

## Gabungan AQRS Berhad

(5226 | AQRS MK) Main | Construction

### Bagged two jobs worth of RM83.6m

#### KEY INVESTMENT HIGHLIGHTS

- Secured a commercial building project worth of RM45.7m from Teringin Sentral Sdn Bhd (Teringin)
- Clinched another RM37.9m job award involving an office building from Solitaire Suites Sdn Bhd (Solitaire)
- Healthy order book remains intact, which translates into earnings visibility for the next three years
- The group is expected to benefit from the revival of mega infra projects in FY21 given its extensive experience
- Maintain BUY with an unchanged TP of RM0.85

**Won RM83.6m worth of contracts.** Gabungan AQRS Berhad (AQRS) has accepted two letters of award on 26<sup>th</sup> January 2021 for the provision of mainly piling and infrastructure works of a commercial and, office building project from Teringin and Solitaire worth RM45.7m and RM37.9m respectively. The former project is expected to be executed over a period of 30 months from the date of announcement while the latter will commence on 1<sup>st</sup> May 2021 and is expected to be completed by 31<sup>st</sup> October 2023.

**Project details.** The contract award from Teringin involves piling and infrastructure works for a 32-storey commercial building on Lot 635, Section 55, Jalan Scott, Brickfields, Kuala Lumpur. The project secured from Solitaire entails the provision of construction works for a 31-storey office building on Lot 158, Section 43, Persiaran Lidcol, Off Jalan Yap Kwan Seng.

**Outstanding order book remains healthy.** The total contract sum of the project awards falls within our FY21 job replenishment assumption. With that said, the new job contracts are expected to bode well the group's construction outstanding order book which is estimated to be more than RM1.0b at present. This translates to an earnings visibility for the next three years. We expect the newsflow of more contract wins will persist in the coming months, expecting bulk of the project wins could primarily come from the revival of the mega infra projects. Given the pace of contract wins, we do not discount the possibility that it could surpass the group's order book target for FY21.

**Earnings estimates.** Premised on above, we are making no changes to our earnings estimates.

**Target price.** We are maintaining our TP of **RM0.85** which is derived by pegging an unchanged PER of 8.9x to the group's FY21 EPS of 9.5sen. Note that the PER is about +1SD of the group's two years historical average. The higher PER is mainly premised on the positive sentiments on the local construction players which are poised to be benefited from the larger Budget 2021 allocation for development spending on mega public infra projects.

**Maintain BUY**
**Unchanged Target Price : RM0.85**

#### RETURN STATISTICS

Price @26 <sup>th</sup> Jan 2021 (RM)	RM0.575
Expected share price return (%)	+47.8
Expected dividend yield (%)	+5.2
<b>Expected total return (%)</b>	<b>+53.0</b>

#### SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-14.2	-10.6
3 months	-15.4	-9.1
12 months	-50.4	-50.5

#### KEY STATISTICS

FBM KLCI	1,575.31
Syariah compliant	Yes
Issue shares (m)	493.43
Estimated free float (%)	39.65
Market Capitalisation (RM'm)	283.72
52-wk price range (RM)	0.56 - 1.22
Beta vs FBM KLCI (x)	0.96
Monthly velocity (%)	5.22
Monthly volatility (%)	28.07
3-mth average daily volume (m)	2.00
3-mth average daily value (RM'm)	1.35
Top Shareholders (%)	
Ganjaran Gembira Sdn Bhd	10.86
Employees Provident Fund Board	8.14
Ow Chee Cheoon	6.88

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**Maintain BUY.** We are optimistic on the new contract awarded as it bodes well for the group's revenue and earnings moving forward. This is mainly premised on the group's solid outstanding order book of RM1.3b as of 30 September 2020 with an earnings visibility over the next three years to support earnings momentum as well as anticipated higher property sales on stamp duty exemption and lower mortgage financing rates. We are also expecting sequential recovery in earnings following the resumption of construction and business activities as well as increased workforce capacity at work sites which were also unaffected by the MCO 2.0 as compared to MCO 1.0. Moreover, there is a potential ramp-up of work pace to make up for the time loss and this could speed up the progress billings in FY21. In addition, the on-going cost rationalisation initiatives which lead to lower operating costs (-40%yoy) seen in 9MFY20 will further improve profit margin in the coming years. We also opine that the group would be one of the beneficiaries for the continuation of mega public infra projects such as MRT, KL-JB HSR, KVDT2 and ECRL as announced in Budget 2021 which would bode well with its orderbook replenishment moving forward. This is largely predicated on the group's extensive experience in railway project such as LRT3 and SUKE highway that requires value-added engineering know-how. All in, we are maintaining our **BUY** recommendation on **AQRS**.



## INVESTMENT STATISTICS

FYE 31 <sup>st</sup> December (In RM'm unless otherwise stated)	FY18	FY19	FY20F	FY21F	FY22F
Revenue	582.5	413.0	206.5	454.3	567.8
EBIT	91.8	83.8	16.8	75.4	90.5
Pre-tax Profit	87.0	50.5	14.1	56.6	70.7
PATAMI	63.6	38.5	13.5	46.8	60.9
EPS (Sen)	10.8	7.8	2.7	9.5	12.3
PER (x)	11.3	12.9	21.0	6.1	4.7
Dividend (sen)	4.0	3.0	1.0	3.0	3.0
Dividend yield (%)	7.0	5.2	1.7	5.2	5.2

Source: Company, MIDFR

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### MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

<b>BUY</b>	Total return is expected to be >10% over the next 12 months.
<b>TRADING BUY</b>	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
<b>NEUTRAL</b>	Total return is expected to be between -10% and +10% over the next 12 months.
<b>SELL</b>	Total return is expected to be <10% over the next 12 months.
<b>TRADING SELL</b>	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

#### SECTOR RECOMMENDATIONS

<b>POSITIVE</b>	The sector is expected to outperform the overall market over the next 12 months.
<b>NEUTRAL</b>	The sector is to perform in line with the overall market over the next 12 months.
<b>NEGATIVE</b>	The sector is expected to underperform the overall market over the next 12 months.