BIMB Securities Research

29 March, 2024

BIMB SECURITIES

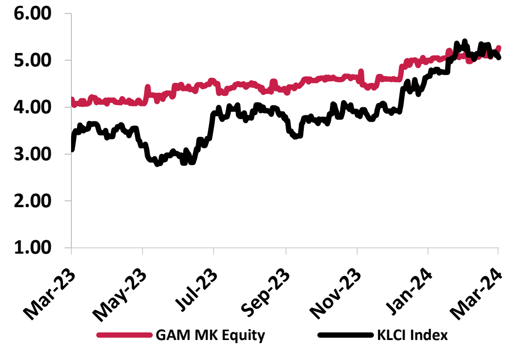
Gamuda Berhad (GAM MK) — Below — BUY

Share Price	**RM5.27**
Target Price	**▲RM6.30 +19.52%**

Overseas earnings continue to hold sway

- **Maintain BUY (TP: RM6.30)**. Gamuda Berhad (Gamuda) 2QFY24 core net profit of RM418.1mn were below with ours and consensus expectations, accounting for 42.6% and 41.9% respectively. Nevertheless, its YoY revenue surged by 123.1% meanwhile a modest growth of 18.9% YoY seen in net profit, mainly comes from the overseas projects. All in all, we remain optimistic with its earnings outlook underpinned by its large construction outstanding orderbook of RM24.1bn and unbilled property sales of RM6.7bn. We maintain **BUY** on Gamuda, with higher SOP-derived TP of RM6.30 (from RM5.16) as we rolled forward our valuation to FY25F.
- **Key highlights**. Gamuda recorded a modest growth coming to 1HFY24 with 18.8% QoQ increase in revenue and net profit increment by 7.1% QoQ. Overseas ventures have ramped up to bridge the gap caused by the decline in domestic revenue and earnings. Construction revenue from international projects has tripled to RM2.1bn from RM662mn, driven by the progress of Australian projects namely the SMW-WTP, Coffs Harbour, and M1 Motorway, with progress rates reaching 54%, 32%, and 20%, respectively. Meanwhile, its property division is strengthened by improved performances in both international and local projects, with domestic sales now constituting 70% of total sales in 1HFY24
- **Earnings Revision.** Despite the improved earnings, we expect a slower growth of orderbook wins from domestic front, hence we lowered our earnings assumptions for FY24/FY25 by 20.3%/22.5% respectively
- **Outlook.** We anticipate that the performance for FY24 will still primarily be influenced by construction activities overseas, as projects in Australia and Taiwan are gaining momentum, including the full-year contribution from the acquired Downer Transports Projects. Additionally, we expect an uptick in property sales, particularly from newly launched quick-turnaround projects (QTP). We also anticipate Gamuda's participation in construction of data centre, which could yield a double-digit margin, along with the Penang LRT, the high-priority project for FY24 which at the finalisation stage.

Price Chart (RM)



Share Performance (%)	1m	3m	12m
Absolute	2.9	15.9	29.7
vs FBM KLCI	4.6	8.6	15.0

Stock Data	
ESG Rating	Good
Mkt Cap (RM)	14,586.2
Adjusted Beta	0.61
Free float (%)	73.7
Issued shares (m)	2,767.8
52w H/L (RM)	45.29 / 3.99
3m avg daily volume (m)	8,221,128

Major Shareholders (%)	
Amanah Saham Nasional	13.7
Employees Provident Fund	8.5
Generasi Setia M	4.1

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Table 1: Quarterly figures

Gamuda	Quarterly			Change (%)		Cumulative		YTD	BIMB	
FYE 31 July (RM mn)	2Q23	1Q24	2Q24	QoQ Chg	YoY Chg	1H23	1H24	%	FY24F	1H/F
Revenue	1,443.0	2,804.7	3,330.8	18.8%	130.8%	2749.6	6135.5	123.1%	9028.3	68.0%
EBITDA	146.8	204.1	123.5	-39.5%	-15.9%	313.5	412.1	31.4%	1489.5	27.7%
Pretax profit	230.1	239.7	239.6	0.0%	4.1%	414.8	479.4	15.6%	1260.5	38.0%
Taxation	(31.2)	(37.9)	(23.4)	-38.1%	-24.8%	(59.2)	(61.3)	3.6%	(248.9)	24.6%
Core Net Profit	**198.9**	**201.9**	**216.2**	**7.1%**	**8.7%**	**355.7**	**418.1**	**17.5%**	**981.9**	**42.6%**
EPS (sen)	7.5	7.3	7.7	5.4%	2.5%	12.9	14.9	16.0%	36.3	41.1%
				Chg (ppts)				**Chg (ppts)**		
EBITDA margin (%)	10.2%	7.3%	3.7%	(3.6)	(6.5)	11.4%	6.7%	(4.7)	10.2%	
PBT margin (%)	15.9%	8.5%	7.2%	(1.4)	(8.8)	15.1%	7.8%	(7.3)	15.9%	
Net profit margin (%)	13.5%	7.0%	6.3%	(0.7)	(7.2)	12.4%	6.6%	(5.8)	13.5%	
Effective tax rate (%)	-13.5%	-15.8%	-9.8%	6.0	3.8	-14.3%	-12.8%	1.5	-13.5%	

Source: BIMB Securities, Company

Results Review

Construction

Equity

Table 2: Earnings revision

FYE 31 Dec	Before			After			Changes (%/ppts)		
RM m	FY23F	FY24F	FY25F	FY23A	FY24F	FY25F	FY23A	FY24F	FY25F
Turnover	8,233.60	9,028.30	10,939.10	8,220.4	10,235.7	11,368.3	-0.2%	13.4%	3.9%
EBITDA	912.8	1,489.50	1,808.40	902.7	1,183.4	1,378.4	-1.1%	-20.5%	-23.8%
Pretax profit	1,067.60	1,260.50	1,584.70	1,057.8	992.3	1,187.2	-0.9%	-21.3%	-25.1%
Net Profit	**860.1**	**981.9**	**1,234.40**	**814.7**	**782.4**	**956.5**	**-5.3%**	**-20.3%**	**-22.5%**
EPS (sen)	31.8	36.3	45.6	31.0	30.6	37.4	-2.5%	-15.8%	-18.1%
EBITDA margin (%)	-0.9	-0.8	-0.8	-0.9	-0.9	-0.9	5.9	-2.5	-7.1
Pretax margin (%)	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	4.8	-2.6	-7.4
Net margin (%)	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	32.0	-2.5	-6.7

Source: BIMB Securities

Table 3: Gamuda's Construction orderbook

Project	Value (RMmn)	Billed (RMbn)	Stake (%)	Balance works (RMmn)	Completion Status	
					Current progress (%)	Award/ Completion year
Malaysia						
Pan Borneo Sarawak	1,072.5	1,061.8	65%	10.7	99%	2020/2022
Silicon Island Phase 1	3,700.0	37.0	100%	3,663.0	1%	2023/2030
Rasau Water Treatment Plant	1,968.0	236.2	100%	1,731.8	12%	2022/2025
Upper Padas hydro	n.a	n.a	45%	n.a	n.a	pending
Others	n.a	n.a	100%	n.a	n.a	various
Total local's orderbook				**5,405.6**		
Taiwan						
Marine bridge, Guantang	365.4	328.9	70%	36.5	90%	2019/2023
Seawall reclamation at Taipei port	652.4	489.3	70%	163.1	75%	2020/2025
161kV Songshu to Guanfeng underground transmission line	216.5	30.3	50%	186.2	14%	2021/2025
Extension of Marine Bridge – Guantang	211.1	171.0	70%	40.1	81%	2022/2024
TaoYuan City Underground Railway	1,278.0	12.8	60%	1,265.2	1%	2022/2030
Kaoshiung MRT YC01	2,900.0	0.0	88%	2,900.0	0%	2023/2032
Total Taiwan's orderbook				**4,591.1**		
Singapore						
Batu Gali Multi-Storey Bus Depot	800.0	464	100%	336.0	49%	2019/2023
Defu Station and Tunnels, MRT Cross Island Line (Phase 1)	870.0	139.2	60%	730.8	10%	2022/2030
West Coast Station and Tunnels for New Cross Island Line Phase 2	1,770.0		100%	1,800.0	0%	2023/2032
Total Singapore's orderbook				**2,866.8**		
Australia						
Sydney Metro West – Western Tunnelling Package	6,500.0	3,120.0	100%	4,100.0	48%	2022/2026
Coffs Harbour Bypass Project	2,050.0	410.0	50%	1,640.0	20%	2022/2027
M1 Motorway Extension	1,240.0	186.0	40%	1,054.0	15%	2023/2028
Downer Transport Projects	4,300.0	n.a	100%	4,300.0	n.a	various
Total Australia's orderbook				**11,094.0**		
Total oversea's orderbook				**18,551.9**		
TOTAL ODERBOOK				**23,957.5**		

Source: Company, BIMB Securities

Table 4: Gamuda's Sum-of-Parts Breakdown

Segment	Value (RM`m)	Valuation Basis
Construction	11,935.7	FY25F earnings-to-PER 14.9x
Property	7,579.0	Total RNAV
	3,789.5	50% Discounted RNAV
Concession (water)	2.3	FCF
Net cash/ (debt)	0.70	FY25F
Investment properties	631.0	FY25F
ERS energy	200.1	
Total	**16,559.4**	
No.of shares	2,629.0	
SOP/share (RM)	**6.30**	**Target Price**

Source: BIMB Securities

Table 5: Earnings forecast

FYE July (RM mn)	2022	2023A	2024F	2025F	2026F
Turnover	4,902.1	8,220.4	10,235.7	11,368.3	13,324.3
EBITDA	634.6	902.7	1,183.4	1,378.4	1,592.9
Pretax profit	897.8	1,057.8	992.3	1,187.2	1,401.7
Core Net Profit	**725.8**	**814.7**	**782.4**	**956.5**	**1,173.2**
Consensus NP			997.19	1150.0	1232.0
EPS (sen)	28.7	31.0	30.6	37.4	45.8
PER (x)	15.8	13.9	18.2	14.9	12.2
DPS (sen)	0.12	0.50	0.12	0.12	1.12
Div. Yield (%)	2.7	11.6	2.3	2.3	2.3
BVPS (RM)	20.5	15.7	12.5	10.4	7.2
P/B (x)	1.1	1.0	1.0	1.0	1.0
Key Ratios (%)					
ROE	6.4	6.7	7.5	7.6	8.8
EBITDA margin	15.2	12.4	12.4	13.2	13.8
Pretax margin	18.3	12.9	9.7	9.7	10.4
Net margin	16.7 %	15.7%	10.4%	10.9%	11.3%

Source: Bloomberg, BIMB Securities

DEFINITION OF RATINGS

BIMB Securities uses the following rating system:

STOCK RECOMMENDATION

BUY Total return (price appreciation plus dividend yield) is expected to exceed 10% in the next 12 months.

TRADING BUY Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain.**HOLD** Share price may fall within the range of +/- 10% over the next 12 months

TAKE PROFIT Target price has been attained. Fundamentals remain intact. Look to accumulate at lower levels.

TRADING SELL Share price may fall by more than 15% in the next 3 months. **SELL** Share price may fall by more than 10% over the next 12 months.

NOT RATED Stock is not within regular research coverage.

SECTOR RECOMMENDATION

OVERWEIGHT The Industry as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months

NEUTRAL The Industry as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months

UNDERWEIGHT The Industry as defined by the analyst's coverage universe, is expected to underperform the relevant primary market indexover the next 12 months

Applicability of ratings

The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

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