Gabungan AQRS Berhad

(5226 | AQRS MK) Main | Construction

Maintain BUY

Gunning for RM336m PR1MA development

***Unchanged* Target Price: RM0.52**

KEY INVESTMENT HIGHLIGHTS

- **Entered into JDA with PR1MA to develop affordable homes in Kuantan**
- **Project GDV of RM336m; 1,065 houses to be developed on 100.83-acre land over 7 years**
- **Commencement of project subject to fulfilment of conditions precedent within 10 months**
- **RM1b order book provides earnings visibility up to FY24**
- **Maintain BUY with an unchanged target price of RM0.52**

PR1MA housing development. Gabungan AQRS has entered into a Joint Development Agreement (JDA) with PR1MA Corporation Malaysia to develop and construct residential units in Kuantan over three phases on a 100.83-acre land. The gross development value (GDV) of the project is RM335.95m.

Development details. The project comprises 320 units of single-story terraced and single-story semi-detached in the first phase, 328 units in the second phase and 417 units in the third phase. This is expected to be completed over 84 months or seven years. PR1MA has agreed to deliver vacant possession of the land to AQRS and to grant it exclusive right to develop the land. Once it is given the go-ahead, the project will further boost the group's profile in construction and property development while contributing positively to its future financial performance.

Order book. Excluding this new development, AQRS' order book currently stands at about RM1.0b, with earnings visibility up to FY24. About 73% of these projects are government-related, therefore risks of lower margins are avoidable as government jobs usually come with variation of price (VOP).

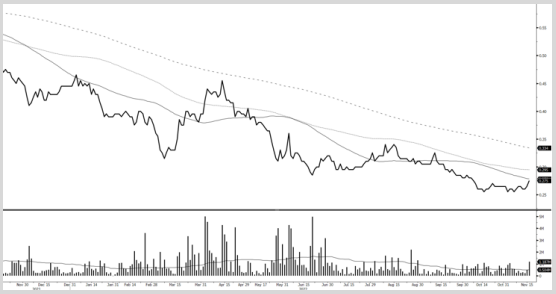
Earnings estimates. We are maintaining our earnings estimates for now, pending further clarity on the approval and commencement of the project. Note that the commencement of the project is subject to and conditional upon fulfilment of conditions precedent within a 10-month period and PR1MA has the sole discretion of extending the approval period for a further three months.

Unchanged target price of RM0.52. We are retaining our target price, which is derived by pegging a PER of 7.5x, which is about -0.25 standard deviation below its five-year historical average, to the group's FY23 Diluted EPS of 6.9sen.

Maintain BUY. We remain positive on the group's earnings prospects, backed by its healthy order book and strong margin protection measures. We are of the view that AQRS could be among the

RETURN STATISTICS	
Price @ 16th Nov 2022 (RM)	**0.275**
Expected share price return (%)	**+89.1**
Expected dividend yield (%)	**+1.9**
Expected total return (%)	**+91.0**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	5.8	1.2
3 months	-1.8	-14.0
12 months	-42.7	-39.7

KEY STATISTICS	
FBM KLCI	1,448.38
Syariah compliant	Yes
F4BGM Index	No
ESG Grading Band (Star Rating)	☆
Issue shares (m)	542.77
Estimated free float (%)	46.96
Market Capitalisation (RM'm)	149.26
52-wk price range	RM0.25 - RM0.48
Beta vs FBM KLCI (x)	1.09
3-mth average daily volume (m)	0.51
3-mth average daily value (RM'm)	0.15
Top Shareholders (%)	
Ganjaran Gembira Sdn Bhd	9.88
Kamisah Binti Johan	9.67
Ow Chee Cheoon	6.26

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beneficiaries of mega infrastructure projects such as MRT3 and future mega projects to be introduced by the Government, predicated on the Group's extensive experience and involvement in projects such as MRT1, LRT3, SUKE and upgrading works for several highways. AQRS is aiming to participate in some portions of the elevated works of MRT3 through a second-tier exposure. All factors considered, we maintain our **BUY** recommendation on AQRS.

INVESTMENT STATISTICS

Annual Standardized	2020A	2021A	2022E	2023F	2024F
Revenue	202.3	330.77	348.7	383.6	421.9
Gross Profit	(30.0)	50.2	75.8	92.0	83.3
Net Operating Expenses	(25.0)	(21.0)	(21.1)	(23.2)	(26.3)
Operating Profit	(55.0)	29.2	54.7	68.8	59.7
Finance Costs	(5.0)	(6.0)	(3.0)	(5.9)	(6.3)
Assoc. and JV	0.5	1.1	0.4	0.4	0.5
Profit Before Tax	(59.5)	24.3	52.1	63.3	54.6
Tax Expense	5.9	(7.7)	(16.4)	(18.0)	(15.3)
Reported Net Profit	(54.3)	16.3	32.9	45.3	37.9
Core Net Profit	(54.3)	8.5	32.9	45.3	37.9
EPS	-11.45	3.09	6.06	8.4	7.0
Diluted EPS	-9.22	2.52	4.99	6.9	5.8
DPS	1.0	0.0	1.0	1.0	2.0
Dividend Yield	1.7%	0.0%	1.7%	1.9%	3.1%

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 *rise* 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 *fall* 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.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology