

#### Team Coverage

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**Recommendation:** **BUY**

**Current Price:** **RM 1.65**

**Previous Target Price:** **RM 1.85**

**Target Price:** **RM 1.92** ↑

**Upside/Downside:** **16.4%**

#### 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) **1,054.5**

52-Week Price Range (RM) **1.49-1.96**

Beta (x) **0.6**

Free float (%) **38.4**

3M Average Volume (m) **0.5**

3M Average Value (RM' m) **0.8**

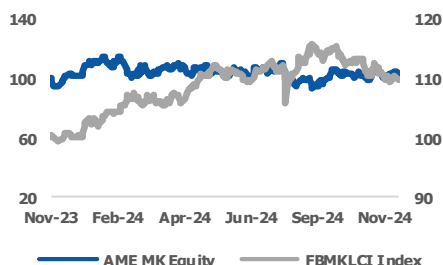
#### Top 3 Shareholders (%)

Lim Yook Kim **17.8**

Lee Chai **17.8**

Kang Ah Chee **17.5**

#### Share Price Performance



**1M 3M 12M**

Absolute (%) **3.8 7.1 -1.2**

Relative (%) **4.4 12.8 -9.7**

## AME Elite Consortium Berhad

### In-line as favourable segment mix lifted margins

#### Summary

- AME's 2QFY25 core net profit at RM14.7m (+2.7% yoy and +52.2% qoq) brings 6MFY25 core net profit to RM37.1m (17.7% yoy) came within expectations, amounting to 49.8% of in-house forecasted CNP of RM74.6m, but was only at 21.0% of consensus expectations of RM169.7m.
- Earnings sustainability will be supported by unbilled sales amounting to RM459.5m, coupled with the outstanding construction & engineering orderbook of RM148.2m alongside with the newly launch of new 176-ac industrial park at Penang that carries c.RM1.3bn GDV.
- We re-iterate our **BUY** recommendation on AME with higher TP of **RM1.92**, based on SOP valuation as we roll over our valuation metrics to FY26F.

#### Results Review

- **Results review.** 2QFY25 core net profit (CNP) added +2.7% yoy and jumped +52.2% qoq to RM22.4m, driven by better contribution from construction segment which saw acceleration of projects progress alongside with firmer contribution from property investment and management services segment which yields better margins. Revenue for the quarter, however, fell -19.8% yoy, but rose +31.5% qoq to RM187.2m. An interim dividend of 3.0 sen per share, payable on 30 Dec 2024 was declared.
- **Within expectations.** For 6MFY25, reported core net profit at RM37.1m (-17.7% yoy) came within in-house expectations, accounting to 49.8% of our full-year core net profit forecast at RM74.6m, but was only at 21.0% of consensus forecasted core net profit of RM169.7m.
- **Operations Highlights.** During the quarter, AME recorded new sales amounting to RM91.6m, bringing 6MFY25 new sales to RM359.1m (+166.8% yoy), supported by solid demand for industrial properties at the Group's i-TechValley at SILC industrial park. Recall that FY24 new sales only stood at RM283.6m. Consequently, AME has revised new sales target from RM400.0m to RM550.0m (our in-house target is at RM500.0m, which remains unchanged).
- **Industry Highlights.** With the government remains committed to push towards digital economy, demand for industrial parks to support high-tech industries and innovation-driven enterprises is expected to remain sturdy.
- **Outlook.** Going forward, we expect earnings to tick higher in upcoming quarters, backed by unbilled sales amounting to RM459.5m (up from RM434.5m in 1QFY25), coupled with the outstanding construction & engineering orderbook of RM148.2m, sustaining earnings visibility until FY26F. The newly launch of new 176-ac industrial park at Penang that carries c.RM1.3bn GDV in 4Q24 has commenced construction since August 2024 will continue to anchor revenue stream from the property development segment over the longer-run.

- **Valuation.** No changes to our earnings forecast. Consequently, we maintain our **BUY** recommendation on AME, but with a higher target price of **RM1.92** based on SOP valuations (refer table below) as we roll over our valuation metrics to FY26F.
- **Risk.** Geopolitical tensions, labour shortages, insufficient industrial land, and unexpected further rise in construction costs

Monday, December 2, 2024

Company Results

Figure 1: Results Comparison

FYE Mar (RM m)	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)	6MFY24	6MFY25	YoY (%)	5 Quarters Trend	Comments
Revenue	187.2	233.3	(19.8)	142.4	31.5	455.8	329.6	(27.7)		Decline yoy due to lower stages of work completed and the timing of recognition
EBITDA	38.6	40.7	(5.2)	28.1	37.1	80.9	66.7	(17.6)		
Pre-tax profit	36.4	37.4	(2.9)	26.6	36.9	76.7	62.9	(18.0)		Lifted by better margins from construction segment and property investment and management services
Net profit	22.4	21.8	2.7	14.7	52.2	45.1	37.1	(17.7)		
Core net profit	22.4	21.8	2.7	14.7	52.2	45.1	37.1	(17.7)		
Core EPS (sen)	0.7	0.6	2.7	0.4	52.2	1.3	1.1	(17.7)		
EBITDA margin (%)	20.6	17.4		19.8		17.7	20.2			
PBT margin (%)	19.4	16.0		18.6		16.8	19.1			
Core PATMI margin (%)	12.0	9.4		10.3		9.9	11.3			

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	-6.2	-5.1
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>166.4</b>	<b>194.8</b>
Tax	-16.4	-30.9	-32.2	-39.9	-46.8
<b>Profit After Tax</b>	<b>52.5</b>	<b>142.0</b>	<b>126.0</b>	<b>126.4</b>	<b>148.1</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>74.6</b>	<b>88.2</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>74.6</b>	<b>88.2</b>
<b>Diluted Core Net Profit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>73.8</b>	<b>87.3</b>

### Key Ratios

FYE Mar (RM m)	FY22	FY23	FY24	FY25F	FY26F
P/E (x)	24.9	15.5	14.9	17.3	14.6
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%	9.9%
Core NP margin	12.2%	17.6%	13.0%	9.7%	9.9%
Dividend yield	5.0%	5.0%	5.0%	5.0%	5.0%
ROE	6.5%	9.0%	7.8%	6.1%	6.8%
ROA	3.2%	5.5%	5.3%	4.1%	4.6%
Net gearing	8.3%	Net Cash	Net Cash	Net Cash	Net Cash

Valuations	FY26F	Valuation methodology
Property Development	938.6	20% discount to RNAV
Construction	115.1	8x P/E
Engineering	6.0	7x P/E
Property Investment & Management	154.0	7x P/E
AME REIT (51.2% equity stake)	296.0	
<b>SOP Value</b>	<b>1509.7</b>	
Enlarged no. of shares	783.0	
<b>Fair Value (RM)</b>	<b>1.92</b>	

Source: Company, Apex Securities

### Balance Sheet

FYE Mar (RM m)	FY22	FY23	FY24	FY25F	FY26F
Cash	187.2	326.9	279.7	288.2	324.1
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>977.9</b>	<b>1031.1</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	874.9	875.9
Minority interest	40.7	309.8	318.5	348.9	424.6
<b>Total Equity</b>	<b>746.7</b>	<b>1120.8</b>	<b>1192.4</b>	<b>1223.8</b>	<b>1300.5</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>166.4</b>	<b>194.8</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	-39.9	-46.8
<b>Operating cash flow</b>	<b>-56.7</b>	<b>6.2</b>	<b>37.9</b>	<b>114.5</b>	<b>135.0</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	-44.8	-44.8
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>-54.7</b>	<b>-54.7</b>
<b>Net cash flow</b>	<b>-86.3</b>	<b>136.6</b>	<b>-39.6</b>	<b>21.5</b>	<b>35.9</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	288.2
<b>Ending cash</b>	<b>169.7</b>	<b>306.3</b>	<b>266.7</b>	<b>288.2</b>	<b>324.1</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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