

## COMPANY RESULTS

### Gamuda (GAM MK)

4QFY22: Record High From All Ends

Gamuda reported core net profit of RM259m (+17% qoq, +21% yoy), contributed by higher earnings from the construction and property divisions. Gamuda is among the key beneficiaries for upcoming mega projects rollout like MRT3. Its recent job wins in Australia, Singapore, Malaysia and Taiwan bode well for its regional prospects as it triples its orderbook to RM14b. The disposal of its highway concessions also will strengthen its war chest for future growth. Maintain BUY. Target price: RM4.35.

#### 4QFY22 RESULTS

Year to 31 Jul (RMm)	4QFY22	3QFY22	qoq % chg	yoy % chg	FY22	yoy % chg
Revenue	1,946.6	1,180.6	64.9	119.5	5,162.6	46.8
Engineering & Construction	826.3	391.9	110.8	37.7	2,168.8	10.2
Property Dev & Club Operations	1,001.6	704.7	42.1	424.1	2,572.3	129.1
Water & Expressway Concession	118.7	84.0	41.3	24.0	421.5	(1.0)
COGS	(1,654.0)	(966.6)	71.1	152.2	(4,407.9)	50.4
Net Interest	(16.7)	(20.2)	(17.2)	(52.4)	(93.8)	(18.1)
Associates	0.3	13.4	(98.0)	107.4	75.0	(23.4)
Joint Ventures	113.1	62.5	80.9	16.6	341.7	57.6
PBT	327.0	269.8	21.2	13.2	1,015.5	29.2
Engineering & Construction	125.0	66.8	87.2	2.1	389.5	14.3
Property Dev & Club Operations	186.2	158.1	17.7	48.9	438.2	102.7
Water & Expressway Concession	15.8	44.9	(64.7)	(48.6)	187.8	(18.1)
Taxation	(62.1)	(40.3)	54.1	4.6	(168.9)	9.6
PATAMI	255.2	221.5	15.2	19.2	806.2	37.0
Core PATAMI	258.9	221.5	16.9	20.9	809.9	37.7
<b>Margins (%)</b>						
PBT	16.8	22.8	(6.1)	(15.8)	19.7	1.8
PBT – Construction	15.1	17.0	(1.9)	2.7	18.0	0.7
PBT – Prop Dev	18.6	22.4	(3.8)	(46.8)	17.0	(2.2)
Core PATAMI	13.3	18.8	(5.5)	(10.8)	15.7	(1.0)

Source: Gamuda Berhad, UOB Kay Hian

## RESULTS

- **4QFY22 above expectations.** Gamuda Berhad (Gamuda) reported a strong 4QFY22 core net profit of RM258.9m (+16.9% qoq, +20.9% yoy) on revenue of RM1.9b (+64.9% qoq, +119.5% yoy). This brings FY22 core net profit to RM809.9m (+37.7% yoy), accounting for 111% and 109% of our and consensus' full-year estimates respectively. The improvement was mainly due to stronger-than-expected contribution from both the construction and property divisions.

## KEY FINANCIALS

Year to 31 Jul (RMm)	2021	2022	2023F	2024F	2025F
Net turnover	3,517	5,162	6,797	8,198	9,308
EBITDA	766	823	980	1,089	1,252
Operating profit	586	711	805	913	1,051
Net profit (rep./act.)	588	806	621	709	816
Net profit (adj.)	588	809	621	709	816
EPS (sen)	23.6	31.7	24.4	27.8	32.1
PE (x)	14.5	12.2	15.7	13.8	11.9
P/B (x)	0.9	1.0	0.9	0.9	0.8
EV/EBITDA (x)	11.0	10.1	10.9	10.5	9.8
Dividend yield (%)	0.0	3.1	3.3	3.4	3.6
Net margin (%)	16.7	15.8	10.8	9.7	9.2
Net debt/(cash) to equity (%)	18.1	12.3	10.4	8.9	7.3
Interest cover (x)	5.1	5.3	7.5	8.7	9.1
ROE (%)	6.6	8.6	8.8	9.2	9.5
Consensus net profit	-	-	640	746	832
UOBKH/Consensus (x)	-	-	0.97	0.95	0.98

Source: Gamuda Berhad, Bloomberg, UOB Kay Hian

## BUY

(Maintained)

Share Price	RM3.85
Target Price	RM4.35
Upside	+12.9%
(Previous TP)	RM4.09

## COMPANY DESCRIPTION

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

## STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	GAM MK
Shares issued (m):	2,513.5
Market cap (RMm):	7,239.0
Market cap (US\$m):	1,723.8
3-mth avg daily t'over (US\$m):	1.0

## Price Performance (%)

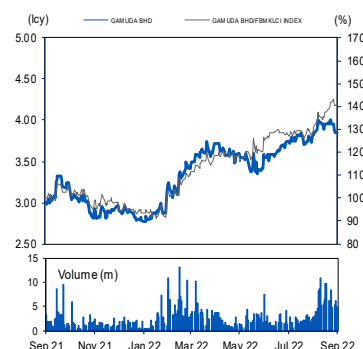
52-week high/low		RM3.90/RM2.62		
1mth	3mth	6mth	1yr	YTD
4.0	(1.7)	(4.3)	(13.5)	(0.7)

## Major Shareholders

	%
Employees Provident Fund	9.9
Skim Amanah Saham Bumiputera	8.3
Kumpulan Wang Persaraan	5.5

FY22 NAV/Share (RM)	3.85
FY22 Net Debt/Share (RM)	1.06

## PRICE CHART



Source: Bloomberg

## ANALYST(S)

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### STOCK IMPACT

- New record-high orderbook provides visibility until 2026.** Construction division recorded higher PBT of RM125m (+87% qoq), mainly driven by MRT2 given that the project is at the tail-end (99% completion). With MRT2 near completion, Gamuda managed to replenish its orderbook with RM11.6b worth of new job wins in FY22 – Australia (RM8b), Malaysia (RM2b), Singapore (RM1.5b) coupled with new job wins of around RM0.2b in Taiwan. This boosted its orderbook more than 3x to around RM14b (3.5x revenue cover). Currently, overseas projects contribute around 76% of the total orderbook. Its new wins target for FY23 is over RM13b. Local projects such as MRT3 (RM11b), Penang South Islands (RM5b), SMART2 tunnel (RM2b) coupled with potential wins in Australia, Singapore and Taiwan may contribute to earnings ahead.
- Property division remains strong.** Property PBT improved to RM186m in 4QFY22 (+18% qoq), largely due to strong contributions from both local and overseas projects. Gamuda achieved record-high presales of RM4b (+40% yoy) in FY22, fully achieving its target for the financial year with a 50:50 split between local and overseas contributions. Domestic presales almost doubled to RM2b, largely anchored by Gamuda Cove (+255% yoy), twentyfive.7 (+234% yoy), Gamuda Gardens (+56% yoy) and Jade Hills (+52% yoy). Overseas presales also increased 13% yoy, driven by Singapore's OLA which also almost doubled its presales to RM1b (+82% yoy), offsetting the weaker performance in Vietnam, given that Celadon City is nearing completion (-29% yoy). Its unbilled sales reached another new record high of RM6.2b.
- Strengthening its foothold in Australia.** Having secured a total of RM8.2b new job wins in Australia against major international construction companies, Gamuda is paving its way into the country's construction scene. The track record will help strengthen its prospects for tenders. Recently, it was shortlisted for another two more projects in Melbourne, the North-East Link and Suburban Rail Loop with the outcome expected to be announced in 2023. Gamuda is partnering with John Holland for this project, the same company that it partnered with for the Metro railway line last year. They will be competing against two other competitors for these two projects. Gamuda is looking to tender for around RM45b (A\$15b) worth of projects in Australia for the next 2-3 years, and expects to win RM15b (A\$5b).
- Highway disposal progressing well.** RM5.5b Sukuk was successfully raised by ALR on 23 Sep 22 despite the volatile market. The drawdown and final completion are expected by mid-October with cash proceeds expected to be received in the next few months. The RM2.3b or RM0.91/share that it may receive from this disposal will be used for reinvestment (19%), special dividends (43%), and reducing borrowings (38%). With 43% of the proceeds to be used as special dividends, this will translate to about RM1b or 38 sen/share (dividend yield: 10%). Gamuda will realise a one-off gain of RM1b, lifting NAV to RM4.27 (+RM0.39/share). The disposal will help to deleverage its balance sheet (change to net cash position of >RM1b) and use it to fund for future projects.

### EARNINGS REVISION/RISK

- Raise FY23-24 earnings forecasts** by 5-6% to reflect the higher-than-expected results.

### VALUATION/RECOMMENDATION

- Maintain BUY with a higher SOTP-derived target price of RM4.35**, implying 17x FY23F PE (+1SD of five-year historical average). Gamuda stands to be the prime beneficiary of the upcoming mega infrastructure projects both locally and regionally.

### 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 composition.</li> </ul> </li> </ul>
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### SOTP VALUATION

	RMm	Remarks
Construction	7,843	11x FY22 PE
Property (Malaysia)	3,899	50% discount to RNAV
Concessions	2,710	
Vietnam landbank	1,552	40% discount to RNAV
Proceeds from SPLASH	933	
Less Net Debt	(3,000)	
<b>Total SOTP value</b>	<b>13,937</b>	
Outstanding shares (m)	2,554	
SOTP/share	5.46	
Discount to SOTP	20%	
<b>TP/share (RM)</b>	<b>4.35</b>	

Source: Gamuda, UOB Kay Hian

### OUTSTANDING ORDERBOOK

	RMb	Work done
KVMRT Line 2	0.9	94%
Pan Borneo Sarawak	0.0	96%
Second Trunk Road, Sarawak	0.1	31%
Residential Building Works, Malaysia	0.1	69%
Other Civil Works, Malaysia	0.2	54%
Rasau WTP, Malaysia	2.0	0%
Marine bridge, Taiwan	0.1	68%
Bus depot, Singapore	0.6	23%
Seawall project, Taiwan	0.4	39%
Transmission line, Taiwan	0.2	0%
Marine bridge ext, Taiwan	0.2	0%
Defu Station, Singapore	0.9	0%
SMW-WTP, Australia	6.2	5%
Coffs, Australia	2.1	0%
<b>TOTAL</b>	<b>14.0</b>	

Source: Gamuda

### MRT3 PROJECT DETAILS

Asset Owner	MRT Corporation
Project Period	2023-30 (8 years)
Project Structure	a) 2 contractors for elevated works b) 1 contractor for underground works c) 1 contractor for integrated rail systems d) 1 project management consultant
Estimated Cost	RM30b-50b
Funding Structure	Sukuk issuances and other hybrid funds; every work package will have its own PFI
Length of Alignment	51km: 40km of elevated tracks & 11km of underground tunnels
No. of Stations	31, including 10 interchange stations

Source: MRT Corp, UOB Kay Hian

### PROFIT & LOSS

Year to 31 Jul (RMm)	2022	2023F	2024F	2025F
Net turnover	5,162	6,797	8,198	9,308
EBITDA	823	980	1,089	1,252
Deprec. & amort.	174	175	176	176
EBIT	711	805	913	1,051
Total other non-operating income	166	141	92	90
Associate contributions	105	120	130	130
Net interest income/(expense)	(136)	(141)	(136)	(121)
Pre-tax profit	1,036	920	1,060	1,202
Tax	(203)	(242)	(269)	(291)
Minorities	(77)	(94)	(82)	(94)
Net profit	806	621	709	816
Net profit (adj.)	809	621	709	816

### BALANCE SHEET

Year to 31 Jul (RMm)	2022	2023F	2024F	2025F
Fixed assets	967	972	976	1,074
Other LT assets	7,853	8,115	8,337	9,171
Cash/ST investment	2,592	2,571	3,042	3,346
Other current assets	8,089	9,163	8,519	9,371
<b>Total assets</b>	<b>19,501</b>	<b>20,821</b>	<b>20,874</b>	<b>22,961</b>
ST debt	1,452	1,452	1,452	1,597
Other current liabilities	3,636	4,369	3,930	4,323
LT debt	3,776	3,776	3,776	4,154
Other LT liabilities	640	640	640	704
Shareholders' equity	9,568	10,061	10,472	11,519
Minority interest	429	523	606	667
<b>Total liabilities &amp; equity</b>	<b>19,501</b>	<b>20,821</b>	<b>20,874</b>	<b>22,961</b>

### CASH FLOW

Year to 31 Jul (RMm)	2022	2023F	2024F	2025F
Operating	401	450	936	1,030
Pre-tax profit	1,036	920	1,060	1,166
Tax	(203)	(242)	(269)	(296)
Deprec. & amort.	174	175	176	194
Associates	(105)	(120)	(130)	(143)
Working capital changes	(269)	(341)	204	224
Non-cash items	(271)	(261)	(222)	(244)
Other operating cashflows	241	261	266	293
<b>Investing</b>	<b>(180)</b>	<b>(180)</b>	<b>(180)</b>	<b>(198)</b>
Capex (growth)	(180)	(180)	(180)	(198)
Investments	(271)	(261)	(222)	(244)
Proceeds from sale of assets	0	0	0	0
Others	271	261	222	244
<b>Financing</b>	<b>(285)</b>	<b>(290)</b>	<b>(285)</b>	<b>(314)</b>
Dividend payments	(149)	(149)	(149)	(164)
Issue of shares	0	0	0	0
Proceeds from borrowings	0	0	0	0
Others/interest paid	(136)	(141)	(136)	(150)
<b>Net cash inflow (outflow)</b>	<b>(65)</b>	<b>(21)</b>	<b>471</b>	<b>518</b>
Beginning cash & cash equivalent	1,233	1,169	1,148	1,263
Changes due to forex impact	1,424	1,424	1,424	1,566
<b>Ending cash &amp; cash equivalent</b>	<b>2,592</b>	<b>2,571</b>	<b>3,042</b>	<b>3,346</b>

### KEY METRICS

Year to 31 Jul (%)	2022	2023F	2024F	2025F
<b>Profitability</b>				
EBITDA margin	17.2	15.8	16.9	18.6
Pre-tax margin	16.4	14.9	15.2	16.7
Net margin	11.8	10.4	10.6	11.7
ROA	2.9	3.2	2.7	3.0
ROE	5.9	6.5	5.5	6.1
<b>Growth</b>				
Turnover	33.2	31.5	(14.4)	(15.8)
EBITDA	5.3	20.9	(8.6)	(9.5)
Pre-tax profit	(2.4)	19.9	(12.9)	(14.2)
Net profit	(5.8)	15.8	(12.7)	(14.0)
Net profit (adj.)	(5.8)	15.8	(12.7)	(14.0)
EPS	(5.8)	15.8	(12.7)	(14.0)
<b>Leverage</b>				
Debt to total capital	34.3	33.1	32.1	35.3
Debt to equity	54.6	52.0	49.9	54.9
Net debt/(cash) to equity	27.5	26.4	20.9	23.0
Interest cover (x)	5.9	6.9	6.6	7.3

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