

Gabungan AQRS Berhad

(5226 | AQRS MK) Main | Construction

Brighter prospect in FY20

KEY INVESTMENT HIGHLIGHTS

- **To recap, AQRS posted lower revenue in FY19 at RM413.0 (-29.4%oyoy)**
- **The Group has fully mobilized their resources for LRT3 package since February and as a result works progress smoothly**
- **Moving forward, AQRS plans to introduce new hospitality division in FY25**
- **Reaffirm BUY on Gabungan AQRS at TP of RM1.42**

To recap, AQRS posted lower revenue in FY19 at RM413.0 (-29.4%oyoy), dragged by the (1) recognition of liquidated ascertained damages (LAD) for The Peak in Johor Bahru amounting to RM6.7m, as well as (2) lower work progress achieved in the current quarter for construction segment. AQRS construction division reported a massive -40.3%oyoy contraction in revenue to RM84.0m in 4QFY19 due to (1) extension of completion date resulting from changes in interior design plan by the client for Pusat Pentadbiran Sultan Ahmad Shah project, and (2) new work program for LRT3 package.

Further details on the group's 4QFY19 performance were shared during a results briefing yesterday at Gabungan AQRS. Below are some of the key takeaways:

The Group has fully mobilized their resources for LRT3 package since February and as a result works progress smoothly. Substructure works for 2 stations, namely (1) Glenmarie Station and (2) Stadium Station, have commenced in February 2020 and will be followed by structure works. Moreover, bored piling works is at 60% progress. LRT3 work progress is anticipated to peak in 2HFY21 with estimated revenue of RM20-30m per month. It is worth noting that the scheduled completion date for LRT3 package is in FY24. However, AQRS is targeting to complete it by FY23, which can lead to (1) saving in overhead costs, and (2) improve margin.

Moving forward, AQRS plans to introduce new hospitality division in FY25 which will initially consist of its planned 4-Star Hotel under One Jesselton Waterfront Kota Kinabalu. We opine this new division will contribute positively to AQRS's earnings as well as help the Group to achieve better overall margin.

Maintain Buy

Maintain Target Price : RM1.42

RETURN STATISTICS

Price @ 2 nd March Feb 2020 (RM)	RM 1.04
Expected share price return (%)	+36.54
Expected dividend yield (%)	+1.20
Expected total return (%)	+37.74

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-1.89	2.40
3 months	-11.86	-4.83
12 months	-5.29	9.81

KEY STATISTICS

FBM KLCI	1466.94
Syariah compliant	Yes
Issue shares (m)	487.1
Estimated free float (%)	53.4
Market Capitalisation (RM'm)	513.17
52-wk price range	RM0.99 - RM1.54
Beta vs FBM KLCI (x)	1.5
Monthly velocity (%)	11.0
Monthly volatility (%)	33.6
3-mth average daily volume (m)	0.99
3-mth average daily value (RM'm)	1.12
Top Shareholders (%)	
Ganjaran Gembira Sdn Bhd	10.86
Employees Provident Fund Board	7.31
Ow Chee Cheoon	6.88

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Earnings forecasts unchanged. Post 4QFY19 results briefing, we make no adjustments to our FY20/FY21 forecasts as the briefing yielded no material +/- surprises.

Reaffirm BUY on Gabungan AQRS at unchanged TP of RM1.42 from RM1.65. Our TP is derived based on a PE multiple of 10x to FY21EPS. 

INVESTMENT STATISTICS

FYE Dec	FY17	FY18	FY19	FY20F	FY21F
Revenue (RM'm)	469.40	582.47	412.98	743.36	817.70
Op/Inc (RM'm)	82.60	91.81	83.80	100.56	120.67
PATAMI (RM'm)	48.00	63.57	38.52	65.49	70.07
EPS (Sen)	8.70	10.81	7.81	13.27	14.20
EPS Growth (%)	13.13	24.25	-27.78	70.00	7.00
PER (x)	14.00	11.30	12.94	7.61	7.11

Source: Company, MIDFR

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	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.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <10% over the next 12 months.
TRADING SELL	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

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