

# Gabungan AQRS Berhad

(1651 | AQRS MK) Main | Construction

**Maintain BUY**

## Expect new catalyst from One Jesselton Waterfront

**Unchanged Target Price: RM1.65**

### KEY INVESTMENT HIGHLIGHTS

- **Gabungan AQRS and Suria capital inked a Supplemental Agreement to vary certain terms of the JVA**
- **The rising trend in value appreciation will result in higher earnings from the development of One Jesselton.**
- **AQRS outstanding construction order book stood at RM1.8 billion, which will provide earning visibility until 2022**
- **Reaffirm BUY on Gabungan AQRS at unchanged TP of RM1.65**

Based on Bursa Announcement dated 24<sup>th</sup> January 2020, Gabungan AQRS and Suria capital have inked an agreement namely Supplemental Agreement to vary certain terms of the Joint Venture Agreement (JVA). To recap, the Proposed JV between the group and Suria Capital was to develop a parcel of land owned by Suria Capital measuring 6.28 acres forming part of the piece of master land of 23.25 acres situated at Jalan Tanjung Lipat, Kota Kinabalu, Sabah for the purpose of commercially developing the Development Land into One Jesselton Waterfront - a mixed development. As a result of the agreement, Suria Capital's Entitlement pursuant to the JVA has been revised upward from the current 18% to 20% of the minimum Net Saleable Value (NSV) of RM1.1 billion. The increase in Suria Capital's Entitlement is attributable to the value of landbank within the Kota Kinabalu Central Business District area which has been appreciated.

The rising trend in value appreciation will result in higher earnings from the development of One Jesselton and also act as a key driver for the group's cash flow. Currently, Gabungan AQRS is working closely with international retail planners and leasing professionals to efficiently design the internal layout of the One Jesselton Shopping Mall. Apart from that, both waterfront condominium and serviced residence have progressed to marketing and preview launching stage with the appointment of Tera Realty as an exclusive international marketing agent. The group and Tera Realty will collaborate and begin roadshow marketing in the 3QFY20 in Shanghai. They are also exploring to extend the roadshow to cities in Korea, Japan and Taiwan at the end of this year.

### RETURN STATISTICS

Price @ 24 <sup>th</sup> Jan 2020 (RM)	RM 1.16
Expected share price return (%)	+42.2
Expected dividend yield (%)	+1.2
Expected total return (%)	+43.4

### SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-0.85	1.13
3 months	-1.69	-10.17
12 months	13.77	22.51

### KEY STATISTICS

FBM KLCI	1572.81
Syariah compliant	Yes
Issue shares (m)	487.1
Estimated free float (%)	53.5
Market Capitalisation (RM'm)	572.38
52-wk price range	RM0.85 - RM1.54
Beta vs FBM KLCI (x)	1.5
Monthly velocity (%)	11.0
Monthly volatility (%)	33.6
3-mth average daily volume (m)	0.6
3-mth average daily value (RM'm)	0.76
Top Shareholders (%)	
Ganjaran Gembira Sdn Bhd	10.9
Employees Provident Fund Board	7.1
Ow Chee Cheon	6.9

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**As of 30 September 2019, AQRS outstanding construction order book stood at RM1.8 billion, which will provide earning visibility until 2022.** We anticipated a better contribution from LRT 3 works on the back of better work progress. It is also worth noting that, the work progress of LRT 3 is expected to peak in 2HFY20. As for the group's property division, the contribution still subdued. However, property segment will continue to contribute positively to AQRS's earnings despite its stagnant growth in revenue.

**Our estimates remain intact.** We are maintaining FY19 and FY20 forecast at this juncture as our estimates are within expectation.

**Reaffirm BUY on Gabungan AQRS at unchanged TP of RM1.65.** We ascribe a PE multiple of 13x to FY20EPS. Moving forward, AQRS is expected to focus and leveraging their current portfolio in order to generate more income and achieve better margin despite construction sector headwinds. 

## INVESTMENT STATISTICS

FYE July	FY16	FY17	FY18	FY19F	FY20F
Revenue (RM'm)	330.00	469.40	582.47	750.31	966.50
Op/Inc (RM'm)	41.28	82.60	91.81	90.04	115.98
PATAMI (RM'm)	33.30	48.00	63.57	52.52	77.32
EPS (Sen)	7.69	8.70	10.81	8.65	12.74
EPS Growth (%)	409.00	13.13	24.25	-19.98	47.28
PER (x)	12.38	14.00	11.30	14.00	9.50

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.