

26 June 2024

Gamuda

Bullish on Job Wins

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GAMUDA's 9MFY24 results met expectations. It raised its revenue guidance for FY24-26 by 15%, 27% and 15%, respectively, and guided for end-CY24 outstanding order book of RM30b, which effectively reaffirms its optimism on job wins. We maintain our forecasts, TP of RM7.29 and OUTPERFORM rating.

Its 9MFY24 core profit of RM625.4m came in at only 56% and 64% of our full-year forecasts and the full-year consensus estimate, respectively. However, we consider the results within expectations as we expect a bumper 4QFY24 on accelerated construction and property billings. It declared a 10 sen NDPS in 3QFY24, bringing YTD NDPS to 16 sen, which came above our FY24F NDPS projection of 12 sen.

YoY. Its 9MFY24 revenue jumped 73% on higher construction billings from overseas projects such as Sydney Metro West (SMW) and DT Infrastructure (DTI). However, its core profit only rose 3% as lumpy profit recognition from the OLA property project in Singapore (on a completion basis) were offset by weaker construction profits on a lower blended construction margin due to the typically low-margin overseas jobs. Its overseas net construction margin improved to 3.6% in 9MFY24 (from 3.3% a year ago) while its local construction net margin fell to 14.4% (from 16.4%) as profit recognition from the MRT2 tailed off.

QoQ. Its 3QFY24 revenue rose 13% led by property revenue (+34%) from the OLA project while construction revenue rose 3% led by SMW. Correspondingly, its core profit grew 15%.

The key takeaways from the results briefing are as follows:

1. It raised its revenue guidance for FY24-26 by 15%, 27% and 15% to RM15b, RM19b and RM23b (from RM13b, RM15b and RM20b previously), respectively. With 9MFY24 revenue of RM10.0b, its FY24 revenue guidance implies a bumper RM5b revenue in 4QFY24 underpinned by strong construction and property billings.
2. It guided for its outstanding construction order book to rise to RM30b by end-CY24 (from RM24.3b as at end-Apr 2024) as it expects the formalisation of the award of Upper Padas Hydro power plant, the Mutiara Line of the Penang LRT and the potential award of four projects in Australia (three in Melbourne and one in Sydney) of which it has been short-listed.

Based on our back-of-the-envelope calculation, its guidance for end-CY24 outstanding order book of RM30b is consistent with its previously guidance for RM25b job wins over two years in FY24-25. We take into consideration its churn rate of about RM3b per quarter and the formal award of the Mutiara Line, Upper Padas Hydro plant and high-capacity signalling project in Perth. To recap, our forecasts assume slightly higher job wins of RM27b over two years in FY24-25.

3. It reiterated its guidance for RM5b property sales in FY24, despite having only recorded RM2.3b for 9MFY24, driven by strong overseas sales including the newly launched Eaton Park in Ho Chi Minh City, Vietnam.

Forecasts. Maintained. Our forecasts are premised upon a job win assumption of RM27b over two years in FY24-FY25. Meanwhile, we raised both our FY24-FY25F NDPS projection to 16 sen from 12 sen previously.

OUTPERFORM ↔

Price: RM6.50
Target Price: RM7.29 ↔

Share Price Performance



KLCI	1,585.38
YTD KLCI chg	9.0%
YTD stock price chg	41.6%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	GAM MK Equity
Market Cap (RM m)	18,009.4
Shares Outstanding	2,770.7
52-week range (H)	6.72
52-week range (L)	4.16
3-mth avg. daily vol.	8,369,877
Free Float	58%
Beta	0.6

Major Shareholders

Amanah Saham Nasional	13.7%
Employees Provident Fund	8.7%
Generasi Setia M Sdn Bhd	4.1%

Summary Earnings Table

FY Jul (RM m)	2023A	2024F	2025F
Turnover	8,234	11,500	14,800
EBIT	980	1,354	1,709
PBT	2,236	1,348	1,716
Net Profit	1,838	1,114	1,401
Core Net Profit	859	1,114	1,401
Consensus	-	984	1,151
Earnings Revision (%)	-	-	-
Core EPS (sen)	32.3	40.2	50.6
Core EPS Growth (%)	7.5	29.7	25.8
NDPS (sen)	50.0	16.0	16.0
BVPS (RM)	4.05	4.14	4.49
NTA/share (RM)	3.87	3.95	4.29
PER (x)	13.3	16.1	12.8
PBV (x)	1.06	1.57	1.45
P/NTA (x)	1.11	1.64	1.52
Net Gearing (x)	0.35	0.33	0.24
Net Div. Yield (%)	11.6	2.5	2.5

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Valuations. We maintain our SoP-based TP of RM7.29 (see Page 3) that values its construction business at 20x FY25F PER and includes a 5% premium given a 4-star ESG rating as appraised by us (see Pages 6).

We continue to like GAMUDA for: (i) being the driver's seat for the Mutiara Line for the Penang LRT and front-runner for the tunnelling job for the MRT3, (ii) its ability to secure new jobs in overseas markets, (iii) its strong war chest after the disposal of its toll highways, (iv) its strong earnings visibility underpinned by a record outstanding order book of RM24.2b, and (v) its inroads into the renewable energy space. Maintain **OUTPERFORM**.

Risks to our call include: (i) delay in the roll-out of key public infrastructure projects in Malaysia such as the MRT3, (ii) rising input costs and labour shortage, (iii) risks associated with operations in overseas markets such as the change in government policies towards foreign businesses and forex, and (iv) liquidated ascertained damages (LAD) from cost overrun and delays.

Income Statement								
FY Jul (RM m)	3Q FY24	2Q FY24	Q-o-Q Chg	3Q FY23	Y-o-Y Chg	9M FY24	9M FY23	Y-o-Y Chg
Reported Turnover + JV	3,797.9	3,366.2	12.8%	2,084.6	82%	10,010.0	5,786.6	73%
EBITDA	96.9	209.5	-54%	281.3	-66%	581.3	716.4	-19%
Depreciation	-29.2	-45.4	-36%	-26.6	10%	-113.7	-80.9	41%
EBIT	67.7	164.1	-59%	254.8	-73%	467.6	635.6	-26%
Interest expense	-31.5	-25.2	25%	-7.5	317%	-94.2	-62.7	50%
Associates	2.1	6.8	-70%	2.4	-15%	10.8	4.3	154%
Exceptional items	2.0	4.8	-58%	0.0	4987%	14.2	1,111.1	-99%
Pretax profit	268.9	239.6	12%	309.5	-13%	748.2	1,892.6	-60%
Taxation	-26.4	-23.4	13%	-81.9	-68%	-87.7	-141.1	-38%
Profit after tax	242.5	216.2	12%	227.5	7%	660.5	1,751.5	-62%
Minority interest	-6.7	-7.4	-10%	-4.2	60%	-20.9	-164.9	-87%
Net profit	235.8	208.8	13%	223.4	6%	639.6	1,586.7	-60%
Core net profit	233.8	204.0	15%	223.3	5%	625.4	607.7	3%
EPS (sen)	8.4	7.4	15%	8.1	5%	22.6	22.0	3%
DPS (sen)	10.00	0.00	N/A	6.00	67%	16.00	50.00	-68%
NTA/share (RM)	3.98	3.97	0%	3.96	0%	3.98	3.96	0%
EBITDA margin	2.6%	6.2%		13.5%		5.8%	12.4%	
EBIT margin	1.8%	4.9%		12.2%		4.7%	11.0%	
Pretax margin	7.1%	7.1%		14.8%		7.5%	32.7%	
Core net margin	6.2%	6.1%		10.7%		6.2%	10.5%	
Effective tax rate	9.8%	9.8%		26.5%		11.7%	7.5%	

Source: Company

Segmental Breakdown								
FY Dec (RM m)	3Q FY24	2Q FY24	Q-o-Q Chg	3Q FY23	Y-o-Y Chg	9M FY24	9M FY23	Y-o-Y Chg
Reported Turnover + JV								
Engineering and Construction	2,521.8	2,416.2	4%	1,357.1	86%	7,178.2	3,808.6	88%
Property Development	1,276.0	950.0	34%	725.3	76%	2,831.8	1,928.1	47%
Water and Expressways Concessions	0.0	0.0	0%	0.0	0%	0.0	49.9	N/A
Group Turnover	3,797.9	3,366.2	13%	2,082.4	82%	10,010.0	5,786.6	73%
Segment Results								
Engineering and Construction	139.5	136.9	2%	181.3	-23%	409.4	445.4	-8%
Property Development	129.3	102.7	26%	128.2	1%	338.8	278.8	22%
Water and Expressways Concessions	0.0	0.0	0%	0.0	0%	0.0	1,171.1	N/A
Group PBT	268.9	239.6	12%	309.5	-13%	748.2	1,895.4	-61%
PBT Margin								
Engineering and Construction	5.5%	5.7%		13.4%		5.7%	11.7%	
Property Development	10.1%	10.8%		17.7%		12.0%	14.5%	
Water and Expressways Concessions	N/A	N/A		N/A		N/A	N/A	
Group PBT Margin	7.1%	7.1%		14.9%		7.5%	32.8%	

Source: Company

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GAMUDA's Outstanding Construction Order Book			
Project	Stake (%)	Outstanding Value (RM b)	Completion (%)
Malaysia			
Silicon Island - Phase 1	100	3.6	3
Rasau WTP - Phase 1	100	1.7	15
Data Centre Projects	100	2.0	0
Others	100	0.1	Various
Upper Padas Hydroelectric Power Plant*	45	0.0	Pending
Penang LRT Mutiara Line		0.0	Pending
		7.4	
Taiwan			
Marine Bridge	70	0.0	92
Seawall Reclamation	70	0.2	77
Transmission Line	50	0.2	20
Tao Yuan Underground	60	1.2	2
Kaohsiung MRT	88	2.9	0
		4.5	
Singapore			
Bus Depot	100	0.3	66
Defu Station	60	0.7	21
West Coast Station	100	1.8	0
		2.8	
Australia			
Sydney Metro West	100	2.9	61
Coffs Harbour Bypass	50	1.6	24
M1 Extension	40	1.0	24
High-Capacity Signalling, Perth		0.0	Pending
DTI	100	4.0	Various
		9.5	
Total		24.2	

Source: Kenanga Research, Company

GAMUDA's Sum-of-Parts Valuation		
Segment	Value (RM m)	Valuation Basis
Construction	15,318.0	20x FY25F PER
Property	5,910.5	50% discount to RNAV (see the following table)
Gamuda Waters (80%-owned)	339.0	FCFF @ 10% discount rate
Net Debt	-2,430.6	Estimated FY25F
	19,137.0	
Issued share (m)	2,767.8	
SOP/share (RM)	6.91	
Add: 5% premium for 4-star ESG rating (RM)	0.35	
Target Price (RM)	7.26	

Source: Kenanga Research

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RNAV of GAMUDA's Property Development Projects				
Project	Stake (%)	Remaining Area (acres)	Outstanding GDV (RM m)	NPV of Profit (RM m) (effective)
Malaysia				
1. Horizon Hill	50	243	2,222	24.8
2. Jade Hills	100	0	100	2.2
3. Gamuda Gardens	100	582	7,168	159.8
4. Gardens Park	100	532	3,566	79.5
5. twentyfive.7	100	111	2,923	65.2
6. Gamuda Cove	100	604	19,304	430.4
7. Kundang Estates	100	25	162	3.6
8. Others	100	37	2,449	54.6
Overseas				
1. Gamuda City, Hanoi	100	232	13,154	293.3
2. Celadon City, HCMC	100	0	281	28.8
3. OLA EC, Singapore	50	0	0	0.0
4. 661 Chapel Street, Melbourne	100	0	40	4.1
Quick turnaround projects				
1. Aldgate, London	90	N/A	240	22.2
2. West Hampstead, London	85	N/A	150	13.1
3. The Canopy on Normanby, Melbourne	100	N/A	440	49.7
4. Artisan Park, HCMC	100	N/A	280	31.6
5. Elysian, HCMC	100	N/A	700	79.0
6. St Kilda, Melbourne	100	N/A	240	27.1
7. Winchester House, London	75	2	2,580	218.5
8. MCT 3.7, HCMC	100	9	4,220	476.4
9 Future QTPs	100	55	2,170	245.0
		2,432	62,389	2,308.8
Unbilled Sales (as of Oct 23)	100		6,700	624.0
Property Shareholders Fund				8,888.2
Total RNAV (RM m)				11,821.0
Discount to RNAV (%)				50.0
Discounted RNAV				5,910.5

Source: Kenanga Research, Company

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside (%)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE (%)	Net Div. (sen)	Net Div Yld (%)
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
GAMUDA	OP	6.50	7.29	12.2%	18,009.5	Y	07/2024	40.2	50.6	29.7%	25.8%	16.1	12.8	1.6	10.0%	16.0	2.5%
IJM	MP	2.99	3.00	0.3%	10,483.4	Y	03/2025	13.0	14.4	-8.3%	11.2%	32.8	35.1	1.1	4.8%	8.0	2.7%
KERJAYA	OP	1.82	2.16	18.7%	2,295.1	Y	12/2024	14.2	15.8	33.3%	11.3%	15.0	13.0	1.6	13.0%	10.0	5.5%
KIMLUN	OP	1.38	1.76	27.5%	487.6	Y	12/2024	11.9	14.7	493.0%	23.0%	13.9	11.9	0.6	5.5%	1.0	0.7%
SUNCON	OP	3.73	4.28	14.7%	4,809.3	Y	12/2024	14.0	20.4	19.4%	45.7%	29.4	28.0	4.8	19.1%	6.0	1.6%
WCT	OP	0.790	0.880	11.4%	1,119.6	Y	12/2024	2.9	4.4	-83.8%	50.0%	31.3	21.5	0.4	1.4%	0.5	0.6%
Sector Aggregate					37,204.6					43.6%	23.3%	18.4	14.9	1.3	7.3%		2.2%

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	★	
	Corporate Social Responsibility	★	★	★	★	
	Management/Workforce Diversity	★	★	★	★	
	Accessibility & Transparency	★	★	★	☆	
	Corruption-Free Pledge	★	★	★	☆	
	Carbon-Neutral Initiatives	★	★	★	★	☆
SPECIFIC	Migrant Worker Welfare	★	★	★	★	
	Waste Disposal/Pollution Control	★	★	★	★	
	Work Site Safety	★	★	★	★	
	Environmentally Friendly Construction Technology	★	★	★	☆	
	Supply Chain Auditing	★	★	★	★	
	Energy Efficiency	★	★	★	★	
OVERALL		★	★	★	★	

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%
 MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
 UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%
 NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
 UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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