

19 July 2024

Gamuda

Perth Signalling Job Sealed

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A JV between GAMUDA and French rail transport giant Alstom has been officially awarded the AUD1.6b (RM5b) METRONET high-capacity signalling (HCS) project in Perth. GAMUDA's share of works is RM2.3b. We maintain our forecasts and TP of RM7.29 but downgrade our call to **UNDERPERFORM** from **OUTPERFORM** as its valuations have become rich.

AD Alliance, a 46:54 JV between GAMUDA's unit DT Infrastructure Pty Ltd (DTI) and Alstom Transport Australia Pty Ltd has been formally awarded by the government of Western Australia the AUD1.6b (RM5b) METRONET HCS project in Perth. Recall, the JV was, in Apr 2024, picked as the preferred contractor for the project pending finalisation of contract terms. The scope of works includes to build the state-of-art Urbalis Communications-based train control on Perth's suburban rail networks, to upgrade the existing signalling and control systems to an integrated communications-based train control system which will be delivered in multiple line-by-line stages to minimise disruption to train operators. Based on its 46% stake in the JV, GAMUDA's share of works is AUD737m (c.RM2.3b) over 10 years commencing 2HCY24.

We are positive on the contract win. GAMUDA has secured six contracts wins YTD with a total value of RM15.4b-RM15.8b, on track to our job win assumption of RM27b over two year in FY24-FY25. Out of these six contracts wins, four of them are with firmed contract value totalling RM8.8b while two civil work contract for Upper Padas Hydroelectric Power Plant (estimated at RM2b) and Penang LRT Mutiara Line (estimated at RM4.6b-RM5b) projects are still under negotiation.

Forecasts. Maintained.

Valuations. We maintain our SoP-based TP of RM7.29 (see Page 2) that values its construction business at 20x FY25F PER and includes a 5% premium given its 4-star ESG rating as appraised by us (see Pages 6).

Investment case. We like GAMUDA for: (i) being in the driver's seat for the Mutiara Line of 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 RM26.5b (excluding Upper Padas Hydro and Penang LRT), and (v) its inroads into the renewable energy space. Nonetheless, we downgrade our call to **UNDERPERFORM** from **OUTPERFORM** as its share price has run ahead of its fundamentals.

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.

UNDERPERFORM ↓
Price: **RM8.28**
Target Price: **RM7.29** ↔

Share Price Performance



KLCI 1,633.81
 YTD KLCI chg 12.3%
 YTD stock price chg 80.4%

Stock Information

Shariah Compliant Yes
 Bloomberg Ticker GAM MK Equity
 Market Cap (RM m) 22,957.8
 Shares Outstanding 2,772.7
 52-week range (H) 8.49
 52-week range (L) 4.16
 3-mth avg. daily vol. 10,286,970
 Free Float 58%
 Beta 0.6

Major Shareholders

Amanah Saham Nasional 13.7%
 Employees Provident Fund 9.8%
 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	-	965	1198
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	20.6	16.4
PBV (x)	1.06	2.00	1.85
P/NTA (x)	1.11	2.09	1.93
Net Gearing (x)	0.35	0.33	0.24
Net Div. Yield (%)	11.6	1.9	1.9

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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	46	2.3	0
DTI	100	4.0	Various
		11.8	
Total		26.5	

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	-2,356.7	Estimated FY25F
	19,210.8	
Issued share (m)	2,767.8	
SOP/share (RM)	6.94	
Add: 5% premium for 4-star ESG rating (RM)	0.35	
Target Price (RM)	7.29	

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	UP	8.28	7.29	-12.0%	22,957.8	Y	07/2024	40.2	50.6	29.7%	25.8%	20.6	16.4	2.0	10.0%	12.0	1.4%
IJM	MP	3.63	3.00	-17.4%	12,727.4	Y	03/2025	13.0	14.4	-8.3%	11.2%	28.0	25.2	1.3	4.8%	8.0	2.2%
KERJAYA	OP	2.20	2.16	-1.8%	2,774.3	Y	12/2024	14.2	15.8	33.3%	11.3%	15.5	13.9	1.9	13.0%	10.0	4.5%
KIMLUN	OP	1.62	1.81	11.7%	572.4	Y	12/2024	11.9	14.7	493.0%	23.0%	13.6	11.1	0.7	5.5%	1.0	0.6%
SUNCON	OP	5.09	4.28	-15.9%	6,562.8	Y	12/2024	14.0	20.4	19.4%	45.7%	36.4	25.0	6.6	19.1%	6.0	1.2%
WCT	UP	1.28	0.950	-25.8%	1,814.1	Y	12/2024	3.8	6.2	-78.9%	63.2%	33.9	20.8	0.6	1.8%	0.5	0.4%
Sector Aggregate					47,408.8					44.5%	23.8%	23.2	18.8	1.7	7.4%		1.7%

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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