Gamuda

New Taipei City MRT Job in the Bag

By Teh Kian Yeong I tehky@kenanga.com.my

OUTPERFORM ↔

Price: RM8.54

Target Price: RM9.20 ↔

GAMUDA, together with its JV partners, has secured a design and build MRT contract in New Taipei City, Taiwan. It expects to recognise RM3.2b in revenue with a PBT margin of 8% from this project based on its 75% stake with a future award potential for additional works worth RM8.1b. We are positive on this win as it brings its outstanding order book to RM28.7b, nearing its end-CY24 target of RM30b–RM35b. We maintain OUTPERFORM rating at a TP of RM9.20.

Won RM3.2b design and build MRT contract in Taiwan. Yesterday, GAMUDA announced that the 75:15:10 JV between GAMDUA, MiTAC Information Technology Corp and Dong Pi Co Ltd was awarded the design and build contract for the Xizhi Donghu MRT construction project in Taiwan by the Department of Rapid Transit System, New Taipei City Government, worth NTD 31.96b (c.RM4.3b). The expected revenue to GAMUDA is NTD23.97b (c.RM3.2b) based on its 75% stake in the JV. The project is expected to start this month and span over seven years. Additionally, the JV is obligated to undertake an already determined additional works value of NTD80b (c.RM10.8b) with an expected revenue of NTD60b (c.RM8.1b) to GAMUDA based on its 75% stake in the JV.

The Xizhi Donghu MRT project covers a 5.78km railway track, system works and six elevated stations within Taipei Neihu District and New Taipei City Xizhi District. The NTD80b additional works include the Xizhi Donghu Line Maintenance Depot, as well as system and track works for two extension lines, i.e., the Keelung Line MRT and Minsheng Line MRT. The finalisation of the additional works will occur upon instruction from the Taipei City government and is expected to take place before the end of the Xizhi Donghu MRT contract.

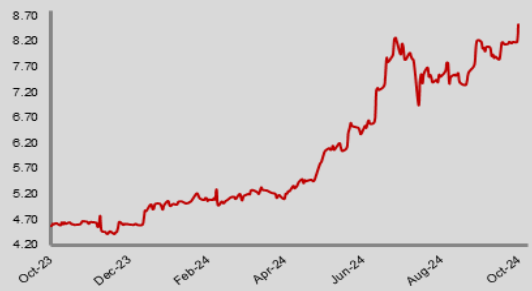
Second job secured in FY25. We are positive on this contract win, which is part of the RM15b target of contract wins set for the six-month period starting in Sep 2024. This is the second job win for FY25, bringing its YTD contract wins to RM3.93b and increasing the outstanding order book by 13% to RM28.7b against its targeted outstanding order book of RM30b-RM35b by end-CY24. We have assumed new job wins of RM14.5b in FY25, which is relatively conservative compared to management's aggressive target of RM30b. The guided PBT margin for this project is 8%.

Forecasts. Maintained with new job win assumption of RM14.5b and RM15.0b for FY25 and FY26, respectively.

Valuations. We maintain our SoP-based TP of RM9.20 (see Page 3) that values its construction business at 22x FY26F 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, (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 RM28.7b (excluding Upper Padas Hydro and Penang LRT), and (v) its inroads into the renewable energy space. Maintain **OUTPERFORM**.

Share Price Performance



KLCI	1,642.54
YTD KLCI chg	12.9%
YTD stock price chg	86.1%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	GAM MK EQUITY
Market Cap (RM m)	24,088.7
Shares Outstanding	2,820.7
52-week range (H)	8.55
52-week range (L)	4.34
3-mth avg. daily vol.	11,105,370
Free Float	71%
Beta	0.8

Major Shareholders

Amanah Saham Nasional	13.4%
Employees Provident Fund	10.1%
Generasi Setia M Sdn Bhd	4.1%

Summary Earnings Table

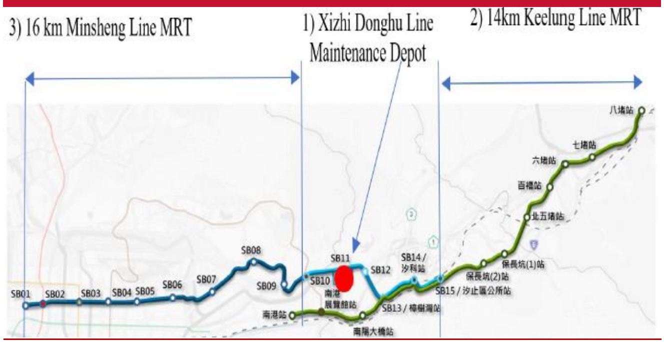
FY Jul (RM m)	2024A	2025F	2026F
Turnover	13,347	14,800	15400
EBIT	930	1,609	1759
PBT	1,097	1,616	1803
Net Profit	**912**	**1,332**	**1486**
Core Net Profit	**897**	**1,332**	**1486**
Consensus		1,203	1409
Earnings Revision (%)		-	-
Core EPS (sen)	39.5	47.3	52.7
Core EPS Growth (%)	4.4	48.5	11.5
NDPS (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)	21.6	18.1	16.2
PBV (x)	2.10	1.97	1.83
P/NTA (x)	2.20	2.16	2.01
Net Gearing (x)	0.33	0.38	0.34
Net Div. Yield (%)	1.9	2.3	2.3

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.

Exhibit 1: Overview of Xizhi Donghu MRT

Source: Company

Exhibit 2: Future Award Potential



Source: Company

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
New Taipei City MRT	75	3.2	0
		7.5	
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	4.1	various
DTI - High-Capacity Signalling, Perth	46	2.3	2
		11.5	
	Total	**28.7**	

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	50% 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 FY25F
	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)	**RM9.20**	

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

Income Statement

FY Jul (RM m)	2022A	2023A	2024A	2025F	2026F
Revenue	4902	8220	13347	14800	15400
EBITDA	963	1088	1093	1740	1914
Depreciation	-241	-119	-163	-131	-154
EBIT	722	970	930	1609	1759
Interest Expense	-87	-88	-173	-143	-121
Associate	6	6	11	9	9
JV	344	227	315	141	155
Exceptional	7	1112	15	0	0
PBT	992	2226	1097	1616	1803
Taxation	-156	-221	-155	-242	-270
Minority Interest	-30	-167	-30	-41	-46
Net Profit	806	1838	912	1332	1486
Core Net Profit	799	859	897	1332	1486

Balance Sheet

FY Jul (RM m)	2022A	2023A	2024A	2025F	2026F
Fixed Assets	1095	1649	1614	1713	1743
Associates	78	161	257	270	284
JV	933	1229	1634	1716	1802
Intangibles	0	498	1039	1091	1145
Other FA	6841	5024	5199	5613	5865
Inventories	655	717	612	1073	1108
Receivables	2437	2942	3281	2433	2532
Other CA	5429	8394	10186	10695	11230
Cash	2794	3169	2699	2289	730
Total Assets	20263	23784	26521	26893	26439
Payables	2667	3713	4806	5047	5299
ST Borrowings	1549	1410	1003	2462	2162
Other ST Liability	1675	1689	1722	1809	1899
LT Borrowings	3231	5514	6803	4492	3030
Other LT Liability	887	532	664	698	732
Minority Int.	349	135	156	164	172
Net Assets	**9905**	**10791**	**11365**	**12222**	**13145**
Share Capital	3723	4078	4530	4078	4078
Reserves	6182	6713	6835	8144	9067
Equity	**9905**	**10791**	**11365**	**12222**	**13145**

Cashflow Statement

FY Jul (RM m)	2022A	2023A	2024A	2025F	2026F
Operating CF	9.7	-133	-95	624	867
Investing CF	397	-233	-1262	-100	-100
Financing CF	-320	771	910	-934	-826
Change In Cash	87	405	-446	-410	-1559
Free CF	406	-366	-1356	524	767

Financial Data & Ratios

FY Jul	2022A	2023A	2024A	2025F	2026F
Growth (%)					
Revenue	50.0	67.7	62.4	10.9	4.1
EBITDA	11.7	13.0	0.4	59.2	10.0
Operating Income	13.4	34.2	-4.1	73.0	9.3
Pre-tax Income	29.8	124.3	-50.7	47.3	11.5
Net Income	37.0	128.0	-50.4	46.1	11.5
Core Net Income	37.3	7.5	4.4	48.5	11.5
Profitability (%)					
EBITDA Margin	19.6	13.2	8.2	11.8	12.4
Operating Margin	14.7	11.8	7.0	10.9	11.4
PBT Margin	20.2	27.1	8.2	10.9	11.7
Net Margin	16.4	22.4	6.8	9.0	9.7
Core Net Margin	16.3	10.4	6.7	9.0	9.7
Effective Tax Rate	17.3	15.8	10.3	15.0	15.0
ROE	4.1	3.9	5.1	5.7	6.0
ROA	8.5	17.8	10.0	11.3	11.7
DuPont Analysis					
Net margin (%)	16.3	10.4	6.7	9.0	9.7
Assets Turnover (x)	0.2	0.3	0.5	0.6	0.6
Leverage Factor (x)	2.0	2.2	2.3	2.2	2.0
ROE (%)	8.1	8.0	7.9	10.9	11.3
Leverage					
Debt/Asset (x)	0.24	0.29	0.29	0.26	0.20
Debt/Equity (x)	0.48	0.64	0.69	0.57	0.39
Net Debt/(Cash)	-1986	-3754	-3742	-4665	-4461
Net Debt/Equity (x)	0.20	0.35	0.33	0.38	0.34
Valuations					
Core EPS (sen)	31.3	32.3	39.5	47.3	52.7
NDPS (sen)	12.0	50.0	16.0	20.0	20.0
BV/share (RM)	3.88	4.05	4.06	4.33	4.66
NTA/share (RM)	3.88	3.87	3.88	3.95	4.26
Core PER (x)	12.0	13.3	21.6	18.1	16.2
Net Div. Yield (%)	3.2	11.6	1.9	2.3	2.3
PBV (x)	0.97	1.06	2.10	1.97	1.83
P/NTA (x)	0.97	1.11	2.20	2.16	2.01
EV/EBITDA (x)	12.0	14.0	19.0	16.5	12.6

Source: Kenanga Research

Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen) 1-Yr. Fwd.	Core EPS (sen) 2-Yr. Fwd.	Core EPS Growth 1-Yr. Fwd.	Core EPS Growth 2-Yr. Fwd.	PER (x) - Core Earnings 1-Yr. Fwd.	PER (x) - Core Earnings 2-Yr. Fwd.	PBV (x) 1-Yr. Fwd.	ROE 1-Yr. Fwd.	Net. Div. (sen) 1-Yr. Fwd.	Net Div Yld 1-Yr. Fwd.
Stocks Under Coverage																	
GAMUDA BHD	OP	8.54	9.20	7.7%	24,088.7	Y	07/2025	47.3	52.7	48.5%	11.5%	18.1	16.2	2.0	11.3%	20.0	2.3%
IJM CORP BHD	MP	2.98	3.16	6.0%	10,448.4	Y	03/2025	13.0	14.4	-6.5%	11.2%	23.0	20.7	1.1	4.8%	8.0	2.7%
KERJAYA PROSPEK GROUP BHD	OP	2.09	2.24	7.2%	2,635.6	Y	12/2024	14.2	16.4	33.3%	15.4%	14.7	12.8	1.8	13.0%	10.0	4.8%
KIMLUN CORP BHD	OP	1.41	1.69	19.9%	498.2	Y	12/2024	6.0	11.5	200.0%	91.5%	23.4	12.2	0.7	2.8%	1.0	0.7%
SUNWAY CONSTRUCTION GROUP BHD	MP	4.59	4.71	2.6%	5,918.2	Y	12/2024	14.0	20.4	6.1%	45.7%	32.8	22.5	6.4	20.7%	6.0	1.3%
WCT HOLDINGS BHD	OP	0.935	1.43	52.9%	1,457.6	Y	12/2024	3.8	6.2	-78.9%	63.2%	24.8	15.2	0.5	1.8%	0.5	0.5%
SECTOR AGGREGATE					**45,046.6**					**53.4%**	**16.5%**	**20.1**	**17.3**	**1.6**	**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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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