

27 September 2024

Gamuda

Looking to Another Record in FY25

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GAMUDA's FY24 results fell short of our forecasts, due largely to weaker-than-expected construction margin. The expected contract flows remain strong with expectation of RM15b contract wins in the next six months. As key local projects with better margins accelerate work progress, margin is set to recover gradually over FY25. We trimmed FY25F earnings by 5% but maintain FY26F earnings. It maintains as an OP with TP of RM9.20.

FY24 results underperformed. GAMUDA's FY24 results missed our expectations with core profit of RM897.0m falling short of our forecast by 19%, but met market consensus (-5%). The main variance against our forecast came largely from the weaker-than-expected construction margin (EBIT margin: actual 5.5% vs. our assumption of 8.0%). No dividend was declared as expected as it usually pays every 1Q and 3Q in the past. It has so far paid 16.0 sen NDPS in FY24.

YoY. Despite revenue surging 61% on higher Gamuda Engineering (GE)'s construction billings from overseas projects especially from Australia, FY24 core profit only grew 4% to RM897.0m. This was due to: (i) higher GE's overseas revenue (made up 84% of group's revenue vs. 57% in FY23) which fetched lower profit margin, (ii) deteriorated GE's local margin (11.5% vs. 14.6% in FY23) as profit recognition from the MRT2 tailed off. Meanwhile, Gamuda Land's (GL) property revenue (+49%) and profit (+6%) hit record high on strong overseas, particularly quick-turnaround projects (QTP). On the other hand, FY24 results were impacted by stronger MYR by RM20m-RM30m.

QoQ. 4QFY24 revenue jumped 26% led by GE (+36%), particularly Sg Rasau WTP (c.RM300m) and DTI (c.RM600m) while GL's revenue rose 6%. Correspondingly, 4QFY24 core profit rose 16% to RM271.6m.

Separately, GAMUDA also proposed to undertake an issuance of 1-for-1 bonus issue, subject to approvals from Bursa, EGM and other relevant authorities.

The key takeaways from the results briefing are as follows:

1. It expects a total of RM15b contract wins in the next six months, including EPCC portion of Upper Padas, the negotiation conclusion of Penang LRT Mutiara Line, several data centre awards and projects in Australia. With this, GAMUDA expects GE's outstanding order book to rise to RM30b-RM35b by end-CY24 (from previously guided RM30b), before rising further to RM40b-RM45b by end-CY25. We have assumed contract wins of RM14.5b and RM15.0b for FY25 and FY26, respectively, which is comparatively conservative.
2. GE is confident of securing several data centre projects, worth a total of around RM3b, only for hyperscale projects. Meanwhile, GE Australia and DTI have been shortlisted for several major infrastructure and renewable energy (RE) projects, with DTI expecting to close the RE deals soon, not to mention tenders from Taiwan as well.
3. Work progress for Sg Rasau WTP is normally at the main site while investigation into the embankment failure at the ancillary intake site is ongoing. It does not expect overall project completion to be affected as the intake works are not on the project's critical path.
4. Overall GE's profit margin is expected to improve in FY25 as work progress for key local projects (with better margin than that of

OUTPERFORM ↔

Price: RM8.01
Target Price: RM9.20 ↔

Share Price Performance



KLCI	1,671.32
YTD KLCI chg	14.9%
YTD stock price chg	74.5%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	GAM MK Equity
Market Cap (RM m)	22,586.8
Shares Outstanding	2,819.8
52-week range (H)	8.49
52-week range (L)	4.31
3-mth avg. daily vol.	12,359,460
Free Float	71%
Beta	0.6

Major Shareholders

Amanah Saham Nasional	13.4%
Employees Provident Fund	10.2%
Generasi Setia M Sdn Bhd	4.1%

Summary Earnings Table

FY Jul (RM m)	2024A	2025F	2026F
Turnover	13,347	14,800	15,400
EBIT	930	1,609	1,759
PBT	1,097	1,616	1,803
Net Profit	912	1,332	1,486
Core Net Profit	897	1,332	1,486
Consensus	-	1,209	1,338
Earnings Revision (%)	-	-4.9	-
Core EPS (sen)	39.5	47.3	52.7
Core EPS Growth (%)	4.4	48.5	11.5
NDPS (sen)	16.0	20.0	20.0
BVPS (RM)	4.06	4.33	4.66
NTA/share (RM)	3.88	3.95	4.26
PER (x)	20.3	17.0	15.2
PBV (x)	1.97	1.85	1.72
P/NTA (x)	2.07	2.03	1.88
Net Gearing (x)	0.33	0.38	0.34
Net Div. Yield (%)	2.0	2.5	2.5

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overseas projects) to accelerate which will bring up its revenue contribution to above 50% from 16% in FY24A. It also guided that there are outstanding variation orders not yet recorded for its Sydney Metro West project.

5. GL recorded another record sales of RM5b (+22%) in FY24 with unbilled sales at RM7.7b. It targets RM6b (+20%) new sales in FY25 to be driven by new QTRs, such as Springville (RM1.8b GDV) and The Meadows (RM0.3b GDV), both in Vietnam, coupled with stronger contributions from established local townships and ongoing QTPs in Vietnam.
6. It guided for a higher NDPS of 20 sen for FY25 vs. 16.0 sen paid in FY24.

Forecasts. We trimmed FY25 earnings forecast by 5% to reflect a lower GE's operating margin of 8.0% from 9.0% previously but keep FY26 net profit forecast unchanged (GE's operating margin assumption of 9.0%). However, we also raised FY25-FY26 NDPS projection to 20.0 sen from 16.0 sen previously, following with the company's new guidance.

Valuations. We maintain our SoP-based TP of RM9.20 (see Page 4) that values its construction business at 22x FY26F PER and includes a 5% premium given a 4-star ESG rating as appraised by us (see Pages 6). This is despite our FY25 earnings revision as our valuation is based on FY26 numbers.

We continue to like GAMUDA for: (i) being in 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 RM24.8b, 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, which may delay margin recovery (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)	4Q FY24	3Q FY24	Q-o-Q Chg	4Q FY23	Y-o-Y Chg	12M FY24	12M FY23	Y-o-Y Chg
Reported Turnover + JV	4,786.4	3,797.9	26%	3,440.0	39%	14,796.5	9,181.0	61%
EBITDA	511.4	96.9	428%	371.9	38%	1,092.7	1,088.3	0%
Depreciation	-48.9	-29.2	68%	-37.9	29%	-162.7	-118.8	37%
EBIT	462.5	67.7	583%	334.0	38%	930.1	969.5	-4%
Interest expense	-79.2	-31.5	151%	-25.7	208%	-173.4	-88.4	96%
Associates	-0.3	2.1	-115%	2.1	-115%	10.5	6.3	67%
Exceptional items	0.9	2.0	-53%	0.4	108%	15.1	1,111.5	-99%
Pretax profit	349.1	268.9	30%	333.5	5%	1,097.4	2,226.1	-51%
Taxation	-67.4	-26.4	155%	-80.0	-16%	-155.1	-221.1	-30%
Profit after tax	281.8	242.5	16%	253.5	11%	942.3	2,005.1	-53%
Minority interest	-9.3	-6.7	39%	-1.8	420%	-30.2	-166.7	-82%
Net profit	272.5	235.8	16%	251.7	8%	912.1	1,838.4	-50%
Core net profit	271.6	233.8	16%	251.3	8%	897.0	859.0	4%
EPS (sen)	9.6	8.3	16%	8.9	8%	31.8	30.5	4%
DPS (sen)	0.00	10.00	-100%	0.00	0%	16.00	50.00	-68%
NTA/share (RM)	3.66	3.91	-6%	3.87	-5%	3.66	3.87	-5%
EBITDA margin	10.7%	2.6%		10.8%		7.4%	11.9%	
EBIT margin	9.7%	1.8%		9.7%		6.3%	10.6%	
Pretax margin	7.3%	7.1%		9.7%		7.4%	24.2%	
Core net margin	5.7%	6.2%		7.3%		6.1%	9.4%	
Effective tax rate	19.3%	9.8%		24.0%		14.1%	9.9%	

Source: Company

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Segmental Breakdown								
	4Q	3Q	Q-o-Q	4Q	Y-o-Y	12M	12M	Y-o-Y
FY Dec (RM m)	FY24	FY24	Chg	FY23	Chg	FY24	FY23	Chg
Reported Turnover + JV								
Engineering and Construction	3,432.6	2,521.8	36%	2,532.3	36%	10,610.8	6,340.9	67%
Property Development	1,353.8	1,276.0	6%	884.5	53%	4,185.6	2,812.6	49%
Water and Expressways								
Concessions	0.0	0.0	0%	0.0	0%	0.0	2.2	N/A
Group Turnover	4,786.4	3,797.9	26%	3,416.8	40%	14,796.5	9,155.7	62%
Segment Results								
Engineering and Construction	213.6	139.5	53%	173.1	23%	623.1	618.6	1%
Property Development	135.5	129.3	5%	170.2	-20%	474.3	449.0	6%
Water and Expressways								
Concessions	0.0	0.0	0%	0.0	0%	0.0	1,171.1	N/A
Group PBT	349.1	268.9	30%	343.3	2%	1,097.4	2,238.7	-51%
PBT Margin								
Engineering and Construction	6.2%	5.5%		6.8%		5.9%	9.8%	
Property Development	10.0%	10.1%		19.2%		11.3%	16.0%	
Water and Expressways								
Concessions	N/A	N/A		N/A		N/A	N/A	
Group PBT Margin	7.3%	7.1%		10.0%		7.4%	24.5%	

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	4
Rasau WTP - Phase 1	100	1.4	28
Data Centre Projects	100	2.0	2
Upper Padas Hydroelectric Power Plant*	45	0.0	Pending
Penang LRT Mutiara Line		0.0	Pending
		7.0	
Taiwan			
Marine Bridge	70	0.0	100
Seawall Reclamation	70	0.1	81
Transmission Line	50	0.2	32
Tao Yuan Underground	60	1.1	7
Kaohsiung MRT	88	2.9	1
		4.3	
Singapore			
Bus Depot	100	0.3	69
Defu Station	60	0.7	28
West Coast Station	100	1.7	0
		2.7	
Australia			
Sydney Metro West	100	2.8	65
Coffs Harbour Bypass	50	1.5	32
M1 Extension	40	0.8	35
DTI	100	3.4	various
DTI - High-Capacity Signalling, Perth	46	2.3	2
		10.8	
Total		24.8	

Source: Kenanga Research, Company

GAMUDA's Sum-of-Parts Valuation		
Segment	Value (RM m)	Valuation Basis
Construction	17,692.3	22x FY26F PER
Property	7,623.1	40% discount to RNAV (see the following table)
Gamuda Waters (80%-owned)	292.3	FCFF @ 10% discount rate
Upper Padas (45%-owned)	661.4	FCFF @ 7% discount rate
Net Debt	-1,570.0	Estimated FY26F
	24,699.2	
Issued share (m)	2,819.6	
SOP/share (RM)	8.76	
Add: 5% premium for 4-star ESG rating (RM)	0.44	
Target Price (RM)	9.20	

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	45.8
2. Jade Hills	100	0	100	4.1
3. Gamuda Gardens	100	582	7,168	295.2
4. Gardens Park	100	532	3,566	146.9
5. twentyfive.7	100	111	2,923	120.4
6. Gamuda Cove	100	604	19,304	795.0
7. Kundang Estates	100	25	162	6.7
8. Others	100	37	2,449	100.9
Overseas				
1. Gamuda City, Hanoi	100	232	13,154	541.7
2. Celadon City, HCMC	100	0	281	29.9
3. OLA EC, Singapore	50	0	0	0.0
4. 661 Chapel Street, Melbourne	100	0	40	4.3
Quick turnaround projects				
1. Aldgate, London	90	N/A	240	23.6
2. West Hampstead, London	85	N/A	150	13.9
3. The Canopy on Normanby, Melbourne	100	N/A	440	52.5
4. Artisan Park, HCMC	100	N/A	280	25.0
5. Elysian, HCMC	100	N/A	700	62.6
6. St Kilda, Melbourne	100	N/A	240	28.6
7. Winchester House, London	75	2	2,580	230.8
8. MCT 3.7, HCMC	100	9	4,220	377.4
9 Future QTPs	100	55	2,170	258.8
		2,432	62,389	3,163.8
Unbilled Sales (as of Oct 23)	100		6,700	653.2
Property Shareholders Fund				8,888.2
Total RNAV (RM m)				12,705.2
Discount to RNAV (%)				40%
Discounted RNAV				7,623.1

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	8.01	9.20	14.9%	22,585.0	Y	07/2025	47.3	52.7	48.5%	11.5%	17.0	15.2	1.8	11.3%	20.0	2.5%
IJM	MP	3.05	3.16	3.6%	10,693.8	Y	03/2025	13.0	14.4	-6.5%	11.2%	23.5	21.2	1.1	4.8%	8.0	2.6%
KERJAYA	OP	1.90	2.24	17.9%	2,396.0	Y	12/2024	14.2	16.4	33.3%	15.4%	13.4	11.6	1.7	13.0%	10.0	5.3%
KIMLUN	OP	1.51	1.69	11.9%	533.6	Y	12/2024	6.0	11.5	200.0%	91.5%	25.1	13.1	0.7	2.8%	1.0	0.7%
SUNCON	MP	4.61	4.71	2.2%	5,943.9	Y	12/2024	14.0	20.4	6.1%	45.7%	33.0	22.6	6.5	20.7%	6.0	1.3%
WCT	OP	0.975	1.43	46.7%	1,459.8	Y	12/2024	3.8	6.2	-78.9%	63.2%	25.8	15.8	0.5	1.8%	0.5	0.5%
Sector Aggregate					43,612.1					53.4%	16.5%	19.5	16.7	1.5	7.9%		2.1%

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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