

Singapore

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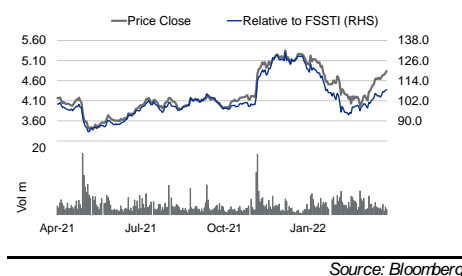
Consensus ratings*: Buy 4 Hold 0 Sell 0

Current price:	S\$4.84
Target price:	S\$6.85
Previous target:	S\$6.85
Up/downside:	41.5%
CGS-CIMB / Consensus:	6.9%
Reuters:	AEM.SI
Bloomberg:	AEM SP
Market cap:	US\$1,104m S\$1,497m
Average daily turnover:	US\$10.51m S\$14.21m
Current shares o/s	309.6m
Free float:	88.1%

*Source: Bloomberg

Key financial forecasts

	Dec-22F	Dec-23F	Dec-24F
Net Profit (S\$m)	123.6	135.8	141.4
Core EPS (S\$)	0.40	0.44	0.46
Core EPS Growth	34.4%	9.9%	4.2%
FD Core P/E (x)	12.13	11.04	10.60
Recurring ROE	27.5%	24.9%	21.8%
P/BV (x)	3.03	2.51	2.13
DPS (S\$)	0.10	0.11	0.11
Dividend Yield	2.06%	2.26%	2.36%



Price performance	1M	3M	12M
Absolute (%)	16.9	-5.5	15.8
Relative (%)	10.1	-14.4	8.5

Major shareholders	% held
Venezio Investments	11.1
Abrdn	5.1

Analyst(s)

William TNG, CFA
 T (65) 6210 8676
 E william.tng@cgs-cimb.com

AEM Holdings Ltd

Feb global semicon sales grew 32.4%

- According to SIA, global semicon sales grew 32.4% yoy in February 2022, the 11th month of yoy revenue growth.
- AEM's key customer, Intel, also launched its graphics processing chips (Intel® Arc™) on 30 March 2022.
- Intel revealed its planned product roadmap at its 2022 Investor Meeting.

11th consecutive month of yoy growth

- The Semiconductor Industry Association (SIA) announced on 5 Apr 2022 that global semiconductor industry sales grew 32.4% yoy (3.4% mom) to US\$52.5bn in the month of February 2022 (January 2022: US\$50.7bn).
- Sales of semiconductors to USA outpaced that in other regional markets, climbing 43.2% yoy in February 2022.
- Year on year, semiconductor sales rose 29.3% in Europe, 21.6% in Japan, 21.8% in China and 41.4% in Asia Pacific and other regions.
- On a 3-month moving average basis, global semiconductor sales for December 2021-February 2022 grew 4.8% versus September-November 2021.

AEM Holdings Ltd (AEM SP, Add, TP S\$6.85)

- AEM Holdings is our top pick for the Singapore semiconductor sector.
- We note that its key customer Intel Corp (INTC US, NR) on 30 March 2022 launched the Intel® Arc™ graphics family (of chips) for laptops. The company plans to release the desktop and workstation versions of this product later this year.
- In its 2022 Investor Meeting, Intel also provided its product roadmap for data centre chips. Intel will launch Sapphire Rapids in 1Q22. Other planned product launches include Emerald Rapids in 2023 and Sierra Forest and Granite Rapids in 2024.
- Potential re-rating catalysts for AEM are upward revisions to revenue guidance in the coming months and further new customer wins.
- Upside to our FY22F earnings forecast could come from potential accretive M&A (AEM's cash balance as at end-Dec 2021 was S\$216.2m).
- Downside risks are delivery delays due to lockdowns/movement restriction extensions (Shanghai implemented lockdowns in early-April to stem rising Covid-19 infections), order pushback by customers and margin pressure arising from higher operating costs.
- Our target price is based on 15.62x [10% premium (given our FY21-24F EPS CAGR expectation of 15.4%) over 2 s.d. above AEM's FY17-21 historical average (7.4x) forward P/E multiple of 14.2x] FY23F EPS of S\$0.4384.
- A company-specific risk is an arbitration order filed against AEM in the US. In its announcement on SGX, AEM said that, based on preliminary analysis, the claims appear to lack factual and/or legal support. The arbitration is still in the early stages and the claimant has not quantified their demands. The arbitration hearing is currently expected to conclude in 2023. In the meantime, management has guided that its operations are unaffected by the arbitration.

Figure 1: Global semicon sales in February 2022

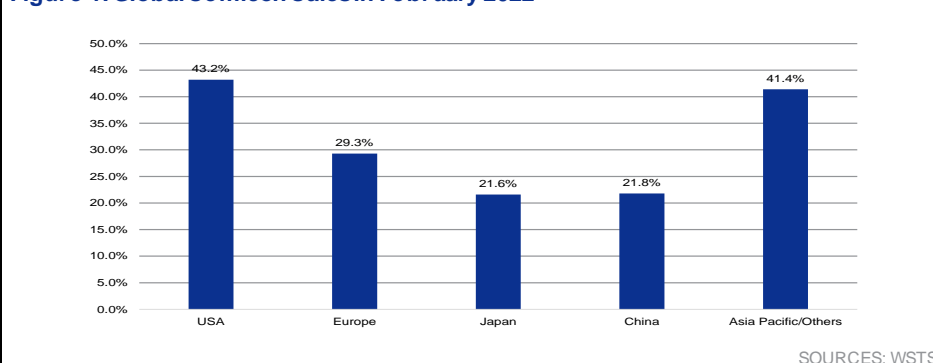


Figure 2: Peer comparison

Company	Bloomberg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	P/E (x)		3-year EPS CAGR (%)	P/BV (x) CY22F	Recurring ROE (%) CY22F	Dividend Yield (%) CY22F
AEM Holdings Ltd	AEM SP	ADD	4.84	6.85	1104.3	12.1	11.0	15.4%	3.03	27.6%	2.1%
Advantest Corp	6857 JP	NR	9,100	NA	14650.9	16.1	15.5	-29.7%	5.24	35.3%	1.5%
Teradyne Inc	TER US	NR	111.9	NA	18084.0	22.9	16.8	8.2%	6.89	30.5%	0.4%
Simple average excluding AEM						19.5	16.1	-29.7%	6.07	32.9%	1.0%
Key customer valuation											
Intel Corp	INTC US	NR	48.13	NA	196788.9	13.8	13.3	-7.5%	1.89	14.6%	3.0%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG
NOTE: FORECASTS FOR NOT RATED COMPANIES ARE BLOOMBERG CONSENSUS ESTIMATES
DATA AS AT 6 APR 2022

BY THE NUMBERS

Profit & Loss

(\$m)	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Net Revenues	565.5	720.0	764.8	785.9
Gross Profit	201.1	250.0	266.3	272.4
Operating EBITDA	126.3	165.8	181.5	189.4
Depreciation And Amortisation	(14.5)	(16.4)	(17.4)	(18.4)
Operating EBIT	111.8	149.4	164.1	171.0
Financial Income/(Expense)	(1.3)	(1.2)	(1.2)	(1.2)
Pretax Income/(Loss) from Assoc.	0.6	0.6	0.6	0.6
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	111.1	148.9	163.6	170.4
Exceptional Items	0.0	0.0	0.0	0.0
Pre-tax Profit	111.1	148.9	163.6	170.4
Taxation	(19.1)	(25.3)	(27.8)	(29.0)
Exceptional Income - post-tax	0.0	0.0	0.0	0.0
Profit After Tax	92.1	123.6	135.8	141.4
Minority Interests	(0.1)	0.0	0.0	0.0
Preferred Dividends	0.0	0.0	0.0	0.0
FX Gain/(Loss) - post tax	0.0	0.0	0.0	0.0
Other Adjustments - post-tax	0.0	0.0	0.0	0.0
Net Profit	92.0	123.6	135.8	141.4
Recurring Net Profit	92.0	123.6	135.8	141.4
Fully Diluted Recurring Net Profit	92.0	123.6	135.8	141.4

Balance Sheet

(\$m)	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Cash And Equivalents	216.2	299.4	434.1	548.6
Total Debtors	127.9	157.8	167.6	172.2
Inventories	204.9	186.7	163.9	168.8
Total Other Current Assets	1.1	1.1	1.1	1.1
Total Current Assets	550.1	645.0	766.6	890.7
Fixed Assets	43.9	42.9	38.9	30.9
Total Investments	15.9	16.5	17.2	17.8
Intangible Assets	96.9	91.5	86.1	80.7
Total Other Non-Current Assets	3.7	3.7	3.7	3.7
Total Non-current Assets	160.4	154.6	145.9	133.1
Short-term Debt	20.5	20.5	20.5	20.5
Current Portion of Long-Term Debt	0.0	0.0	0.0	0.0
Total Creditors	181.0	177.5	188.6	193.8
Other Current Liabilities	35.1	35.1	35.1	35.1
Total Current Liabilities	236.6	233.1	244.2	249.4
Total Long-term Debt	60.8	60.8	60.8	60.8
Hybrid Debt - Debt Component	0.0	0.0	0.0	0.0
Total Other Non-Current Liabilities	10.6	10.6	10.6	10.6
Total Non-current Liabilities	71.3	71.3	71.3	71.3
Total Provisions	0.0	0.0	0.0	0.0
Total Liabilities	308.0	304.5	315.5	320.7
Shareholders' Equity	402.5	495.2	597.0	703.1
Minority Interests	0.0	0.0	0.0	0.0
Total Equity	402.5	495.2	597.0	703.1

Cash Flow

(\$m)	Dec-21A	Dec-22F	Dec-23F	Dec-24F
EBITDA	126.3	165.8	181.5	189.4
Cash Flow from Inv. & Assoc.	0.0	0.0	0.0	0.0
Change In Working Capital	(55.1)	(15.2)	24.1	(4.4)
(Incr)/Decr in Total Provisions	0.0	0.0	0.0	0.0
Other Non-Cash (Income)/Expense	0.0	0.0	0.0	0.0
Other Operating Cashflow	1.1	0.0	0.0	0.0
Net Interest (Paid)/Received	0.0	0.0	0.0	0.0
Tax Paid	(20.2)	(25.3)	(27.8)	(29.0)
Cashflow From Operations	52.1	125.4	177.8	156.0
Capex	(4.3)	(10.0)	(8.0)	(5.0)
Disposals Of FAs/subsidiaries	0.0	0.0	0.0	0.0
Acq. Of Subsidiaries/Investments	0.0	0.0	0.0	0.0
Other Investing Cashflow	(80.9)	0.5	0.5	0.5
Cash Flow From Investing	(85.2)	(9.5)	(7.5)	(4.5)
Debt Raised/(repaid)	51.1	0.0	0.0	0.0
Proceeds From Issue Of Shares	(15.8)	0.0	0.0	0.0
Shares Repurchased	(4.6)	0.0	0.0	0.0
Dividends Paid	(18.6)	(30.9)	(33.9)	(35.4)
Preferred Dividends	0.0	0.0	0.0	0.0
Other Financing Cashflow	(1.7)	(1.7)	(1.7)	(1.7)
Cash Flow From Financing	10.3	(32.6)	(35.6)	(37.1)
Total Cash Generated	(22.8)	83.3	134.6	114.5
Free Cashflow To Equity	17.9	115.9	170.3	151.5
Free Cashflow To Firm	(33.1)	115.9	170.3	151.5

Key Ratios

	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue Growth	9.0%	27.3%	6.2%	2.8%
Operating EBITDA Growth	3.9%	31.3%	9.5%	4.3%
Operating EBITDA Margin	22.3%	23.0%	23.7%	24.1%
Net Cash Per Share (S\$)	0.44	0.70	1.14	1.51
BVPS (S\$)	1.30	1.60	1.93	2.27
Gross Interest Cover	64.7	87.9	96.5	100.6
Effective Tax Rate	17.1%	17.0%	17.0%	17.0%
Net Dividend Payout Ratio	17.0%	25.0%	25.0%	25.0%
Accounts Receivables Days	56.65	72.43	77.66	79.14
Inventory Days	142.6	152.1	128.4	118.6
Accounts Payables Days	132.6	139.2	134.0	136.3
ROIC (%)	125%	57%	61%	72%
ROCE (%)	31.8%	28.3%	26.2%	23.4%
Return On Average Assets	17.9%	16.5%	16.0%	14.7%

12-mth Fwd FD P/E (x) - AEM Holdings Ltd



Key Drivers

	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Equipment revenue growth (%)	-14.4%	19.9%	4.9%	0.0%

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Score Range:	90 - 100	80 - 89	70 - 79	Below 70	No Survey Result
Description:	Excellent	Very Good	Good	N/A	N/A

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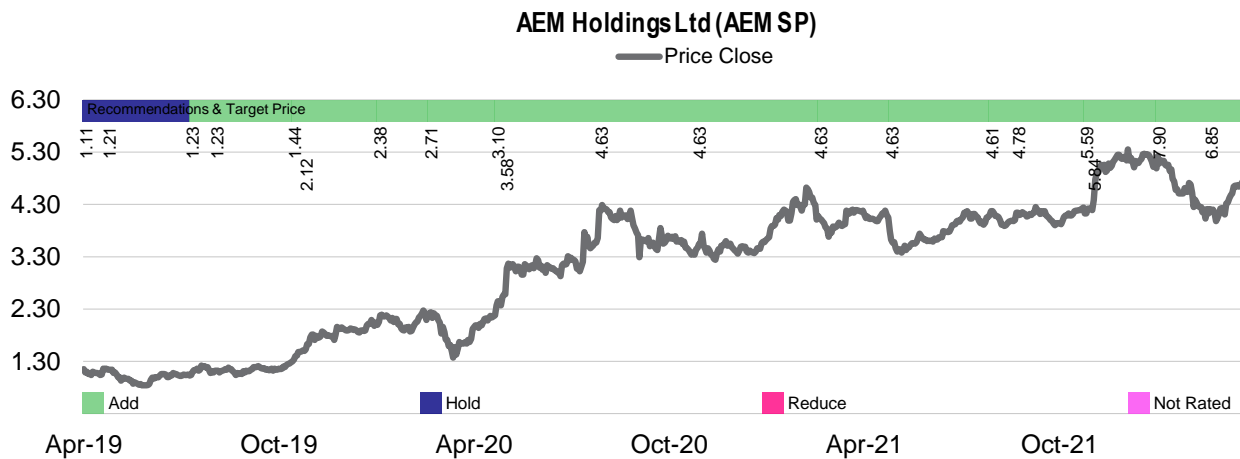
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2021		
619 companies under coverage for quarter ended on 31 December 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	71.1%	1.5%
Hold	21.8%	0.0%
Reduce	7.1%	0.0%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021

ADVANC – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a, **BH** – Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENDEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** – Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** – Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, n/a, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** – Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** – Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, n/a, **TOP** – Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2021 from Thai Institute of Directors Association (IOD)

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Recommendation Framework

Stock Ratings

Definition:

Add The stock's total return is expected to exceed 10% over the next 12 months.

Hold The stock's total return is expected to be between 0% and positive 10% over the next 12 months.

Reduce The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.

Neutral A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.

Underweight An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

Overweight An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.

Neutral A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.

Underweight An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

