

COMPANY RESULTS

AEM Holdings (AEM SP)

1Q22: Record Quarter On Strong Momentum; Guidance Raised

AEM achieved a very strong 1Q22 with net profit of S\$40.8m, up both yoy (+205.6%) and qoq (+4.3%), constituting 37% of our full-year target. This was achieved on sustained momentum in revenue (+226% yoy, +15.4% qoq), mainly driven by the uptake in new generation equipment and tools, and the consolidation of CEI which was acquired in 1H21. Management raised 2022 revenue guidance from S\$670m-720m to S\$700m-750m. Maintain BUY with target price of S\$5.60.

1Q22 RESULTS

Year to 31 Dec (S\$m)	1Q22	1Q21	yoy % chg	4Q21	qoq % chg
Revenue	261.9	80.2	+226.4	227.0	+15.4
Pretax profit	49.7	15.9	+212.1	47.8	+3.9
Pretax margin (%)	19.0	19.8	(0.8ppt)	21.1	(2.1ppt)
Net profit	40.8	13.3	+205.6	39.1	+4.3
Net margin (%)	15.6	16.6	(1.0ppt)	17.2	(1.6ppt)

Source: AEM

RESULTS

- 1Q22 above expectations.** AEM Holdings' (AEM) 1Q22 net profit of S\$40.8m (+205.6% yoy, +4.3% qoq) accounted for 37% of our full-year target. The strong showing came on the back of sustained momentum in revenue of S\$261.9m (+212.1% yoy, +3.9% qoq), mainly driven by the uptake in new generation equipment and tools, and the consolidation of CEI Limited, which was acquired in 1H21. All three segments were strong; consumables (+221% yoy) comprised the largest segment at 45%, followed by test & automation equipment (+371% yoy) at 34% and services (+123% yoy) at 21%.
- 2022 revenue guidance revised higher.** Management now targets to achieve full-year revenue of S\$700m-750m, from S\$670m-720m previously. This implies a revenue growth rate of 24-33%, over the S\$565.5m achieved in 2021. AEM's revised targets came following the affirmation provided by Intel (INTC US) on its 2022 revenue guidance during the recent 1Q21 results announced in late-April.

KEY FINANCIALS

Year to 31 Dec (S\$m)	2020	2021	2022F	2023F	2024F
Net turnover	519.0	565.5	719.9	809.7	834.0
EBITDA	121.6	126.3	148.4	173.5	178.4
Operating profit	113.2	111.8	136.3	161.4	166.3
Net profit (rep./act.)	97.6	92.2	111.6	133.1	137.9
Net profit (adj.)	97.6	92.2	111.6	133.1	137.9
EPS (S\$ cents)	36.2	33.5	35.8	42.7	44.3
PE (x)	13.4	14.5	13.5	11.3	10.9
P/B (x)	6.2	3.3	3.2	2.6	2.2
EV/EBITDA (x)	11.2	10.8	9.2	7.8	7.6
Dividend yield (%)	1.9	1.6	1.8	2.1	2.2
Net margin (%)	18.8	16.3	15.5	16.4	16.5
Net debt/(cash) to equity (%)	(58.4)	(33.5)	(28.8)	(37.7)	(47.1)
Interest cover (x)	n.a.	95.3	62.1	103.2	241.4
ROE (%)	n.a.	30.0	25.6	25.6	22.2
Consensus net profit	-	-	120.6	138.8	158.0
UOBKH/Consensus (x)	-	-	0.93	0.96	0.87

Source: AEM, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$4.84
Target Price	S\$5.60
Upside	+15.8%

COMPANY DESCRIPTION

AEM prides itself on being a global leader in test innovation and provides comprehensive test solutions for the semiconductor and electronics industries, spanning test handlers, testers, consumables and data analytics.

STOCK DATA

GICS sector	Semiconductor Equipment
Bloomberg ticker:	AEM SP
Shares issued (m):	309.2
Market cap (S\$m):	1,496.6
Market cap (US\$m):	1,080.2
3-mth avg daily t'over (US\$m):	8.8

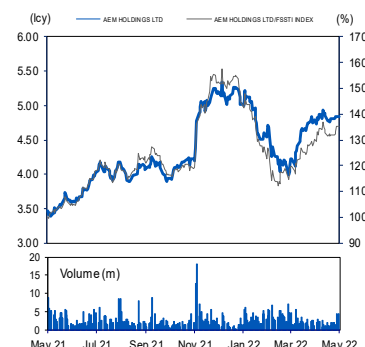
Price Performance (%)

52-week high/low	S\$5.35 – S\$3.38			
1mth	3mth	6mth	1yr	YTD
1.9	5.0	14.7	35.6	(8.0)

Major Shareholders

	%
Temasek Holdings	16.07
Standard Life Aberdeen plc	6.57
James Toh Ban Leng	5.04
FY22 NAV/Share (S\$)	1.50
FY22 Net Cash/Share (S\$)	0.46

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **Our positive view remains unchanged.** We believe Intel's IDM 2.0 strategy would benefit AEM. Driving towards that strategy, Intel's new fabrication plants (fabs) would drive demand for AEM on new back-end testing equipment, while older fabs would contribute to steady demand for AEM's consumables and services as well as equipment upgrades.
- **Rising probability of another upward guidance.** With 1Q22 revenue now constituting 36% of our full-year revenue and 35-37% of AEM's target, we see a rising probability for a second upward revision throughout the year.

EARNINGS REVISION/RISK

- No changes to our forecasts.

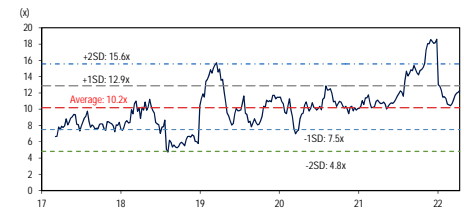
VALUATION/RECOMMENDATION

- **Maintain BUY and target price of S\$5.60.** The target price is pegged to 2022 earnings of 15.6x, or +2SD to its historical five-year range, supported by a forward ROE of 25.6%. This compares to the Singapore peer average forward PE of 10.1x and forward ROE of 20.6%. The valuation peg is supported by the positive outlook for AEM from 2022 onwards and the anticipated cyclical upturn of AEM's business.

SHARE PRICE CATALYST

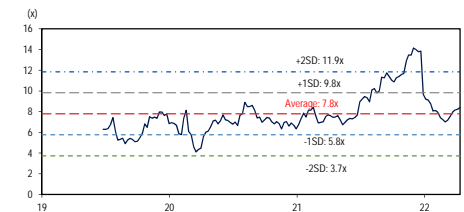
- Higher-than-expected revenue growth rates.
- Better-than-expected cost management.
- Earlier-than-expected integration synergies with CEI.

HISTORICAL PE RANGE



Source: Bloomberg, UOB Kay Hian

HISTORICAL EV/EBITDA RANGE



Source: Bloomberg, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (\$m)	2021	2022F	2023F	2024F
Net turnover	565.5	719.9	809.7	834.0
EBITDA	126.3	148.4	173.5	178.4
Deprec. & amort.	14.5	12.1	12.1	12.1
EBIT	111.8	136.3	161.4	166.3
Associate contributions	0.6	0.6	0.6	0.6
Net interest income/(expense)	(1.3)	(2.4)	(1.7)	(0.7)
Pre-tax profit	111.1	134.5	160.4	166.2
Tax	(19.1)	(22.9)	(27.3)	(28.2)
Minorities	0.1	0.0	0.0	0.0
Net profit	92.2	111.6	133.1	137.9
Net profit (adj.)	92.2	111.6	133.1	137.9

BALANCE SHEET

Year to 31 Dec (\$m)	2021	2022F	2023F	2024F
Fixed assets	43.9	46.9	45.0	43.0
Other LT assets	116.5	112.0	107.4	102.9
Cash/ST investment	216.2	196.4	255.3	337.3
Other current assets	333.9	344.2	384.3	395.8
Total assets	710.5	699.5	792.1	879.1
ST debt	20.5	20.5	20.5	19.8
Other current liabilities	216.1	157.5	170.7	174.8
LT debt	60.8	40.3	19.8	0.0
Other LT liabilities	10.6	10.6	10.6	10.6
Shareholders' equity	402.5	470.7	570.5	673.9
Total liabilities & equity	710.5	699.5	792.1	879.1

CASH FLOW

Year to 31 Dec (\$m)	2021	2022F	2023F	2024F
Operating	52.1	56.6	119.4	142.7
Pre-tax profit	92.1	111.6	133.1	137.9
Tax	19.1	22.9	27.3	28.2
Deprec. & amort.	14.5	12.1	12.1	12.1
Associates	(1.3)	(0.6)	(0.6)	(0.6)
Working capital changes	(55.1)	(69.0)	(26.9)	(7.4)
Other operating cashflows	(17.2)	(20.5)	(25.6)	(27.5)
Investing	(85.2)	(9.4)	(4.4)	(4.2)
Capex (growth)	(4.3)	(10.0)	(5.0)	(5.0)
Investments	(2.6)	0.0	0.0	0.0
Proceeds from sale of assets	1.9	0.0	0.0	0.0
Others	(80.2)	0.6	0.6	0.8
Financing	113.4	(67.0)	(56.0)	(56.5)
Dividend payments	(18.6)	(43.5)	(33.3)	(34.5)
Issue of shares	103.1	0.0	0.0	0.0
Proceeds from borrowings	57.1	0.0	0.0	0.0
Loan repayment	(0.5)	(20.5)	(20.5)	(20.5)
Others/interest paid	(27.8)	(3.0)	(2.3)	(1.5)
Net cash inflow (outflow)	80.3	(19.8)	59.0	82.0
Beginning cash & cash equivalent	134.8	216.2	196.4	255.3
Changes due to forex impact	1.1	0.0	0.0	0.0
Ending cash & cash equivalent	216.2	196.4	255.3	337.3

KEY METRICS

Year to 31 Dec (%)	2021	2022F	2023F	2024F
Profitability				
EBITDA margin	22.3	20.6	21.4	21.4
Pre-tax margin	19.7	18.7	19.8	19.9
Net margin	16.3	15.5	16.4	16.5
ROA	17.6	15.8	17.8	16.5
ROE	30.0	25.6	25.6	22.2
Growth				
Turnover	9.0	27.3	12.5	3.0
EBITDA	3.9	17.5	17.0	2.8
Pre-tax profit	(2.3)	21.0	19.2	3.6
Net profit	(5.5)	21.0	19.2	3.6
Net profit (adj.)	(5.5)	21.0	19.2	3.6
EPS	(7.5)	7.1	19.2	3.6
Leverage				
Debt to total capital	16.8	11.4	6.6	2.8
Debt to equity	20.2	12.9	7.1	2.9
Net debt/(cash) to equity	(33.5)	(28.8)	(37.7)	(47.1)
Interest cover (x)	95.3	62.1	103.2	241.4

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