

## Singapore

June 16, 2022 - 4:03 PM

### ADD (no change)

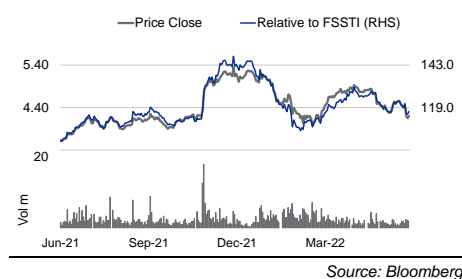
Consensus ratings\*: Buy 5 Hold 0 Sell 0

Current price:	S\$4.20
Target price:	S\$6.85
Previous target:	S\$6.85
Up/downside:	63.1%
CGS-CIMB / Consensus:	10.4%
Reuters:	AEM.SI
Bloomberg:	AEM SP
Market cap:	US\$932.1m S\$1,298m
Average daily turnover:	US\$5.93m S\$8.13m
Current shares o/s	309.6m
Free float:	88.3%

\*Source: Bloomberg

### Key financial forecasts

	Dec-22F	Dec-23F	Dec-24F
Net Profit (S\$m)	118.3	135.8	141.3
Core EPS (S\$)	0.38	0.44	0.46
Core EPS Growth	28.6%	14.8%	4.1%
FD Core P/E (x)	11.00	9.58	9.21
Recurring ROE	26.5%	25.0%	21.9%
P/BV (x)	2.65	2.19	1.86
DPS (S\$)	0.10	0.11	0.11
Dividend Yield	2.27%	2.61%	2.72%



Price performance	1M	3M	12M
Absolute (%)	-6.5	2.2	15.1
Relative (%)	-3.8	6.2	17.3

Major shareholders	% held
Venezio Investments	12.1
abrnd	6.1

### Analyst(s)

#### William TNG, CFA

T (65) 6210 8676

E william.tng@cgs-cimb.com

# AEM Holdings Ltd

## Adding capacity for growth

- AEM announced its expansion plans today (16 Jun 2022) that will more than double its current manufacturing space in Malaysia, US and Singapore.
- We also note the successful conclusion of new product developments such as a CMOS testing solution with UTAC and AEM's own Trident platform.
- We reiterate our Add call with a TP of S\$6.85.

### Expansion plans announced

- AEM announced its expansion plans via SGX's company announcement platform today (16 June 2022) at 12.27pm.
- AEM will have a new site in Penang and the US. Together with expansion in the Singapore site, AEM expects to more than double its current manufacturing space in these three countries and create more than 300 additional jobs.
- AEM will also expand its Research and Development (R&D) centres in these three countries.
- The expansion is slated to come online by the end of 3Q22F.
- The Penang expansion includes an R&D lab and AEM will also seek to double its headcount in Malaysia to support this expansion.
- The US expansion plan will include R&D, prototyping and manufacturing in Arizona and California.
- Meanwhile, the expansion efforts in Singapore will focus on R&D.

### New product offerings

- On 13 Jun 2022, UTAC Holdings Ltd (UTAC, Unlisted), a semiconductor test and assembly services provider announced a new cost-effective, next-generation test system solution for Complementary Metal-Oxide Semiconductor (CMOS) image sensors. This test solution was jointly developed together with AEM.
- According to AEM, the company delivered its fully integrated CMOS Image Sensor Test Cell to UTAC in 2021. This complete solution includes a tester, illuminator, and handler.
- According to its 2021 Annual Report, AEM has also developed its own new high-power System Level Test (SLT) platform, "Trident". Trident leverages on AEM's strength in advanced thermal control and will be positioned to capitalise on solving daunting test challenges stemming from the new and rapidly growing heterogeneous package industry.

### Reiterate Add

- We reiterate our Add call with a TP of S\$6.85 based on a 15.62x (10% premium to AEM's 2 s.d. above its FY17-21 historical average forward P/E multiple of 14.2x) at an FY23F EPS forecast of S\$0.4384.
- Potential re-rating catalysts are stronger-than-expected orders from its major customer and earlier-than-expected success in securing orders from other potential customers.
- Downside risks are delivery delays, aggressive competitive response and loss of sole supplier status or the emergence of a new supplier.

**Figure 1: Peers 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	4.20	6.85	932.1	11.0	9.6	15.4%	2.65	26.9%	2.3%
Advantest Corp	6857 JP	NR	7,580	NA	11259.0	16.9	11.0	15.3%	4.16	34.9%	2.1%
Teradyne Inc	TER US	NR	92.44	NA	14809.2	19.0	14.2	5.9%	6.31	32.8%	0.5%
<b>Simple average excluding AEM</b>						<b>17.9</b>	<b>12.6</b>	<b>15.3%</b>	<b>5.24</b>	<b>33.9%</b>	<b>1.3%</b>

**Key customer valuation**

Intel Corp	INTC US	NR	38.65	NA	158039.9	11.2	10.9	-8.9%	1.45	14.0%	3.8%
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SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG, COMPANY REPORTS  
NOTE: FORECASTS FOR NOT RATED COMPANIES ARE BLOOMBERG CONSENSUS ESTIMATES  
DATA AS AT 16 JUNE 2022

**Figure 2: CMOS testing solution with UTAC**



SOURCES: COMPANY REPORTS

**Figure 3: Trident platform by AEM**



SOURCES: COMPANY REPORTS

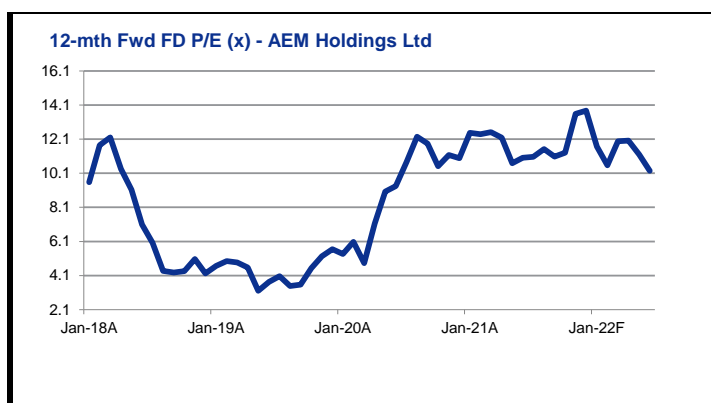
## BY THE NUMBERS

Profit & Loss				
(\$m)	Dec-21A	Dec-22F	Dec-23F	Dec-24F
<b>Total Net Revenues</b>	<b>565.5</b>	<b>750.0</b>	<b>816.6</b>	<b>840.3</b>
<b>Gross Profit</b>	<b>201.1</b>	<b>244.5</b>	<b>267.4</b>	<b>272.8</b>
<b>Operating EBITDA</b>	<b>126.3</b>	<b>159.5</b>	<b>181.5</b>	<b>189.1</b>
Depreciation And Amortisation	(14.5)	(16.4)	(17.4)	(18.4)
<b>Operating EBIT</b>	<b>111.8</b>	<b>143.1</b>	<b>164.1</b>	<b>170.7</b>
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
<b>Profit Before Tax (pre-EI)</b>	<b>111.1</b>	<b>142.5</b>	<b>163.6</b>	<b>170.2</b>
Exceptional Items	0.0	0.0	0.0	0.0
<b>Pre-tax Profit</b>	<b>111.1</b>	<b>142.5</b>	<b>163.6</b>	<b>170.2</b>
Taxation	(19.1)	(24.2)	(27.8)	(28.9)
Exceptional Income - post-tax	0.0	0.0	0.0	0.0
<b>Profit After Tax</b>	<b>92.1</b>	<b>118.3</b>	<b>135.8</b>	<b>141.3</b>
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
<b>Net Profit</b>	<b>92.0</b>	<b>118.3</b>	<b>135.8</b>	<b>141.3</b>
Recurring Net Profit	92.0	118.3	135.8	141.3
<b>Fully Diluted Recurring Net Profit</b>	<b>92.0</b>	<b>118.3</b>	<b>135.8</b>	<b>141.3</b>

Balance Sheet				
(\$m)	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Cash And Equivalents	216.2	282.2	414.8	528.2
Total Debtors	127.9	164.4	179.0	184.2
Inventories	204.9	200.8	180.6	186.6
Total Other Current Assets	1.1	1.1	1.1	1.1
<b>Total Current Assets</b>	<b>550.1</b>	<b>648.5</b>	<b>775.4</b>	<b>900.0</b>
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
<b>Total Non-current Assets</b>	<b>160.4</b>	<b>154.6</b>	<b>145.9</b>	<b>133.1</b>
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	184.9	201.3	207.2
Other Current Liabilities	35.1	35.1	35.1	35.1
<b>Total Current Liabilities</b>	<b>236.6</b>	<b>240.5</b>	<b>256.9</b>	<b>262.8</b>
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
<b>Total Non-current Liabilities</b>	<b>71.3</b>	<b>71.3</b>	<b>71.3</b>	<b>71.3</b>
Total Provisions	0.0	0.0	0.0	0.0
<b>Total Liabilities</b>	<b>308.0</b>	<b>311.9</b>	<b>328.3</b>	<b>334.1</b>
Shareholders' Equity	402.5	491.2	593.0	699.0
Minority Interests	0.0	0.0	0.0	0.0
<b>Total Equity</b>	<b>402.5</b>	<b>491.2</b>	<b>593.0</b>	<b>699.0</b>

Cash Flow				
(\$m)	Dec-21A	Dec-22F	Dec-23F	Dec-24F
EBITDA	126.3	159.5	181.5	189.1
Cash Flow from Inv. & Assoc.	0.0	0.0	0.0	0.0
Change In Working Capital	(55.1)	(28.5)	22.1	(5.4)
(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)	(24.2)	(27.8)	(28.9)
<b>Cashflow From Operations</b>	<b>52.1</b>	<b>106.8</b>	<b>175.8</b>	<b>154.8</b>
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
<b>Cash Flow From Investing</b>	<b>(85.2)</b>	<b>(9.5)</b>	<b>(7.5)</b>	<b>(4.5)</b>
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)	(29.6)	(33.9)	(35.3)
Preferred Dividends	0.0	0.0	0.0	0.0
Other Financing Cashflow	(1.7)	(1.7)	(1.7)	(1.7)
<b>Cash Flow From Financing</b>	<b>10.3</b>	<b>(31.3)</b>	<b>(35.6)</b>	<b>(37.0)</b>
Total Cash Generated	(22.8)	66.0	132.7	113.3
<b>Free Cashflow To Equity</b>	<b>17.9</b>	<b>97.3</b>	<b>168.3</b>	<b>150.3</b>
<b>Free Cashflow To Firm</b>	<b>(33.1)</b>	<b>97.3</b>	<b>168.3</b>	<b>150.3</b>

Key Ratios				
	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue Growth	9.0%	32.6%	8.9%	2.9%
Operating EBITDA Growth	3.9%	26.2%	13.8%	4.2%
Operating EBITDA Margin	22.3%	21.3%	22.2%	22.5%
Net Cash Per Share (\$\$)	0.44	0.65	1.08	1.44
BVPS (\$\$)	1.30	1.59	1.92	2.26
Gross Interest Cover	64.7	84.2	96.5	100.4
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	71.13	76.74	79.09
Inventory Days	142.6	146.5	126.7	118.4
Accounts Payables Days	132.6	132.1	128.4	131.7
ROIC (%)	125%	55%	58%	68%
ROCE (%)	31.8%	27.2%	26.4%	23.5%
Return On Average Assets	17.9%	15.8%	15.9%	14.6%



Key Drivers				
	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Equipment revenue growth (%)	-14.4%	21.3%	8.5%	0.0%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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

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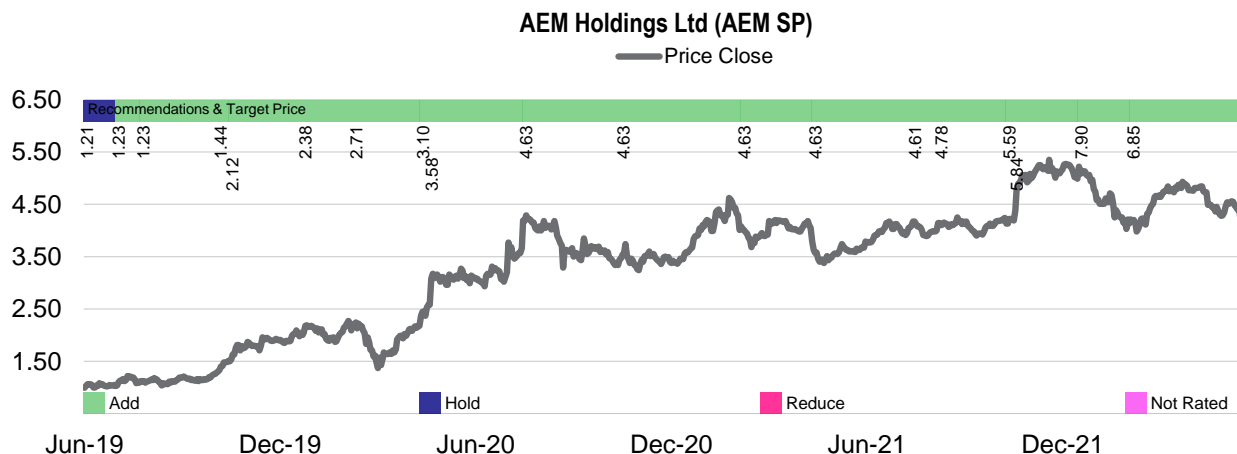
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Distribution of stock ratings and investment banking clients for quarter ended on 31 March 2022		
632 companies under coverage for quarter ended on 31 March 2022		
	Rating Distribution (%)	Investment Banking clients (%)
Add	70.3%	0.8%
Hold	22.0%	0.0%
Reduce	7.8%	0.2%



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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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.
<i>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.</i>	
<b>Sector Ratings</b>	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.
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Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
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