

### COMPANY UPDATE

## Gamuda (GAM MK)

### Scaling New Heights

**Gamuda is set to deliver a record-high bottom line in FY24, backed by higher earnings from both the construction and property development divisions. The outlook for the construction division remains resilient, underpinned by outstanding orderbook of RM24.1b and promising replenishment prospects. Meanwhile, the property division is expected to record stronger earnings on lumpy recognition of unbilled sales and higher new property sales. Maintain BUY. Target price: RM5.88.**

### WHAT'S NEW

- **Slowly but surely.** We remain confident that Gamuda is on course to hit its RM25b replenishment target in FY24-25 judging by its recent job wins and a healthy project pipeline ahead. It is worth highlighting that the upcoming finalisation of Upper Padas Hydroelectric Dam in Tenom, Sabah (estimated construction costs of RM2b-3b) and the Penang LRT Segment 1 from Silicon Island to Komtar (estimated construction costs of RM7b-8b) would potentially bring in additional orderbook of close to RM9-11b. Gamuda secured both projects earlier but the project values are yet to be determined pending contract finalisation in the coming months.

The addition of the two projects would sequentially increase its ytd orderbook replenishment to RM14-16b which is well within the management's guidance. Looking ahead, we believe there are some other big-ticket local infrastructure projects up for grabs, including MRT3 (although delay risk persists), Segment 2 and 3 of Penang LRT, as well as Pan Borneo Highway Sabah Phase 1B.

- **Ample replenishment opportunities in Australia.** Meanwhile, we anticipate Gamuda to benefit from a robust pipeline of infrastructure projects in Australia. We understand that it is currently bidding for a few projects collectively worth A\$7-8b (around RM22-24b) via joint ventures while anticipating tender outcomes for these projects to be concluded from mid-FY24 to 25F. These projects may include the second tunnelling package for the Suburban Rail Loop (around A\$2.0b-3.0b), a new highway project in Melbourne (around A\$0.5-1.0b) and additional works for the Sydney Metro West's station in Rosehill.

Moreover, its newly-acquired DT Infrastructure (DTI) is also actively tendering for new jobs in Australia. Its JV with AD Alliance has recently been selected as the preferred proponent for the Public Transport Authority's High Capacity Signalling Project (estimated at a few hundred million Australian dollars) to replace and upgrade the signalling and train control systems on Perth's passenger rail network.

### KEY FINANCIALS

Year to 31 Jul (RMm)	2022	2023	2024F	2025F	2026F
Net turnover	4,902	8,220	12,869	17,159	17,148
EBITDA	746	1,023	1,469	1,947	1,997
Operating profit	635	903	1,289	1,758	1,803
Net profit (rep./act.)	726	815	977	1,289	1,305
Net profit (adj.)	729	800	977	1,289	1,305
EPS (sen)	28.6	30.0	35.3	46.6	47.2
PE (x)	18.1	17.2	14.6	11.1	10.9
P/B (x)	1.3	1.3	1.2	1.2	1.1
EV/EBITDA (x)	28.5	20.8	14.5	10.9	10.6
Dividend yield (%)	2.3	9.5	2.3	2.3	2.3
Net margin (%)	14.8	9.9	7.6	7.5	7.6
Net debt/(cash) to equity (%)	29.0	37.9	59.1	64.4	49.1
Interest cover (x)	8.6	13.0	11.2	10.1	9.0
ROE (%)	7.6	7.9	8.8	10.8	10.1
Consensus net profit	-	-	980	1,132	1,202
UOBKH/Consensus (x)	-	-	1.00	1.14	1.09

Source: Gamuda Berhad, Bloomberg, UOB Kay Hian

## BUY

(Maintained)

Share Price	RM5.16
Target Price	RM5.88
Upside	+14.0%

### COMPANY DESCRIPTION

Civil engineering construction with exposure in property development and water concessions.

### STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	GAM MK
Shares issued (m):	2,769.2
Market cap (RMm):	14,289.0
Market cap (US\$m):	2,981.2
3-mth avg daily t'over (US\$m):	8.8

### Price Performance (%)

52-week high/low RM5.33/RM4.07

1mth	3mth	6mth	1yr	YTD
1.2	4.2	12.2	25.9	12.4

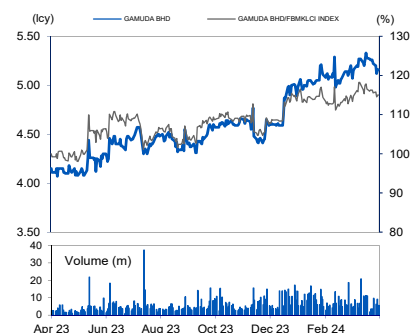
### Major Shareholders

	%
Amanah Saham Nasional Bhd	13.7
Employees Provident Fund Board	9.0
Generasi Setia M Sdn Bhd	4.1

FY24 NAV/Share (RM) 4.13

FY24 Net Debt/Share (RM) 2.44

### PRICE CHART



Source: Bloomberg

### ANALYST(S)

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### STOCK IMPACT

- Riding on prosperous DC space.** We believe Gamuda could also ride on the rising data centre (DC) space given its solid technical know-how. We earlier highlighted that the management targets to secure at least two DC projects by end-FY24. While Gamuda appears to be less active in bidding for DC projects compared to Sunway Construction (which had secured three DC contracts collectively worth RM2.7b), we believe that its competitiveness is equally strong. This is premised on its involvement in delivering industrial building system (IBS) solutions to AIMS Group's Cyberjaya DC Block 2 and 3. That said, we foresee Gamuda could capitalise on the rising pipeline of DC projects in Malaysia which would subsequently lead to huge replenishment opportunities.
- Construction margins improve as local projects progress further.** Recall that the construction margins have been on a declining trend over the last three quarters, mainly due to higher revenue mix from Australian projects which typically command lower profit margins by 2-4% compared to local projects. However, we expect the margins to improve meaningfully in the upcoming quarters as Gamuda gradually ramps up the progress billing for ongoing local projects, namely Silicon Island Reclamation and Rasau Water Treatment Plant. Furthermore, we also believe there could be marginal margin improvements from better economies of scale in ongoing Australian projects.
- Property development division sees promising outlook ahead.** The property development division is also projected to deliver better earnings in FY24 on the back of higher new property sales and progressive recognition of unbilled sales (RM6.7b as of end-2QFY24). Recall that the group targets to achieve new sales of around RM5b in FY24 (+22% yoy compared to RM4.1b in FY23), mainly on higher contributions from quick turnaround projects (QTPs). We understand that its upcoming project launches include Gardens Park in Sungai Buloh (adjacent to Gamuda Gardens) with a gross development value (GDV) of RM4b, Eaton Park in Ho Chi Minh City with a GDV of RM5.1b, and two additional QTPs. These new projects are expected to achieve commendable take-up rates, thus injecting fresh earnings momentum.

### EARNINGS REVISION/RISK

- Our forecasts are unchanged.

### VALUATION/RECOMMENDATION

- Maintain BUY with an unchanged SOTP-based target price of RM5.88.** Our target price implies 17x FY24F PE (+0.5SD to the five-year historical average of 15x). Gamuda stands to be the prime beneficiary of the upcoming mega infrastructure projects both locally and regionally. We also like the company for its superior earnings visibility backed by a robust orderbook as well as progressive new property launches. Gamuda is also on track to deliver record-high earnings in FY24 on the back of higher profit contributions from both the construction and property development divisions.

### ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

<ul style="list-style-type: none"> <li> <b>Environmental</b> <ul style="list-style-type: none"> <li>Commits to reduce greenhouse gas emission intensity by 30%/45% in 2025/30.</li> </ul> </li> <li> <b>Social</b> <ul style="list-style-type: none"> <li>Well-diversified workforce in terms of gender: female (43%) and male (57%).</li> </ul> </li> <li> <b>Governance</b> <ul style="list-style-type: none"> <li>Independent directors make up 57% of its board.</li> </ul> </li> </ul>
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### ORDERBOOK AS OF END-2QFY24

Projects	Value RMB	Progress %
<b>Malaysia:</b>		
Silicon Island Phase 1	3.7	1
Rasau WTP Phase 1	1.7	12
Pan Borneo Sarawak (65% share)	0.0	99
Others	0.0	various
<b>Australia:</b>		
SMW-WTP	4.1	48
Coffs Harbour Bypass (50% share)	1.6	20
M1 Motorway (40% share)	1.1	15
DTI projects	4.3	various
<b>Taiwan:</b>		
Marine bridge (70% share)	0.0	90
Seawall reclamation (70% share)	0.2	75
Transmission line (50% share)	0.2	14
Marine bridge ext (70% share)	0.1	81
Tao Yuan underground (60% share)	1.1	1
Kaoshiung MRT YC01 (88% share)	2.9	0
<b>Singapore:</b>		
Bus depot	0.4	58
Defu station (60% share)	0.8	16
West Coast Station	1.8	0.0
<b>Total Orderbook</b>	<b>24.1</b>	

Source: Gamuda, UOB Kay Hian

### SEGMENTAL FORECAST

(RMB)	FY24F	FY25F	FY26F
<b>Revenue</b>			
Engineering & Construction	7.8	11.5	12.6
Property Dev & Club	4.9	5.5	4.4
Water Concession	0.1	0.1	0.1
<b>Total</b>	<b>12.87</b>	<b>17.16</b>	<b>17.15</b>
<b>Operating Profit</b>			
Engineering & Construction	0.52	0.81	0.83
Property Dev & Club	0.69	0.87	0.89
Water Concession	0.08	0.08	0.08
<b>Total</b>	<b>1.29</b>	<b>1.76</b>	<b>1.80</b>

Source: Gamuda, UOB Kay Hian

### SUM-OF-THE-PARTS VALUATION

	RMm	Remarks
Construction	12,206	17x FY24 PE
Property (Malaysia)	5,813	30% discount to RNAV
Water concession	350	
Vietnam landbank	1,552	40% discount to RNAV
Proceeds from SPLASH	933	
Less Net Debt	(4,093)	
<b>Total SOTP value</b>	<b>16,761</b>	
Diluted no. of shares (m)	2,849	
<b>Target Price (RM)</b>	<b>5.88</b>	

Source: Gamuda, UOB Kay Hian

### PROFIT & LOSS

Year to 31 Jul (RMM)	2023	2024F	2025F	2026F
Net turnover	8,220	12,869	17,159	17,148
EBITDA	1,023	1,469	1,947	1,997
Deprec. & amort.	120	180	188	193
EBIT	903	1,289	1,758	1,803
Associate contributions	233	212	244	249
Net interest income/(expense)	(78)	(131)	(192)	(221)
Pre-tax profit	1,058	1,371	1,810	1,832
Tax	(221)	(343)	(452)	(458)
Minorities	(22)	(51)	(68)	(69)
Net profit	815	977	1,289	1,305
Net profit (adj.)	800	977	1,289	1,305

### CASH FLOW

Year to 31 Jul (RMM)	2023	2024F	2025F	2026F
Operating	404	(2,129)	(690)	1,953
Pre-tax profit	2,229	1,371	1,810	1,832
Tax	(238)	(343)	(452)	(458)
Deprec. & amort.	120	180	188	193
Associates	221	(212)	(244)	(249)
Working capital changes	(166)	(3,124)	(1,992)	635
Other operating cashflows	(1,761)	0	0	0
Investing	(233)	(199)	(201)	(201)
Capex (growth)	(793)	(199)	(201)	(201)
Proceeds from sale of assets	2,567	0	0	0
Others	(2,007)	0	0	0
Financing	771	2,694	594	301
Dividend payments	(1,061)	(332)	(332)	(332)
Issue of shares	98	0	0	0
Proceeds from borrowings	2,128	3,026	926	633
Others/interest paid	(395)	0	0	0
Net cash inflow (outflow)	943	366	(297)	2,052
Beginning cash & cash equivalent	1,908	2,831	3,197	2,900
Changes due to forex impact	(21)	0	0	0
Ending cash & cash equivalent	2,831	3,197	2,900	4,952

### BALANCE SHEET

Year to 31 Jul (RMM)	2023	2024F	2025F	2026F
Fixed assets	5,946	5,977	6,004	6,029
Other LT assets	2,615	2,816	3,045	3,278
Cash/ST investment	2,831	3,197	2,900	4,952
Other current assets	12,393	17,632	21,759	20,744
<b>Total assets</b>	<b>23,784</b>	<b>29,622</b>	<b>33,708</b>	<b>35,003</b>
ST debt	1,410	1,990	2,175	2,302
Other current liabilities	5,402	7,409	9,468	9,129
LT debt	5,514	7,960	8,700	9,207
Other LT liabilities	532	640	716	676
Shareholders' equity	10,791	11,436	12,393	13,366
Minority interest	135	187	255	323
<b>Total liabilities &amp; equity</b>	<b>23,784</b>	<b>29,622</b>	<b>33,708</b>	<b>35,003</b>

### KEY METRICS

Year to 31 Jul (%)	2023	2024F	2025F	2026F
<b>Growth</b>				
Turnover	67.7	56.5	33.3	(0.1)
EBITDA	37.1	43.6	32.6	2.6
Pre-tax profit	17.8	29.6	32.0	1.2
Net profit	12.3	19.9	32.0	1.2
Net profit (adj.)	9.6	22.1	32.0	1.2
EPS	5.1	17.5	32.0	1.2
<b>Profitability</b>				
EBITDA margin	12.4	11.4	11.3	11.6
Pre-tax margin	12.9	10.7	10.5	10.7
Net margin	9.9	7.6	7.5	7.6
ROA	3.7	3.7	4.1	3.8
ROE	7.9	8.8	10.8	10.1
<b>Leverage</b>				
Debt to total capital	38.8	46.1	46.2	45.7
Debt to equity	64.2	87.0	87.8	86.1
Net debt/(cash) to equity	37.9	59.1	64.4	49.1
Interest cover (x)	13.0	11.2	10.1	9.0

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