

Gamuda Bhd

Shattering Records On All Fronts

By Lum Joe Shen | lumjs@kenanga.com.my

GAMUDA's FY22 results beat expectations due to stronger-than-expected performance from the construction and property divisions. It has set itself a highly ambitious growth target, i.e. RM20b annual turnover by FY26 (vs. only RM6b achieved in FY21). We raise our FY23F earnings by 47%, increase the TP by 10% to RM5.15 (from RM4.70) and maintain our OUTPERFORM call.

Its FY22 CNP to RM836m beat our forecast and consensus estimates by 11% and 23%, respectively. The variance against our forecast came largely from stronger-than-expected performance from its construction and property divisions.

Its FY22 revenue (including JVs) was up 29% driven largely by a doubling in property billings while the top lines at construction and toll road/water operations were flattish. The strong property number was underpinned by: (i) a pick-up in construction progress, and (ii) RM4b sales in FY22 (meeting its target and slightly above our assumption of RM3.7b), bringing its unbilled sales to a record RM6.2b). CNP increased by a larger 41% thanks largely to recognition of cost savings from MRT2 that was at the tail-end of construction.

The key takeaways from the analyst briefing yesterday are as follows:

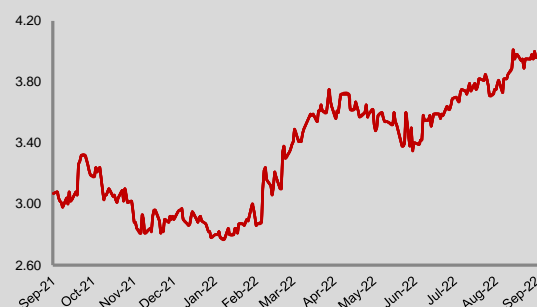
1. The RM2.2b proceeds from the disposal of its toll roads could come in as early as mid-October 2022 as the acquirer Lebuhraya Rakyat (ALR) has successfully raised some RM5.5b via bonds.
2. Gamuda plans to distribute out RM1b as a special dividend. The balance RM1.2b will be channelled to funding: (i) renewable energy assets (with locked-in off-takers via "virtual power purchase agreement"), (ii) MRT3, (iii) Penang South Reclamation, and (iv) overseas projects primarily in Ho Chi Minh City, Vietnam, as well as Melbourne, London and Singapore. The company guided for a project hurdle rate in the high teens.
3. Gamuda has set itself a highly ambitious growth target, i.e. RM20b annual turnover by FY26 (vs. only RM6b achieved in FY21). To do that, it needs RM12b new construction job wins (with about AUD3b or RM9b from Australia) and RM8b property sales annually (see Chart on Page 3).
4. It has raised its combined construction order book replenishment target in FY22 and FY23 to RM28b (from RM25b). Thus far, it has bagged RM11.7b. It is currently eyeing: (i) MRT3 underground package – RM5-6b (at 50% stake), (ii) Penang South Reclamation Project – RM5b, (iii) Melbourne's North East Link – RM3b (50% stake), and (iv) Australia's Suburban Rail Loop – RM3b (50% stake). With the healthy pipeline of potential contracts, we raise our FY23F replenishment to RM15.5b (from RM12.5b). Its outstanding construction order book now stands at a record RM14b.

We raise our FY23F earnings forecast by 47% to reflect: (i) higher property sales of RM4.5b (from RM4.0b) and (ii) higher replenishment of RM15.5b (from RM12.5b). Meanwhile, we introduce FY24 earnings of RM1.1b backed by FY24F replenishment of RM12b and property sales of RM5b.

OUTPERFORM ↔

Price : **RM3.85**
Target Price : **RM5.15** ↑

Share Price Performance



KLCI
YTD KLCI chg
YTD stock price chg

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	GAM MK Equity
Market Cap (RM m)	9,975.6
Shares Outstanding	2,591.1
52-week range (H)	4.06
52-week range (L)	2.76
3-mth avg daily vol:	3,391,082
Free Float	44%
Beta	1.1

Major Shareholders

Amanah Saham Nasional	14.4%
Employees Provident Fund	14.3%
Kumpulan Wang Persaraan	7.3%

Summary Earnings Table

FYE Jul (RM m)	2022A	2023F	2024F
Turnover	5162.6	8451.8	11664.5
EBIT	685.3	1155.1	1275.6
PBT	1015.5	1143.1	1377.6
Net Profit	806.2	893.5	1114.0
Core PATAMI	832.2	893.5	1114.0
Consensus (NP)	678.0	656.6	723.8
Earnings Revision	n.a.	+47%	NEW
Core EPS (sen)	33.9	36.4	45.3
Core EPS growth (%)	41	7	25
NDPS (sen)	12.0	50.0	12.0
NTA per Share (RM)	4.06	4.30	4.63
PER (x)	11.4	10.6	8.5
Price to NTA (x)	0.9	0.9	0.8
Debt-to-Equity ratio (x)	0.3	0.1	0.3
Return on Asset (%)	4.5	4.4	4.9
Return on Equity (%)	8.3	8.5	9.8
Net Div. Yield (%)	3.1	13.0	3.1

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Maintain OP with higher SoP-TP of RM5.15 (from RM4.70) on higher construction profits based on unchanged 18x PER. We continue to like GAMUDA given: (i) the good chances of it garnering a significant slice of action in MRT3, (ii) its recent job wins in Australia and Singapore that speak eloquently for its competitiveness in the international market, (iii) the lumpy proceeds from the disposal of its toll assets, putting it in a strong position to participate in public infrastructure projects on a PFI or deferred payment model, and giving out a special dividend. and (iv) its strong earnings visibility underpinned by record high outstanding orderbook of RM14b. There is a 5% premium accorded to its TP given a 4-star ESG rating as appraised by us (see Page 5).

Risks to our call include: (i) governments cutting back on public infrastructure spending on austerity drive, (ii) delays in the rollout of key public infrastructure projects in Malaysia such as MRT3, (iii) delays in the PSI project due to funding/environmental issues.

Results Highlight

FYE July (RM m)	4Q22	3Q22	QoQ	4Q21	YoY	FY22	FY21	YoY
Revenue (JV not included)	1,946.6	1,180.6	65%	886.7	120%	5,162.6	3,517.2	47%
Operating profit	223.1	214.0	4%	230.7	-3%	685.3	586.1	17%
Finance cost	-16.7	-20.2	-17%	-35.1	-52%	-93.8	-114.5	-18%
Associates	0.3	13.4	-98%	-3.6	107%	75.0	97.0	-23%
JV	113.1	62.5	81%	97.0	17%	341.7	216.8	58%
Pre-EI pretax profit	353.0	269.8	31%	289.0	22%	1,041.5	786.3	32%
Exceptionals	-26.0	0.0	n.a.	0.0	n.a.	-26.0	0.0	n.a.
Pretax profit	327.0	269.8	21%	289.0	13%	1,015.5	786.3	29%
Tax	-73.0	-40.3	81%	-59.3	23%	-179.8	-154.1	17%
Minority interests	1.2	-8.0	115%	-15.6	108%	-29.4	-43.9	-33%
Net profit	255.2	221.5	15%	214.1	19%	806.2	588.3	37%
Normalised net profit	281.2	221.5	27%	214.1	31%	832.2	588.3	41%
DPS (sen)	0.0	6.0	-100%	0.0	n.a.	12.0	0.0	n.a.
EPS	11.0	8.8	25%	8.5	29%	32.9	23.4	41%
EBIT margin	11%	18%		26%		13%	17%	
Pretax margin	17%	23%		33%		20%	22%	
NP margin	13%	19%		24%		16%	17%	
CNP margin	14%	19%		24%		16%	17%	
Effective tax	-22%	-15%		-21%		-18%	-20%	

Source: Company, Kenanga Research

Segmental Breakdown

Revenue (Reported + JV)	4Q22	3Q22	QoQ	4Q21	YoY	FY22	FY21	YoY
Engineering and Construction	1,044.3	476.6	119%	717.3	46%	3,291.5	3,286.5	0%
Property Development	1,055.4	739.5	43%	234.3	351%	2,727.5	1,294.9	111%
Water and Expressways Concessions	123.1	87.2	41%	96.6	27%	434.2	434.5	0%
Total	2,222.8	1,303.3	71%	1,048.1	112%	6,453.3	5,016.0	29%

PAT Segmentation

Engineering and Construction	116.5	62.5	86%	90.9	28%	343.2	253.0	36%
Property Development	140.3	126.8	11%	111.2	26%	340.3	172.5	97%
Water and Expressways Concessions	24.5	32.3	-24%	12.0	104%	148.8	162.8	-9%
Total	281.2	221.5	27%	214.1	31%	832.2	588.3	41%

PAT margins

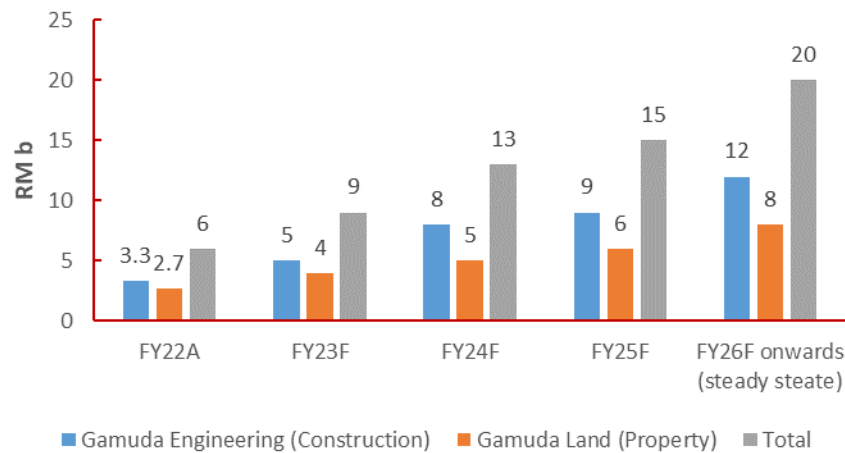
Engineering and Construction	11%	13%		13%		10%	8%	
Property Development	13%	17%		47%		12%	13%	
Water and Expressways Concessions	20%	37%		12%		34%	37%	
Total	13%	17%		20%		13%	12%	

Source: Company, Kenanga Research

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Gamuda's Internal Revenue Targets

Gamuda's Revenue Projection



Source: Company, Kenanga Research

Sum of Parts Table (NEW)

GAMUDA SoP	Stake	Valuation Method	PAT/DCF	Valuations (PER/PBV)	Value (m)
Construction (Base case assumes 5b replenishment)	100%	PER	518	18	4645
Property	100%	60% discount to RNAV	2866		2866
Gamuda Waters (GWSB)	80%	DCF	639		511
Sum					12695
Number of Shares					2591
SOP/share					4.90
4 Star ESG Premium (+5%)					+0.25
TP					5.15

Source: Kenanga Research

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Peer Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside (%)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Core EPS (sen)		Core Earnings 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.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.
GAMUDA BHD	OP	3.85	5.15	33.77%	9,975.6	Y	07/2023	35.0	43.6	7.4%	24.7%	10.6	8.5	1.1	10.4%	50.0	13.0%				
IJM CORP BHD	MP	1.61	1.75	8.70%	5,671.0	Y	03/2023	8.6	9.2	26.2%	6.9%	18.9	17.7	0.6	3.8%	6.0	3.7%				
KERJAYA PROSPEK GROUP BHD	OP	1.14	1.42	24.56%	1,437.6	Y	12/2022	9.3	12.2	19.1%	30.9%	10.4	9.4	1.3	11.2%	4.5	3.9%				
KIMLUN CORP BHD	OP	0.650	1.10	69.23%	229.7	Y	12/2022	7.9	12.7	2600.0%	59.3%	8.4	5.3	0.3	4.0%	1.5	2.3%				
SUNWAY CONSTRUCTION GROUP BHD	MP	1.51	1.60	5.96%	1,946.9	Y	12/2022	9.8	9.8	0.4%	-0.8%	15.3	15.4	2.9	19.4%	5.0	3.3%				
WCT HOLDINGS BHD	MP	0.390	0.430	10.26%	552.7	Y	12/2022	6.3	5.0	214.3%	-20.5%	6.2	7.9	0.2	4.4%	0.0	0.0%				
Simple Average								12.8	15.4	477.9%	16.8%	11.6	10.7	1.1	8.9%						

Source: Bloomberg, 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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KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia

Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my