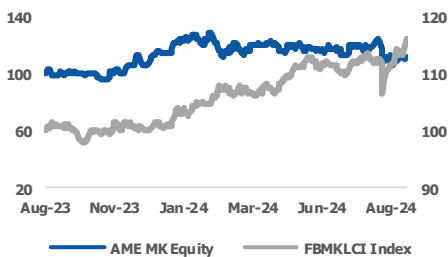
**Stock information**

Board	MAIN
Sector	Property
Bursa / Bloomberg Code	5293 / AME MK
Syariah Compliant	Yes
FTSE4Good Index	Yes
FTSE ESG Rating	☆☆★★
Bloomberg ESG Rating	N/A
Shares issued (m)	639.1
Market Cap (RM' m)	1,022.5
52-Week Price Range (RM)	1.38-1.96
Beta (x)	0.5
Free float (%)	38.4
3M Average Volume (m)	1.3
3M Average Value (RM' m)	2.1

**Top 3 Shareholders (%)**

Lim Yook Kim	17.8
Lee Chai	17.8
Kang Ah Chee	17.5

**Share Price Performance**



	1M	3M	12M
Absolute (%)	-7.0	-7.0	7.4
Relative (%)	-9.8	-10.9	-6.8

## AME Elite Consortium Berhad

### Dragged by timing of property sales recognition

#### Summary



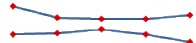
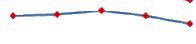

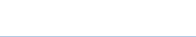
- **AME's 1QFY25 core net profit at RM14.7m (-36.7% yoy and +0.6% qoq) came below expectations, accounting to only 13.4% and 10.6% of ours and consensus expectations of RM110.3m and RM139.5m respectively.**
- **Consequently, we slashed our earnings forecast by -32.3%/-26.4% to RM74.8m/RM88.6m for FY25F/FY26F respectively to account for the slower-than-expected timing of income recognition under the property development segment.**
- **We re-iterate our BUY recommendation on AME with lower TP of RM1.85, based on SOP valuation.**

#### Results Review

- **Results review.** 1QFY25 core net profit fell -36.7% yoy and was relatively flattish at +0.6% qoq at RM14.7m, dragged down by the weaker property development segment that was impacted by lower work progress and timing of income recognition from the property development segment. Revenue for the quarter slipped -36.0% yoy, but rose +67.9% qoq to RM222.5m.
- **Below expectations.** Reported core net profit came below expectations, accounting to only 13.4% of our core net profit forecast at RM110.3m and was at 10.6% of consensus forecasted net profit of RM139.5m. Key deviation is due to timing of recognition of project sales.
- **Operations Highlights.** In 1QFY25, property development revenue stood at RM60.3m (-57.9% yoy). Likewise, construction segment revenue also decreased -24.0% yoy to RM37.3m, primarily due relocation of internal resources to focus onto industrial property development activities with certain projects at tail-end of completion. On a brighter note, AME recorded new sales amounting to RM266.5m in 1QFY25, which is largely on track to meet sales target of RM400.0m. Recall that FY24 new sales only stood at RM283.6m.
- **Industry Highlights.** With the government move to push towards digital economy, we foresee increasing demand for industrial parks to support high-tech industries and innovation-driven enterprises. Rising FDI will play a large part in Malaysia's economic growth via job creations and business opportunities.
- **Outlook.** Going forward, we expect earnings to tick higher in remainder quarters, backed by unbilled sales amounting to RM434.5m (up from RM226.8m in 4QFY24), coupled with the outstanding construction & engineering orderbook of RM214.9m, sustaining earnings visibility until FY26F. The launch of new 176-ac industrial park at Penang that carries c.RM1.0b GDV in 4Q24 remains well on track.
- **Valuation.** Following the weaker-than-expected earnings, we slashed our forecast by -32.3%/-26.4% to RM74.8m/88.6m in FY25F/FY26F respectively to account for the slower-than-expected timing of income recognition under the property development segment. Consequently, we maintain our **BUY** recommendation on AME, but with a lower target price of RM1.85 based on SOP valuation.

- **Risk.** Geopolitical tensions, labour shortages, insufficient industrial land, and unexpected further rise in construction costs

Figure 1: Results Comparison

FYE Mar (RM m)	1QFY25	1QFY24	YoY (%)	4QFY24	QoQ (%)	3MFY24	3MFY25	YoY (%)	5 Quarters Trend	Comments
Revenue	142.4	222.5	(36.0)	84.8	67.9	222.5	142.4	(36.0)		Weaker due to lower work progress and timing of income recognition
EBITDA	28.1	40.2	(30.1)	44.9	(37.3)	40.2	28.1	(30.1)		
Pre-tax profit	26.6	39.3	(32.4)	43.3	(38.7)	39.3	26.6	(32.4)		Impacted by weaker revenue from property development and construction services
Net profit	20.4	30.1	(32.0)	39.7	(48.5)	30.1	20.4	(32.0)		
Core net profit	14.7	23.3	(36.7)	14.6	0.6	23.3	14.7	(36.7)		
Core EPS (sen)	0.4	0.7	(36.7)	0.4	0.6	0.7	0.4	(36.7)		
EBITDA margin (%)	19.8	18.1		52.9		18.1	19.8			
PBT margin (%)	18.6	17.7		51.1		17.7	18.6			
Core PATMI margin (%)	10.3	10.5		17.3		10.5	10.3			

Source: Company, Apex Securities

### Financial Highlights

#### Income Statement

FYE Mar (RM m)	FY22	FY23	FY24	FY25F	FY26F
<b>Revenue</b>	<b>398.4</b>	<b>575.9</b>	<b>716.9</b>	<b>767.4</b>	<b>886.8</b>
<b>Gross Profit</b>	<b>103.9</b>	<b>116.8</b>	<b>172.1</b>	<b>168.8</b>	<b>195.1</b>
<b>EBITDA</b>	<b>80.9</b>	<b>189.3</b>	<b>167.4</b>	<b>176.5</b>	<b>204.0</b>
Depreciation & Amortisation	-6.4	-6.3	-6.4	-7.8	-8.5
<b>EBIT</b>	<b>74.6</b>	<b>183.0</b>	<b>161.0</b>	<b>168.7</b>	<b>195.5</b>
Net Finance Income/ (Cost)	-7.3	-13.3	-5.5	-6.0	-4.5
Associates & JV	1.6	3.2	2.7	3.8	4.4
<b>Pre-tax Profit</b>	<b>68.9</b>	<b>172.9</b>	<b>158.2</b>	<b>166.6</b>	<b>195.4</b>
Tax	-16.4	-30.9	-32.2	-40.0	-46.9
<b>Profit After Tax</b>	<b>52.5</b>	<b>142.0</b>	<b>126.0</b>	<b>126.6</b>	<b>148.5</b>
Minority Interest	4.0	40.7	32.9	51.8	59.9
<b>Net Profit</b>	<b>48.6</b>	<b>101.3</b>	<b>93.1</b>	<b>74.8</b>	<b>88.6</b>
Exceptionals	-3.3	18.0	6.3	0.0	0.0
<b>Core Net Profit</b>	<b>51.9</b>	<b>83.3</b>	<b>86.8</b>	<b>74.8</b>	<b>88.6</b>
<b>Diluted Core Net Profit</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>73.9</b>	<b>87.7</b>

#### Key Ratios

FYE Mar (RM m)	FY22	FY23	FY24	FY25F	FY26F
EBITDA margin	20.3%	32.9%	23.4%	23.0%	23.0%
EBIT margin	18.7%	31.8%	22.5%	22.0%	22.0%
PBT margin	17.3%	30.0%	22.1%	21.7%	22.0%
PAT margin	13.2%	24.7%	17.6%	16.5%	16.7%
NP margin	12.2%	17.6%	13.0%	9.7%	10.0%
Core NP margin	12.2%	17.6%	13.0%	9.7%	10.0%
Dividend yield	5.0%	5.0%	5.0%	5.0%	5.0%
ROE	6.5%	9.0%	7.8%	6.0%	6.6%
ROA	3.2%	5.5%	5.3%	4.1%	4.5%
Net gearing	8.3%	Net Cash	Net Cash	Net Cash	Net Cash

#### Valuations

	FY25F	Valuation methodology
Property Development	1202.9	20% discount to RNAV
Construction	96.0	8x P/E
Engineering	5.9	7x P/E
Property Investment & Management	151.3	7x P/E
<b>SOP Value</b>	<b>1456.0</b>	
Enlarged no. of shares	783.0	
<b>Fair Value (RM)</b>	<b>1.85</b>	

#### Balance Sheet

FYE Mar (RM m)	FY22	FY23	FY24	FY25F	FY26F
<b>Cash</b>	<b>187.2</b>	<b>326.9</b>	<b>279.7</b>	<b>307.5</b>	<b>363.1</b>
Receivables	82.3	111.4	142.8	147.2	145.8
Inventories	649.9	534.1	436.6	442.8	454.8
Other current assets	90.8	112.7	101.6	99.8	106.4
<b>Total Current Assets</b>	<b>1010.2</b>	<b>1085.1</b>	<b>960.7</b>	<b>997.2</b>	<b>1070.1</b>
Fixed Assets	134.6	149.3	146.9	177.5	213.3
Intangibles	0.0	0.0	0.0	0.0	0.0
Other non-current assets	367.7	593.4	654.4	662.8	671.4
<b>Total Non-current assets</b>	<b>502.3</b>	<b>742.7</b>	<b>801.3</b>	<b>840.3</b>	<b>884.7</b>
Short-term Debt	39.2	119.6	137.7	133.1	128.5
Payables	214.5	229.9	137.7	146.1	149.0
Other Current Liabilities	25.3	54.4	188.9	209.7	231.2
<b>Total Current Liabilities</b>	<b>279.0</b>	<b>404.0</b>	<b>464.3</b>	<b>488.9</b>	<b>508.6</b>
Long-term Debt	210.2	64.8	37.3	31.8	26.5
Other non-current liabilities	276.7	238.2	68.0	73.8	80.2
<b>Total Non-current Liabilities</b>	<b>486.9</b>	<b>303.0</b>	<b>105.2</b>	<b>105.6</b>	<b>106.7</b>
Shareholder's equity	706.0	811.0	873.9	1014.4	1120.1
Minority interest	40.7	309.8	318.5	228.7	219.4
<b>Total Equity</b>	<b>746.7</b>	<b>1120.8</b>	<b>1192.4</b>	<b>1243.1</b>	<b>1339.5</b>

#### Cash Flow

FYE Mar (RM m)	FY22	FY23	FY24	FY25F	FY26F
<b>Pre-tax profit</b>	<b>68.9</b>	<b>172.9</b>	<b>158.2</b>	<b>166.6</b>	<b>195.4</b>
Depreciation & amortisation	6.4	6.3	6.4	7.8	8.5
Changes in working capital	-108.7	-32.1	-62.3	-19.7	-21.6
Others	-23.2	-140.9	-64.4	-40.0	-46.9
<b>Operating cash flow</b>	<b>-56.7</b>	<b>6.2</b>	<b>37.9</b>	<b>114.7</b>	<b>135.4</b>
Net capex	-15.1	-35.2	-22.5	-38.4	-44.3
Others	3.1	16.2	19.3	0.0	0.0
<b>Investing cash flow</b>	<b>-12.0</b>	<b>-19.0</b>	<b>-3.1</b>	<b>-38.4</b>	<b>-44.3</b>
Dividends paid	-18.1	-28.5	-66.9	-25.6	-25.6
Others	0.5	177.8	-7.5	-9.8	-9.8
<b>Financing cash flow</b>	<b>-17.6</b>	<b>149.4</b>	<b>-74.4</b>	<b>-35.5</b>	<b>-35.5</b>
<b>Net cash flow</b>	<b>-86.3</b>	<b>136.6</b>	<b>-39.6</b>	<b>40.8</b>	<b>55.6</b>
Forex	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	255.9	169.7	306.3	266.7	307.5
<b>Ending cash</b>	<b>169.7</b>	<b>306.3</b>	<b>266.7</b>	<b>307.5</b>	<b>363.1</b>

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### RESEARCH RECOMMENDATION FRAMEWORK

#### STOCK RECOMMENDATIONS

**BUY:** Total returns\* are expected to exceed 10% within the next 12 months.

**HOLD:** Total returns\* are expected to be within +10% to – 10% within the next 12 months.

**SELL:** Total returns\* are expected to be below -10% within the next 12 months.

**TRADING BUY:** Total returns\* are expected to exceed 10% within the next 3 months.

**TRADING SELL:** Total returns\* are expected to be below -10% within the next 3 months.

\*Capital gain

#### SECTOR RECOMMENDATIONS

**OVERWEIGHT:** The industry defined by the analyst is expected to exceed 10% within the next 12 months.

**NEUTRAL:** The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.

**UNDERWEIGHT:** The industry defined by the analyst, is expected to be below -10% within the next 12 months.

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