

19 October 2018 | 3QFY18 Results Review

Gabungan AQRS Berhad

Backed by Construction Orderbook

INVESTMENT HIGHLIGHTS

- **9MFY18 results within expectation**
- **Construction division extended support in 3QFY18**
- **Property segment likely to pick up soon**
- **Lean cost-structure remained a focus**
- **Maintain BUY with TP of RM1.87**

Results inline. AQRS's 9MFY18 PATAMI came in-line with our expectation with earnings accounting for RM52.6m (+60.0%YoY) amounting to 75.5% of our estimates and 73.2% of Street's. The results reflected the stronger revenue of RM483.6m (+124.0%YoY) due to better construction contribution (+124.0%YoY). However, its cumulative figure was weighed down by property segment, which posted -61.8%YoY decline.

Total revenue supported by construction division. The group's PATAMI continued to be robust, backed by construction orderbook. In 3QFY18, it grew by +>100.0%, attributable to better progress billings for the Sungai Besi-Ulu Kelang (SUKE) Highway and Pusat Pentadbiran Sultan Ahmad Shah (PPSAS) projects. This led to better profitability in the quarter, recording +19.5%YoY increase to the tune of RM25.7m.

Property segment expected to pick up soon. In the quarter, property's contribution was minimal, reporting only RM4.4m in revenue. As a result, it extended losses amounting to -RM6.0m in 9MFY18. In light of the upcoming launch of new E'Island Residence Development in Puchong, we are expecting a pickup in revenue recognition. With GDV value of RM491.0m, the project is slated to sell affordable apartments between the ranges of RM290,000 to RM380,000. E'Island would potentially contribute c.RM28m/RM43m/RM42m for FYE19/FYE20/FYE21 on the back of 8.0% PBT margin.

Lean-cost structure remained a focus. Management reiterate its emphasis to ensure that fundamentals of the business operations continue to be managed effectively. This was done to safeguard margins, while keeping its long-term operations stable and healthy. Moving forward, we could expect better marginal profile through better revenue-stream mix.


Reaffirm earnings assumption. Our earnings forecast remains intact supported by its strong orderbook and brighter prospect in the property segment. As of 3QFY18, its outstanding orderbook stood at RM2.4b, providing earnings visibility for the next three years.

Maintain BUY

Revised Target Price (TP): RM1.87
(previously RM2.30)

RETURN STATS	
Price (18 Oct 2018)	RM0.94
Target Price	RM1.87
Expected Share Price Return	98.9%
Expected Dividend Yield	+0.0%
Expected Total Return	+98.9%

STOCK INFO	
KLCI	1738.27
Bursa / Bloomberg	5226/ AQRS MK
Board / Sector	Main / Construction
Syariah Compliant	Yes
Issued shares (mil)	477.6
Par Value (RM)	1.00
Market cap. (RM'm)	446.5
Price over NA	0.93
52-wk price Range	RM0.61–RM2.13
Beta (against KLCI)	1.70x
3-mth Avg Daily Vol	2.70m
3-mth Avg Daily Value	RM3.20m
Major Shareholders (%)	
Ganjaran Gembira	11.00
Ow Chee Cheoon	6.97
Kit Heng Ng	5.95
KWAP	5.92

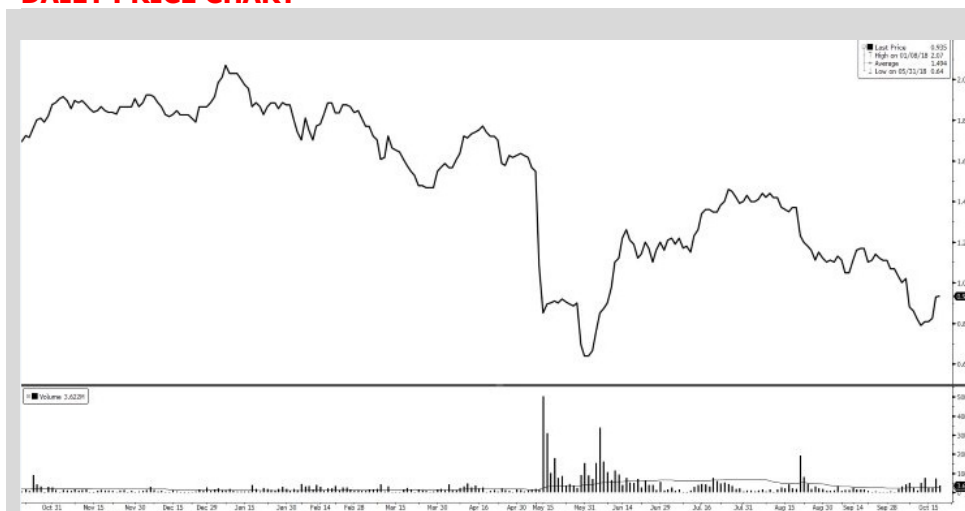
Recommendation. Given its robust orderbook, we maintain our **BUY** recommendation with a TP of **RM1.87** per share by rolling over FYE19 EPS with 11x PER on the stock reflecting our defensive posture on the sector. Notably, our stance on the sector has shifted from POSITIVE to NEUTRAL due to the change in government's policy to review infrastructure spending. 

INVESTMENT STATISTICS

	2014	2015	2016	2017	2018E	2019E
Revenue (RM'm)	534.16	272.51	330.00	469.40	820.00	888.30
Op/Inc (RM'm)	110.46	0.87	41.28	82.60	100.00	120.00
PATAMI (RM'm)	52.95	-9.67	33.30	48.00	69.70	75.51
EPS (Sen)	0.14	-0.02	0.08	0.09	0.15	0.17
EPS (Growth)	20%	-117%	409%	13%	67%	13%
PER (x)	7.07	-49.5	12.38	10.7	6.2	5.5

Source: Bloomberg, MIDF

DAILY PRICE CHART



Source: Bloomberg, MIDFR

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9MFY18 RESULTS

FYE Dec (RM'm)	3Q18	2Q18	3Q17	YoY Chg	QoQ Chg	9M18	9M17	YoY Chg
Revenue	159.3	187.2	80.5	98%	-15%	474.0	319.2	48%
Other Income	0.9	1.1	0.7	33%	-13%	4.7	1.6	197%
Operating Cost	-14.109	-10.57	-12.65	12%	33%	-36.607	-33.73	9%
Finance Cost	-1.1	-1.559	-3.029	-64%	-29%	-4.724	-10.279	-54%
Pre-tax profit	22.1	27.0	15.0	48%	-18%	71.2	51.0	40%
Taxation	-4.585	-7.845	-6.323	-27%	-42%	-17.818	-17.236	3%
PATAMI	17.0	19.1	9.4	81%	-11%	52.6	32.8	60%
EPS (sen)	2.9	3.3	1.67	74%	-13%	8.9	5.79	54%
	3Q18	2Q18	3Q17	+/- ppts	+/- ppts	9M18	9M17	+/- ppts
Pre-tax margin	13.9%	14.4%	18.6%	-4.7	-0.5	15.0%	16.0%	-1.0
PATAMI margin	10.7%	10.2%	11.7%	-1.0	0.5	11.1%	10.3%	0.8
Effective tax rate	20.7%	29.0%	42.3%	-21.5	-8.3	25.0%	33.8%	-8.8

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 +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.