

01 April 2024

# Gamuda

## Federal Green Light for Penang LRT

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The federal government has finally approved the Penang LRT project and awarded GAMUDA's 60%-owned SRS Consortium the Segment 1 civil work of the project. We estimate GAMUDA's share of civil work to be worth RM4.6b to RM5.0b, which is still within our FY24 job win assumption. We therefore maintain our forecasts, TP of RM6.20 and OUTPERFORM call.

The Transport Minister announced last Friday that the federal government had approved the Penang LRT project, now known as the Mutiara LRT Line, to come under the purview of MRT Corp. The project will be split into three components:- (i) Segment 1 civil work – Silicon Island – Komtar, (ii) Segment 2 civil work – Komtar-Penang Sentral, and (iii) turnkey system and rolling stock contract. The project is expected to kick start this year and to be completed by 2030.

GAMUDA's 60%-owned SRS Consortium Sdn Bhd (SRS) has been awarded the Segment 1 of the Penang LRT project with the terms and value to be negotiated with MRT Corp within the next six months. Meanwhile, Segment 2 and the turnkey contract for systems and rolling stocks on a "build-maintain-transfer" basis will be awarded via open tenders along the way.

We are highly positive on the latest development. While the award of Segment 1 to SRS has been widely expected by the market, this award has erased the concern over further delays of the project. Recall, a price tag of RM10b is mentioned in Budget 2024 for the Penang LRT project. Assuming RM320m-RM350m per km for civil works, the c.24km segment 1 LRT project would be worth about RM7.6b-RM8.4b, translating to RM4.6b-5.0b for GAMUDA's 60% portion of the job. With this, GAMUDA's YTD contract wins have increased by 66% to 74% from RM6.8b (three major job wins) to RM11.3b to RM11.8b against our FY24 job replenishment assumption of RM12.5b.

**Forecasts.** Maintained.

**Valuations.** We maintain our SoP-based TP of RM6.20 (see Page 2) that values its construction business at 18x FY25F PER and includes a 5% premium given its 4-star ESG rating as appraised by us (see Pages 5).

We continue to like GAMUDA for: (i) being the 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 RM26.1b (excluding Penang LRT project), and (v) its inroads into the renewable energy space. Maintain **OUTPERFORM**.

**Risks to our call include:** (i) the delays 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.

**OUTPERFORM** ↔

**Price:** RM5.27  
**Target Price:** RM6.20 ↔

### Share Price Performance



KLCI	1,536.07
YTD KLCI chg	5.6%
YTD stock price chg	14.8%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	GAM MK Equity
Market Cap (RM m)	14,588.7
Shares Outstanding	2,768.3
52-week range (H)	5.31
52-week range (L)	4.02
3-mth avg. daily vol.	8,665,783
Free Float	58%
Beta	0.6

### Major Shareholders

Amanah Saham Nasional	13.7%
Employees Provident Fund	8.6%
Generasi Setia M Sdn Bhd	4.1%

### Summary Earnings Table

FY Jul (RM m)	2023A	2024F	2025F
Turnover	8,234	11,500	13,800
EBIT	980	1,354	1,619
PBT	2,236	1,348	1,626
<b>Net Profit</b>	<b>1,838</b>	<b>1,114</b>	<b>1,328</b>
<b>Core Net Profit</b>	<b>859</b>	<b>1,114</b>	<b>1,328</b>
Consensus	-	997	1,136
Earnings Revision (%)	-	-	-
Core EPS (sen)	32.3	40.2	48.0
Core EPS Growth (%)	7.5	29.7	19.2
NDPS (sen)	50.0	12.0	12.0
BVPS (RM)	4.05	4.18	4.54
NTA/share (RM)	3.87	3.99	4.34
PER (x)	13.3	13.1	11.0
PBV (x)	1.06	1.26	1.16
P/NTA (x)	1.11	1.32	1.21
Net Gearing (x)	0.35	0.31	0.21
Net Div. Yield (%)	11.6	2.3	2.3

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GAMUDA's Sum-of-Parts Valuation		
Segment	Value (RM m)	Valuation Basis
Construction	12,407.6	18x 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	-2,314.4	Estimated FY25F
	<u>16,342.7</u>	
Issued share (m)	2,767.8	
<b>SOP/share (RM)</b>	<b>5.90</b>	
Add: 5% premium for 4-star ESG rating (RM)	0.30	
<b>Target Price (RM)</b>	<b>6.20</b>	

Source: Kenanga Research

RNAV of GAMUDA's Property Development Projects				
Project	Stake (%)	Remaining Area (acres)	Outstanding GDV (RM m)	NPV of Profit (RM m) (effective)
<b>Malaysia</b>				
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
<b>Overseas</b>				
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
<b>Quick turnaround projects</b>				
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
		<b>2,432</b>	<b>62,389</b>	<b>2,308.8</b>
Unbilled Sales (as of Oct 23)	100		<b>6,700</b>	<b>624.0</b>
Property Shareholders Fund				8,888.2
Total RNAV (RM m)				11,821.0
Discount to RNAV (%)				50.0
<b>Discounted RNAV</b>				<b>5,910.5</b>

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.
<b>Stocks Under Coverage</b>																	
GAMUDA	OP	5.27	6.20	17.6%	14,588.7	Y	07/2024	40.2	48.0	39.4%	19.2%	14.5	11.6	1.3	10.0%	12.0	2.3%
IJM	OP	2.43	2.54	4.5%	8,520.0	Y	03/2024	11.6	12.4	62.5%	7.0%	26.7	28.5	0.9	4.7%	8.0	3.3%
KERJAYA	OP	1.79	1.90	6.1%	2,257.3	Y	12/2024	14.2	15.8	33.3%	11.3%	14.7	12.8	1.6	13.0%	10.0	5.6%
KIMLUN	MP	0.990	0.890	-10.1%	349.8	Y	12/2024	8.3	8.9	311.3%	7.9%	10.0	8.5	0.5	3.9%	1.0	1.0%
SUNCON	OP	2.92	3.16	8.2%	3,764.9	Y	12/2024	12.7	16.7	-3.2%	31.1%	23.0	22.0	3.9	17.6%	6.0	2.1%
WCT	OP	0.545	0.660	21.1%	772.4	Y	12/2024	2.5	3.0	-85.9%	18.4%	21.6	14.8	0.3	1.2%	0.5	0.9%
<b>Sector Aggregate</b>					<b>30,253.1</b>					<b>74.3%</b>	<b>16.7%</b>	<b>15.6</b>	<b>13.3</b>	<b>1.1</b>	<b>7.0%</b>		<b>2.5%</b>

Source: Kenanga Research

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**Stock ESG Ratings:**

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

☆ 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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