

Gabungan AQRS Berhad

(5226 | AQRS MK) Main | Construction

Maintain Buy

ECRL job award

Maintain Target Price : RM1.42

KEY INVESTMENT HIGHLIGHTS

- **AQRS secured RM36.7m ECRL job award**
- **Duration of contract is 22 months**
- **Neutral on the job win within replenishment assumption**
- **No change to our earnings forecasts**
- **Reaffirm BUY on Gabungan AQRS at TP of RM1.42**

AQRS secured RM36.7m ECRL job award. Gabungan AQRS announced on Bursa yesterday that the Group has received and accepted Letter of Acceptance (LOA) from China Communications Construction (ECRL) Sdn Bhd. The LOA to undertake drainage works for the East Coast Rail Link (ECRL) project in Pahang. Under the LOA, the award involves construction and completion of subgrade, drainage and culvert works at the base camp of the project.

Duration of contract. The contract period for the ECRL is 22 months, commencing end of June 2020.

Neutral on the job win. The new job contract has lifted its construction outstanding order book to an estimated of RM1.84b from RM1.80b as of early of March. Nonetheless, we are neutral on the award as it is well within our FY20 total job replenishment target – which is RM0.5b. Nonetheless we are upbeat on further inflow of new contracts and expect more job awards in the coming months.

No change to our earnings forecasts. Premise on above, we make no changes to our earnings forecasts.

Our views. This ECRL contract is expected to contribute positively to the future earnings of AQRS. Downside risks include (1) disruption in the building material supply chain, and (2) additional construction site restrictions. On a separate note, going ahead, we anticipated a better contribution to AQRS's earnings from LRT 3 works on the back of better work progress. Other than that, we anticipate good news on Pan Borneo Highway Sabah (PBH) project given that AQRS has already submitted tender for PBH packages with Suria Capital.

Recommendation. We maintain our **BUY** stance with an unchanged **TP of RM1.42**. Our TP is derived based on a PE multiple of 10x to FY21EPS.

RETURN STATISTICS

Price @ 3 rd June 2020 (RM)	RM 0.88
Expected share price return (%)	+61.37
Expected dividend yield (%)	+1.20
Expected total return (%)	+62.57

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	2.9	-7.9
3 months	12.0	-17.6
12 months	-30.3	-25.5

KEY STATISTICS

FBM KLCI	1,538.53
Syariah compliant	Yes
Issue shares (m)	492.59
Estimated free float (%)	53.24
Market Capitalisation (RM'm)	436.68
52-wk price range	RM0.59 - RM1.54
Beta vs FBM KLCI (x)	1.28
Monthly velocity (%)	5.22
Monthly volatility (%)	28.07
3-mth average daily volume (m)	1.19
3-mth average daily value (RM'm)	1.06
Top Shareholders (%)	
Ganjaran Gembira Sdn Bhd	10.86
	8.23
Employees Provident Fund Board	
Ow Chee Cheoon	6.88

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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.