

COMPANY RESULTS

Gamuda (GAM MK)

3QFY24: Within Expectations; Near-term Outlook Remains Rosy

Gamuda's 9MFY24 core net profit came in within expectations, despite making up only 65% of our and consensus estimates as we expect stronger earnings in the subsequent quarters. The construction segment remains resilient, underpinned by an orderbook of RM24.2b as of end-23FY24 and a pipeline of mega projects. The property division is set to record stronger earnings in FY24 on lumpy recognition of unbilled sales and higher new property sales. Maintain BUY. Target price: RM7.34.

3QFY24 RESULTS

Year to 31 Jul (RMm)	9MFY24 (RMm)	9MFY23 (RMm)	yoy chg (%)	Comments
Revenue	8,625.5	4,816.7	79.1	
Engineering & Construction	7,138.4	2,966.5	140.6	Driven by overseas projects
Property Dev & Club Operations	1,487.1	1,850.2	(19.6)	Lower revenue from Vietnam
EBIT	481.8	568.3	(15.2)	
Engineering & Construction	297.2	281.6	5.5	Lower construction margins
Property Dev & Club Operations	184.6	286.7	(35.6)	
PBT	748.2	724.3	3.3	
PATAMI	639.6	563.0	13.6	
Core PATAMI	613.4	562.3	9.1	
Margin (%)	%	%	+ppt	
EBIT	5.6	11.8	(1.9)	
EBIT - Construction	4.2	9.5	0.9	
EBIT - Prop Dev	12.4	15.5	(1.0)	
PBT	8.7	15.0	(5.3)	
Core PATAMI	7.1	11.7	(4.9)	

Source: Gamuda Berhad, UOB Kay Hian

RESULTS

- Within expectations; stronger 4QFY24 earnings.** Gamuda reported a 3QFY24 core net profit of RM223.0m (+9.3% qoq, -0.1% yoy) on revenue of RM2.5b (-25.2% qoq, +20.5% yoy). This brought 9MFY24 core net profit to RM639.6m (+9.1% yoy), coming in within expectations despite making up only 65% of our and consensus estimates. We believe the group will deliver sequentially stronger earnings in the upcoming 4QFY24, driven by growth from both construction and property development segments. The group also declared a second interim dividend of 10 sen/share, bringing the total dividend in FY24 to 16 sen/share. This is above its usual annual dividend of 12 sen/share, supported by resilient earnings.

KEY FINANCIALS

Year to 31 Jul (RMm)	2022	2023	2024F	2025F	2026F
Net turnover	4,902	8,220	12,869	16,073	15,966
EBITDA	746	1,023	1,469	1,928	1,987
Operating profit	635	903	1,289	1,739	1,794
Net profit (rep./act.)	726	815	977	1,276	1,310
Net profit (adj.)	729	800	977	1,276	1,310
EPS (sen)	28.6	30.0	35.3	46.1	47.3
PE (x)	22.8	21.6	18.4	14.1	13.7
P/B (x)	1.7	1.6	1.6	1.5	1.3
EV/EBITDA (x)	33.4	24.4	17.0	12.9	12.6
Dividend yield (%)	1.8	7.6	1.8	1.8	1.8
Net margin (%)	14.8	9.9	7.6	7.9	8.2
Net debt/(cash) to equity (%)	29.0	37.9	59.1	59.0	43.9
Interest cover (x)	8.6	13.0	11.2	10.0	9.7
ROE (%)	7.6	7.9	8.8	10.7	10.2
Consensus net profit	-	-	983	1,156	1,241
UOBKH/Consensus (x)	-	-	0.99	1.10	1.06

Source: Gamuda Berhad, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM6.50
Target Price	RM7.34
Upside	+13.0%

COMPANY DESCRIPTION

Gamuda is a civil engineering construction company with exposure to property development and water concessions.

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	GAM MK
Shares issued (m):	2,770.7
Market cap (RMm):	18,009.4
Market cap (US\$m):	3,827.6
3-mth avg daily t'over (US\$m):	10.3

Price Performance (%)

52-week high/low RM6.60/RM4.30

1mth	3mth	6mth	1yr	YTD
7.4	25.0	41.3	45.7	41.6

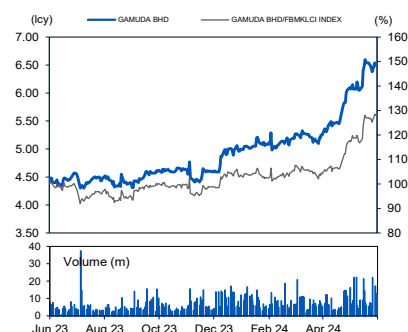
Major Shareholders

	%
Amanah Saham Nasional Bhd	13.7
Employees Provident Fund Board	8.7
Generasi Setia M Sdn Bhd	4.1

FY24 NAV/Share (RM) 4.13

FY24 Net Debt/Share (RM) 2.44

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- Resilient earnings as progress billings picked up pace; overseas projects recorded better margins.** The construction and engineering division recorded an EBIT of RM104.3m (+87.8% qoq, -25.4% yoy) in 3QFY24 on a revenue of RM2.5b (-25.2% qoq, +20.5% yoy). Note that overseas projects made up 77% of construction revenue in 9MFY24, amid delays in the rollout of local projects. On a positive note, we understand that the overseas projects' net profit margins have improved from 3.3% in 2QFY24 to 3.6% in 3QFY24, mainly underpinned by better economies of scale.
 - Replenishment target remains intact.** Orderbook remained robust at RM24.2b as of end-3QFY24 which translates to a cover ratio of 2.9x. Notably, Gamuda had secured seven projects collectively worth RM16b-18b as of May 24 and is on track to meet its replenishment target of RM25b in FY24-25. The near-term outlook remains rosy as management foresees a number of domestic and overseas projects materialising in the coming months. This could lift its orderbook above RM30b by end-24, setting a new record for the group.
- Domestic projects in the pipeline include MRT3 (although facing slight delay), Segment 2 of Penang LRT, and Pan Borneo Highway Sabah Phase 1B. Overseas, key upcoming projects in Australia may include the second tunnelling package for the Suburban Rail Loop (A\$2.0b-3.0b), a new highway project in Melbourne (A\$0.5b-1.0b) and additional works for the Sydney Metro West's station in Rosehill. The group also continues to bank on the booming data centre market supported by its proven track record of timely and stable project delivery.
- Construction margins to gradually improve.** We also anticipate its profit margins in the construction segment to improve gradually as local projects progress further while Australia projects also achieve better economies of scale. 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 with local projects. However, we expect the margins to improve meaningfully in the upcoming quarters as Gamuda gradually ramps up the progress billings 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.

EARNINGS REVISION/RISK

- Our forecasts are unchanged.

VALUATION/RECOMMENDATION

- Maintain BUY with an unchanged SOTP-based target price of RM7.34**, which implies an appealing 16.0x FY25F PE (0.25SD above the five-year historical mean 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.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

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

ORDERBOOK AS OF END-3QFY24

Projects	Value RMB	Progress %
Malaysia:		
Silicon Island Phase 1	3.6	3
Rasau WTP Phase 1	1.7	15
Data Center Projects	2.0	0
Others	0.1	n.a.
Australia:		
SMW-WTP	2.9	61
Coffs Harbour Bypass (50% share)	1.6	24
M1 Motorway (40% share)	1.0	24
DTI projects	4.0	n.a.
Seawall reclamation (70% share)	0.2	77
Transmission line (50% share)	0.2	20
Tao Yuan underground (60% share)	1.2	2
Kaoshiung MRT YC01 (88% share)	2.9	0
Singapore:		
Bus depot	0.3	66
Defu station (60% share)	0.7	21
West Coast Station	1.8	0
Total Orderbook	24.2	

Source: Gamuda, UOB Kay Hian

SEGMENTAL FORECAST

	FY24F	FY25F	FY26F
Engineering & Construction	7.8	11.5	10.4
Property Dev & Club	4.9	4.4	5.4
Water Concession	0.1	0.1	0.1
Total	12.87	16.07	15.97
EBIT (RMB)			
Engineering & Construction	0.52	0.81	0.67
Property Dev & Club	0.69	0.85	1.04
Water Concession	0.08	0.08	0.08
Total	1.29	1.74	1.79

Source: Gamuda, UOB Kay Hian

SUM-OF-THE-PARTS VALUATION

	RMm	Remarks
Construction	16,311	19x FY25 PE
Property	8,427	30% discount to RNAV
Water concession	274	
Less Net Debt	(4,093)	
Total SOTP value	20,919	
Diluted no. of shares (m)	2,849	
Target Price (RM)	7.34	

Source: Gamuda, UOB Kay Hian

PROFIT & LOSS

Year to 31 Jul (RMM)	2023	2024F	2025F	2026F
Net turnover	8,220	12,869	16,073	15,966
EBITDA	1,023	1,469	1,928	1,987
Deprec. & amort.	120	180	188	193
EBIT	903	1,289	1,739	1,794
Associate contributions	233	212	244	249
Net interest income/(expense)	(78)	(131)	(192)	(205)
Pre-tax profit	1,058	1,371	1,791	1,838
Tax	(221)	(343)	(448)	(460)
Minorities	(22)	(51)	(67)	(69)
Net profit	815	977	1,276	1,310
Net profit (adj.)	800	977	1,276	1,310

CASH FLOW

Year to 31 Jul (RMM)	2023	2024F	2025F	2026F
Operating	404	(2,129)	(22)	1,974
Pre-tax profit	2,229	1,371	1,791	1,838
Tax	(238)	(343)	(448)	(460)
Deprec. & amort.	120	180	188	193
Associates	221	(212)	(244)	(249)
Working capital changes	(166)	(3,124)	(1,310)	651
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	(195)	295
Dividend payments	(1,061)	(332)	(332)	(332)
Issue of shares	98	0	0	0
Proceeds from borrowings	2,128	3,026	137	627
Others/interest paid	(395)	0	0	0
Net cash inflow (outflow)	943	366	(419)	2,067
Beginning cash & cash equivalent	1,908	2,831	3,197	2,778
Changes due to forex impact	(21)	0	0	0
Ending cash & cash equivalent	2,831	3,197	2,778	4,845

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	2,778	4,845
Other current assets	12,393	17,632	20,407	19,336
Total assets	23,784	29,622	32,234	33,488
ST debt	1,410	1,990	2,017	2,143
Other current liabilities	5,402	7,409	8,828	8,449
LT debt	5,514	7,960	8,069	8,571
Other LT liabilities	532	640	686	646
Shareholders' equity	10,791	11,436	12,379	13,357
Minority interest	135	187	254	323
Total liabilities & equity	23,784	29,622	32,234	33,488

KEY METRICS

Year to 31 Jul (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	12.4	11.4	12.0	12.4
Pre-tax margin	12.9	10.7	11.1	11.5
Net margin	9.9	7.6	7.9	8.2
ROA	3.7	3.7	4.1	4.0
ROE	7.9	8.8	10.7	10.2
Growth				
Turnover	67.7	56.5	24.9	(0.7)
EBITDA	37.1	43.6	31.3	3.1
Pre-tax profit	17.8	29.6	30.7	2.6
Net profit	12.3	19.9	30.7	2.6
Net profit (adj.)	9.6	22.1	30.7	2.6
EPS	5.1	17.5	30.7	2.6
Leverage				
Debt to total capital	38.8	46.1	44.4	43.9
Debt to equity	64.2	87.0	81.5	80.2
Net debt/(cash) to equity	37.9	59.1	59.0	43.9
Interest cover (x)	13.0	11.2	10.0	9.7

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