

26 August 2019 | Briefing Note

## Gabungan AQRS Berhad

### Better 2HFY19 expected

#### INVESTMENT HIGHLIGHTS

- AQRS has held a briefing with analysts to update on the 2QFY19 results
- To recap, Gabungan AQRS has reported PATAMI of RM10.5m (-44.8%yoy) in 2QFY19
- Discussion with analysts centred on the prospect of ECRL and Pan Borneo Sabah projects
- Maintain BUY with an unchanged TP of RM 1.72

To recap, Gabungan AQRS has reported PATAMI of RM10.5m (-44.8%yoy) in 2QFY19, taking the cumulative number to RM21.8m (-38.7%yoy) in 1HFY19. Accordingly, the number constitutes 40.2% and 29.0% of our and market's full year estimates. On Friday, the management has held a briefing with analysts to provide further explanation on the results as well as its outlook on the business prospect. Accordingly, we would like to highlight few areas which were discussed during the meeting.

**What's on the table for ECRL?** Presently, AQRS is already gearing up for the next tender stage. We were informed that call for tender could take place in 4QFY19 followed by a potential awarding within the same period. At this moment, we are aware that land acquisition in some parts of the work areas has not fully completed until the next two to three months. Besides Pahang, the group is feeling positive in putting bids for alignment traversing Selangor. The alignment falls under Section C (Mentakab to Port Klang) which is still in the design phase, due to its recent changes. On that note, we do not see the appointment of contractors taking place anytime soon for this section.

**Pan Borneo Sabah.** JKR is expected to take over the project within next month. According to management, Gabungan's current tender will continue to be valid until the end of September 2019. Whilst the packages tendered remain undisclosed, we understand that the ones carrying high urgency will be given priority to commence earlier. Positively, Gabungan's precast business is expected to benefit from the rollouts, given its competitive advantage in supply chain.

**Maintain BUY**

Unchanged Target Price (TP): RM1.72

RETURN STATS	
Price (23 August 2019)	RM1.28
Target Price	RM1.72
Expected Share Price Return	+34.0%
Expected Dividend Yield	+0.0%
<b>Expected Total Return</b>	<b>+34.0%</b>

STOCK INFO	
KLCI	1,609.22
Bursa / Bloomberg	5226/ AQRS MK
Board / Sector	Main / Construction
Syariah Compliant	Yes
Issued shares (mil)	493.43
Par Value (RM)	1.00
Market cap. (RM'm)	631.59
Price over NA	1.28
52-wk price Range	RM0.66-RM1.54
Beta (against KLCI)	1.59
3-mth Avg Daily Vol	1.33m
3-mth Avg Daily Value	RM1.82m
Major Shareholders (%)	
Ganjaran Gembira	10.86
Ow Chee Cheoon	6.88
Brahmal Vasudevan	5.89
Kenanga Unit Trust	5.83

**Property segment contribution still subdued.** Based on the 2QFY19 results, the group registered -86.2%yoy lower revenue of RM2.5m. The revenue contribution was weak, leading to a loss of -RM1.8m compared to a profitable 2QFY18. We believe the group is likely to log better contribution in 2HFY19, supported by the inaugural launch of E'Island Lake Haven and the relaunch of The Peak and Contours Melawati Heights. As of August 2019, the group has received RM95m worth of bookings for its developments, mainly from its E'Island Lake Haven in Puchong. Putting this into perspective, the contribution in 2HFY19 is likely to improve as the group progressively convert the bookings into sales from 3QFY19 onwards. In FY19, Gabungan is targeting RM250m worth of sales, which we understand to be largely driven by the E'Island Lake Haven project.

**Maintain BUY with an unchanged TP of RM 1.72.** Our TP was derived after pegging Gabungan's FY20 EPS to PE of 13x. The current share price looks appealing, implying a potential return of >40%. Near term catalyst for the stock includes the upcoming tender call of ECRL packages, which will commence in 4QFY19 with construction works to potentially begin within the same quarter. Gabungan's construction is currently involved with a project in the state of Pahang. Geographically, the site area is located in Kota SAS, in proximity with ECRL stretch for Section B. We are in the view that its geographical factor will give an advantage, for an ECRL share in the area. Its outstanding orderbook as of 2Q19 stood at RM2.0b. Besides the huge tender bids place for projects in Sabah, ECRL is another potential for replenishment within CY19. Clinching a package worth RM500m to RM1b would increase its unbilled job by +21% and +42% respectively. Based on our checks, its bidding for ECRL will likely concentrate in the state of Selangor and Pahang. **BUY.** 

## INVESTMENT STATISTICS

FYE Dec	2016	2017	2018	2019E	2020E
Revenue (RM'm)	330.00	469.40	582.47	775.38	1162.09
Op/Inc (RM'm)	41.28	82.60	91.81	93.05	139.45
PATAMI (RM'm)	33.30	48.00	63.57	54.28	80.18
EPS (Sen)	7.69	8.70	10.81	8.94	13.21
EPS (Growth)	409.0%	13.2%	24%	-17%	47.7%
PER (x)	12.38	14.7	11.8	14.3	9.7

Source: MIDFR

## DAILY PRICE CHART



Source: Bloomberg, 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 +15% 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.