

17 December 2018 | 1QFY19 Results Review

## Gamuda Berhad

*No surprise in results*

**Maintain BUY**

**Unchanged Target Price(TP): RM2.89**

### INVESTMENT HIGHLIGHTS

- The group recorded revenue growth of **+17.3% in 1QFY19**
- Overall revenue was heavily weighted by construction segment, at a flat quantum from last year's period
- Revenue from property segment fell **-12.2%**
- Dividend of **6sen/share** declared
- **Maintain BUY with unchanged TP of RM2.89**

The group's revenue reported growth of **+17.3%yoy**, amounting to RM903.9m in 1QFY19. Taking into account the revenue recognized from JV, the quantum however showed a marginal drop of **-4.0%yoy**. This has led the group's profit to slip **-21.4%yoy** to RM172.0m in 1QFY19. Altogether, it formed 26.2% and 27.5% of ours and consensus' full year estimates.

**The overall revenue contribution was heavily weighted by construction segment** at RM1.0b (**-0.2%yoy**). This was supported by stable billings recognition of outstanding order book to date. Despite the steady work progress, we noted that PBT level fell **-8.6%yoy** to RM91.7m steered by the earnings decline from KVMRT2 package. Whilst the package is expected to contribute earnings positively; we believe that compression in margin is likely to remain due to the recent alteration of contract.


**Revenue in the property segment fell.** During the same period, property segment recorded the biggest drop in revenue of **-12.2%yoy** to RM447.0m. Accordingly, this translates directly to a PBT quantum of RM 40.1m, a drop of **-13.8%yoy**. The property market has been rather soft during the quarter, which has led to the negative earnings deviation. Moving forward, management's optimistic view is buoyed by the prospect of overseas projects which have so far maintained a trend of strong take up rates. We recall that 70% of Gamuda's property earnings were generated by its overseas projects. Two notable mentions of overseas projects are Gamuda City located in Hanoi and Celadon City in Ho Chi Minh City.

RETURN STATS	
Price (14 Dec 2018)	RM2.28
Target Price	RM2.89
Expected Share Price Return	+26.7%
Expected Dividend Yield	+4.8%
<b>Expected Total Return</b>	<b>+31.5%</b>

STOCK INFO	
KLCI	1,661.96
Bursa / Bloomberg	5398 / GAM MK
Board / Sector	Main/ Construction
Syariah Compliant	Yes
Issued shares (mil)	2,468.1
Market cap. (RM'm)	5,627.15
Price over NA	0.74
52-wk price Range	RM2.00 – RM5.31
Beta (against KLCI)	1.26
3-mth Avg Daily Vol	15.5m
3-mth Avg Daily Value	RM38.2m
Major Shareholders	
EPF	11.4%
SULTAN AZLAN ELEENA	4.8%
ASB	4.5%

**Dividend declared.** The management has declared an interim dividend of 6sen/share of financial year ending 31 July 2019. This amount paid out is about 15% of our FY19 earnings estimates. For the full year, we are expecting another 6sen/ share of dividend to give a total of 12sen/share.

**Earnings forecast unchanged.** We made no changes to our earnings forecasts since the results met our estimates.

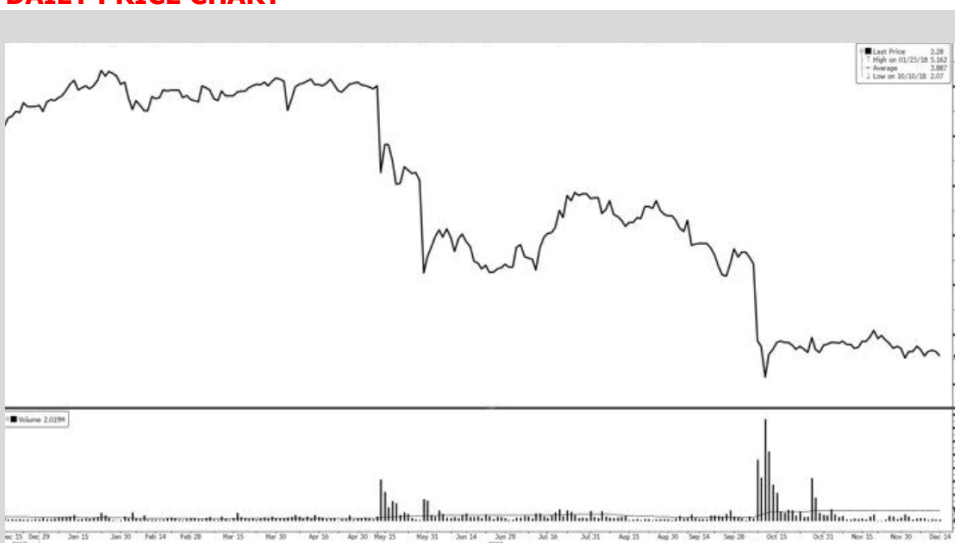
**Maintain BUY with unchanged TP of RM2.89.** Gamuda's outstanding order book and unbilled sales (provides about 3.0x times earnings visibility) to lend enough supports in the near to medium term. On the property segment, we remain optimistic on its medium term outlook predicated on 1) the completion of construction works at 661 Chapel Street, Australia, and 2) the robust sales of property projects in Vietnam. Our TP of **RM2.89** is derived from **PE multiples of 11x**, which we believe is fair given the lacklustre sentiment on the sector. At this juncture, we think the share price is trading at attractive levels which provide an opportunity to accumulate. 

## INVESTMENT STATISTICS

FYE July	FY15	FY16	FY17	FY18	FY19F	FY20F
Revenue (RM'm)	2,399.00	2,121.00	3,211.40	4,227.00	3,644.44	3,934.55
EBIT (RM'm)	601.90	494.10	682.50	696.60	636.50	668.87
Pre-tax Profit (RM'm)	858.10	780.60	656.20	729.30	882.30	865.60
PATAMI (RM'm)	682.10	668.70	602.00	513.80	656.00	649.20
FD EPS (sen)	28.90	25.30	24.80	20.80	26.50	26.32
EPS growth (%)	(0.05)	(12.46)	(1.98)	(16.13)	27.40	(0.70)
PER (x)	7.89	9.01	9.19	10.96	8.60	8.66
Net Dividend (sen)	12.00	11.00	11.00	11.90	11.00	11.00
Net Dividend Yield (%)	5.26	4.82	4.82	5.22	4.82	4.82

Source: Company, MIDF Research

## DAILY PRICE CHART



Source: Bloomberg

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## Gamuda Berhad: 1QFY19 RESULTS SUMMARY

FYE Jul (RM'm)	Quarterly Results				
	1QFY19	1QFY18	4QFY18	YoY	QoQ
Revenue	903.88	770.77	1,214.00	17.3%	-25.5%
EBIT	189.97	184.64	157.86	2.9%	20.3%
Pre-tax profit	226.16	260.73	(52.25)	-13.3%	-532.8%
Tax	(39.71)	(41.90)	(37.91)	-5.2%	4.8%
Net Profit	172.04	218.84	203.40	-21.4%	-15.4%
FD EPS (sen)	6.97	7.92	8.24	-12.0%	-15.4%
	1QFY19	1QFY18	4QFY18	(+-ppts)	(+-ppts)
EBIT margin	21.0%	24.0%	13.0%	-2.94	8.01
Pre-tax margin	25.0%	33.8%	-4.3%	-8.81	29.33
Net profit margin	19.0%	28.4%	16.8%	-9.36	2.28
Effective tax rate	-4.4%	-5.4%	-3.1%	1.04	-1.27
Revenue Breakdown					
Segments	1QFY19	1QFY18	4QFY18	YoY	QoQ
Engineering & Construction	1,032.02	1,034.59	949.65	-0.2%	8.7%
Property Development	447.00	509.03	804.99	-12.2%	-44.5%
Water & Expressway Concessions	129.71	128.85	132.30	0.7%	-2.0%
Total	1,608.73	1,672.46	1,886.94	-3.8%	-14.7%

Source: Company, MIDFR

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### MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

#### SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.