

28 June 2018 | 9MFY18 Results Review

## GAMUDA BERHAD

*All Developments On-Track*


### INVESTMENT HIGHLIGHTS

- Results came in line with ours and consensus'
- Earnings imbued by on-track progress billings
- Maintain our earnings forecasts for FYE18/FYE19
- Upgrade to BUY with an adjusted TP of RM3.70 per share

**9MFY18 Earnings mixed results.** Gamuda's 9MFY18 earnings of RM614.9m (+23.2%YoY) registered a positive accounting for a 76.0% and 76.0% of ours and Street's estimates. Its 9MFY18 earnings are supported by strong engineering and construction PBT from RM152.2m in 9MFY17 to RM229.2m in 9MFY18 (+50.6%YoY).

**Earnings imbued by on-track progress billings.** The healthy result is due to on-track progress billings of Pan Borneo (Pantu-Btg Skrang, 25.0% progress) and Underground Works MRT Line 2 (31.5% progress). The on-track development is much welcomed news giving a potent shot of optimism for Gamuda illustrating its forte in engineering and construction. In so far, we are not predicting any hiccup pertaining to its underground work from Bandar Malaysia to Chan Sow Lin station as the project team have the necessary experience during the tunnelling of SMART Tunnel. This is due to the karstic limestone and cavernous soil factor of Kuala Lumpur

**Maintain our earnings forecasts for FYE18/FYE19.** We maintain our earnings assumption for FYE18/FYE19 on the basis of Gamuda's; a) an estimated unbilled orderbook of RM12.8bn, b) strong pickup in property sales in Singapore which we have anticipated in FY2016 and Celadon City, Vietnam and steady contribution from c) concessions asset. We are anticipating positive news from Penang Transport Masterplan which will impact Gamuda's earnings trajectory. Our channel checks reveal that the projects under PTMP will mostly pull through thus potentially giving a potent shot to Gamuda's orderbook by another +20.0%.

**Recommendation.** Therefore, we upgrade to **BUY** with an adjusted target price of **RM3.70** per share rolling over FYE19's EPS of 11.9sen to our mid-range PER of construction sector target of 12x due to the grim backdrop of the construction sector and taking cognizant of regional negative sentiments for mid-term outlook. 

**Upgrade to BUY (previously NEUTRAL)**  
**Adjusted Target Price (TP): RM3.70**  
*(previously RM5.25)*

#### RETURN STATS

Price (27 June 2018)	RM3.26
Target Price	RM3.70
Expected Share Price Return	+11.8%
Expected Dividend Yield	+2.9%
<b>Expected Total Return</b>	<b>+14.7%</b>

#### STOCK INFO

KLCI	1,665.15
Bursa / Bloomberg	6238 / GAM MK
Board / Sector	MM/Construction
Syariah Compliant	Yes
Issued shares (mil)	2467.99
Market cap. (RM'm)	8045.64
Price over NA	1.06x
52-wk price Range	RM3 – RM5.52
Beta (against KLCI)	1.01x
3-mth Avg Daily Vol	9.39m
3-mth Avg Daily Value	RM39.5m
Major Shareholders (%)	
EPF	10.24
ASB	8.68
DYAM Raja Eleena	4.79
KWAP	3.47

## INVESTMENT STATISTICS

FYE July	FY15	FY16	FY17	FY18F	FY19F
Revenue (RM'm)	2,399.0	2,121.0	3,211.4	2,104.4	2,210.0
EBIT (RM'm)	601.9	494.1	682.5	661.1	670.0
Pre-tax Profit (RM'm)	858.1	780.6	656.2	994.5	1038.0
PATAMI (RM'm)	682.1	668.7	602.0	810.8	820.0
FD EPS (sen)	28.9	25.3	24.8	34.4	40.7
EPS growth (%)	-0.05	-12.5	-2.0	38.7	18.4
PER(x)	17.72	20.24	20.6	14.0	9.9
Net Dividend (sen)	12.0	11.0	11.0	14.0	12.0
Net Dividend Yield (%)	2.3	2.1	2.1	2.9	4.0

Source: Bursa Malaysia, MIDFR

## VALUATION

Segments	Stake	Basis	Indicative value (RM'm)	Per share (RM)
Construction	Various	FY19 earnings-to-PER 12x	3,084.8	1.25
Property	Various	RNAV @ 15% discount	6,038.4	2.45
<b>Concessions Assets</b>				
Litrak	48%	MIDFR Target Price of RM5.90	1,312.8	0.53
Kesas	70%	DCF Valuation (WACC:7%)	1,133.5	0.46
Smart Tunnel	50%	DCF Valuation (WACC:7%)	364.8	0.15
Indian Tolls	70%	DCF Valuation (WACC:8%)	318.2	0.13
Splash	40%	Book value of RM2.7b	1,080.0	0.44
Net debt	As at 9MFY18		(4,201.0)	(1.70)
<b>Sum-of-Parts (SOP)</b>			<b>9,131.5</b>	<b>3.70</b>
Enlarged no. of shares				2,467.0

Source: MIDFR

## 9MFY18 RESULTS SUMMARY

FYE Jul (RM'm)	Quarterly Results					Cumulative		
	3Q18	2Q18	3Q17	YoY	QoQ	9M18	9M17	YoY
Revenue	1,237.6	1,002.7	839.4	47.4%	23.4%	3,012.2	2,198.2	37.0%
EBIT	184.4	171.0	170.3	8.3%	7.8%	538.7	472.2	14.1%
Pre-tax profit	253.9	268.3	221.2	14.8%	-5.4%	781.5	645.5	21.1%
Tax	-41.1	-44.3	-42.8	-4.0%	-7.2%	-127.0	-112.8	12.6%
<b>PATAMI</b>	<b>200.6</b>	<b>211.2</b>	<b>170.9</b>	<b>17.4%</b>	<b>-5.0%</b>	<b>614.9</b>	<b>499.3</b>	<b>23.2%</b>
FD EPS (sen)	7.9	8.3	6.8	16.3%	-5.5%	24.1	19.8	21.5%
	3Q18	2Q18	3Q17	+/- pts	+/- pts	9M18	9M17	+/- pts
EBIT margin	14.9%	17.1%	20.3%	-5.39	-2.15	17.9%	21.5%	-3.60
Pre-tax margin	20.5%	26.8%	26.4%	-5.84	-6.24	25.9%	29.4%	-3.42
PATAMI margin	16.2%	21.1%	20.4%	-4.15	-4.85	20.4%	22.7%	-2.30
Effective tax rate	16.2%	16.5%	19.3%	-3.16	-0.32	16.3%	17.5%	-1.22

PBT Segmental Breakdown								
	3Q18	2Q18	3Q17	YoY	QoQ	9M18	9M17	YoY
E&C	102.0	114.9	73.5	38.8%	-11.2%	229.2	152.2	50.6%
Property development	50.5	47.5	43.3	16.6%	6.3%	93.2	107.6	-13.4%
Concessions	101.3	109.2	104.4	-3.0%	-7.2%	216.2	212.3	1.8%
<b>TOTAL</b>	<b>253.9</b>	<b>268.3</b>	<b>221.2</b>	<b>14.9%</b>	<b>-5.4%</b>	<b>538.7</b>	<b>472.2</b>	<b>14.1%</b>

Source: MIDFR

## DAILY PRICE CHART



Source: Bloomberg

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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.