

08 April 2024

Gamuda

Bags Perth Signalling Job with Alstom

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GAMUDA, partnering French rail transport giant Alstom, has won the signalling project for the rail network in Perth, Australia, putting it one step closer to meeting its job win target of RM25b over two years. We maintain our forecasts, TP of RM6.20 and OUTPERFORM call.

GAMUDA's Australian unit DT Infrastructure Pty Ltd (DTI), via AD Alliance, a JV with Alstom Transport Australia Pty Ltd, a unit of French rail transport giant Alstom, has won a high-capacity signalling project (upgrading of signalling and train control systems) for the rail network in Perth, Western Australia. AD Alliance was one of the two shortlisted bidders in Jun 2023.

We are positive on the latest development. This is GAMUDA's fifth major contract win in FY24 of which value is still under negotiation. The latest job will add to its YTD contract wins of RM11.3b-RM11.8b, putting it one step closer to its job win target of RM25b over two years in FY24 and FY25, which is also the underlying assumption of our forecasts.

Out of five contract wins, only Taiwan's Kaohsiung MRT Yellow Line (worth RM3.03b) and Singapore's MRT West Coast Station and Tunnels (worth RM1.77b) are confirmed with contract value, while the civil work contracts for Upper Padas Hydroelectric Power Plant (estimated at RM2b), Penang LRT Mutiara Line (estimated at RM4.6b-RM5.0b) and HCS project are still under negotiation.

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).

Investment case. 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 RM24.1b (excluding Upper Padas Hydro, Penang LRT and HCS projects), and (v) its inroads into the renewable energy space. Maintain **OUTPERFORM**.

Risks to our call include: (i) 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 change in government policies towards foreign businesses and forex, and (iv) liquidated ascertained damages (LAD) from cost overrun and delays.

OUTPERFORM ↔

Price: RM5.28
Target Price: RM6.20 ↔

Share Price Performance



KLCI	1,555.25
YTD KLCI chg	6.9%
YTD stock price chg	15.0%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	GAM MK Equity
Market Cap (RM m)	14,616.4
Shares Outstanding	2,768.3
52-week range (H)	5.37
52-week range (L)	4.02
3-mth avg. daily vol.	8,747,635
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
Net Profit	1,838	1,114	1,328
Core Net Profit	859	1,114	1,328
Consensus	-	987	1128
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	1.22
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	
SoP/share (RM)	5.90	
Add: 5% premium for 4-star ESG rating (RM)	0.30	
Target Price (RM)	6.20	

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)
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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Income Statement						Financial Data & Ratios					
FY Jul (RM m)	2021A	2022A	2023A	2024F	2025F	FY Jul	2021A	2022A	2023A	2024F	2025F
Revenue	3269	4902	8234	11500	13800	Growth (%)					
EBITDA	862	970	1099	1468	1750	Revenue	-19.8	50.0	68.0	39.7	20.0
Depreciation	-225	-241	-119	-114	-131	EBITDA	-28.2	12.5	13.3	33.6	19.2
EBIT	637	729	980	1354	1619	Operating Income	-40.3	14.5	34.4	38.2	19.6
Interest Expense	-100	-87	-88	-142	-143	Pre-tax Income	-34.5	29.8	125.3	-39.7	20.7
Associate	2	6	6	8	9	Net Income	-46.2	37.0	128.0	-39.4	19.2
JV	225	344	227	128	141	Core Net Income	-26.9	37.3	7.5	29.7	19.2
Exceptional	0	0	1111	0	0	Profitability (%)					
PBT	764	992	2236	1348	1626	EBITDA Margin	26.4	19.8	13.3	12.8	12.7
Taxation	-132	-156	-231	-202	-244	Operating Margin	19.5	14.9	11.9	11.8	11.7
Minority Interest	-44	-30	-167	-31	-55	PBT Margin	23.4	20.2	27.2	11.7	11.8
Net Profit	588	806	1838	1114	1328	Net Margin	18.0	16.4	22.3	9.7	9.6
Core Net Profit	582	799	859	1114	1328	Core Net Margin	17.8	16.3	10.4	9.7	9.6
						Effective Tax Rate	17.3	15.8	10.3	15.0	15.0
						ROE	3.1	4.1	3.9	5.1	5.7
						ROA	6.6	8.5	17.8	10.0	11.0
						DuPont Analysis					
						Net margin (%)	17.8	16.3	10.4	9.7	9.6
						Assets Turnover (x)	0.2	0.2	0.3	0.5	0.5
						Leverage Factor (x)	2.0	2.0	2.2	2.2	2.1
						ROE (%)	6.4	8.1	8.0	9.6	10.6
						Leverage					
						Debt/Asset (x)	0.28	0.24	0.29	0.29	0.27
						Debt/Equity (x)	0.57	0.48	0.64	0.63	0.55
						Net Debt/(Cash)	-2571	-1986	-3754	-3632	-2587
						Net Debt/Equity (x)	0.28	0.20	0.35	0.31	0.21
						Valuations					
						Core EPS (sen)	23.2	31.3	32.3	40.2	48.0
						NDPS (sen)	0.0	12.0	50.0	12.0	12.0
						BV/share (RM)	3.65	3.88	4.05	4.18	4.54
						NTA/share (RM)	3.65	3.88	3.87	3.99	4.34
						Core PER (x)	12.1	12.0	13.3	13.1	11.0
						Net Div. Yield (%)	0.0	3.2	11.6	2.3	2.3
						PBV (x)	0.77	0.97	1.06	1.26	1.16
						P/NTA (x)	0.77	0.97	1.11	1.32	1.22
						EV/EBITDA (x)	11.1	11.9	13.8	12.4	9.8

Balance Sheet					
FY Jul (RM m)	2021A	2022A	2023A	2024F	2025F
Fixed Assets	961	1095	1649	1682	1713
Associates	780	78	161	169	178
JV	1041	933	1229	1290	1355
Intangibles	0	0	498	522	549
Other FA	5746	6841	5024	5283	5539
Inventories	809	655	717	825	990
Receivables	1746	2437	2942	2993	2268
Other CA	4683	5429	8394	8814	9255
Cash	2657	2794	3169	3692	4367
Total Assets	18423	20263	23784	25270	26214
Payables	1746	2667	3713	3899	4094
ST Borrowings	1452	1549	1410	1420	2462
Other ST Liability	1283	1675	1689	1774	1863
LT Borrowings	3776	3231	5514	5904	4492
Other LT Liability	651	887	532	558	586
Minority Int.	352	349	135	142	149
Net Assets	9164	9905	10791	11573	12568
Share Capital	3621	3723	4078	4078	4078
Reserves	5543	6182	6713	7495	8490
Equity	9164	9905	10791	11573	12568

Cashflow Statement					
FY Jul (RM m)	2021A	2022A	2023A	2024F	2025F
Operating CF	1590	9.7	-143	554	1478
Investing CF	-819	397	-233	-100	-100
Financing CF	-270	-320	771	68	-702
Change In Cash	500	87	396	522	675
Free CF	770	406	-375	454	1378

Source: Kenanga Research

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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	5.28	6.20	17.4%	14,616.4	Y	07/2024	40.2	48.0	29.7%	19.2%	14.5	11.7	1.3	10.0%	12.0	2.3%
IJM	OP	2.42	2.54	5.0%	8,484.9	Y	03/2024	11.6	12.4	62.5%	7.0%	26.6	28.4	0.9	4.7%	8.0	3.3%
KERJAYA	OP	1.74	1.90	9.2%	2,194.2	Y	12/2024	14.2	15.8	33.3%	11.3%	14.3	12.5	1.5	13.0%	10.0	5.7%
KIMLUN	MP	1.03	0.890	-13.6%	364.0	Y	12/2024	8.3	8.9	311.3%	7.9%	10.4	8.8	0.5	3.9%	1.0	1.0%
SUNCON	OP	2.87	3.16	10.1%	3,700.5	Y	12/2024	12.7	16.7	-3.2%	31.1%	22.6	21.6	3.8	17.6%	6.0	2.1%
WCT	OP	0.535	0.660	23.4%	758.2	Y	12/2024	2.5	3.0	-85.9%	18.4%	21.2	14.5	0.3	1.2%	0.5	0.9%
Sector Aggregate					30,118.2					65.4%	16.7%	15.5	13.3	1.1	7.0%		2.6%

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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