

26 March 2018 | 6MFY18 Results Review

## Gamuda Bhd

### *Bright Prospect Beckons*


#### INVESTMENT HIGHLIGHTS

- Earnings met estimates
- Buoyed by progress billings and property sales
- Bright prospect beckons
- **Altogether, we maintain our NEUTRAL recommendation with an adjusted TP of RM5.25 per share**

**Earnings met expectations.** Gamuda's 6MFY18 PATAMI registered RM414.2m (+26.1%YoY) reflecting positive revenue increment from construction and property segment. In addition, its 6MFY18 earnings met ours and street's target at 51.0% and 50.0% of full year estimates respectively. Gamuda's 6MFY18 results met our estimate as we have assigned lower construction progress billings rate for the cumulative period due to project completion.

**Earnings supported by healthy progress billings and property sales.** Construction segment registered a healthy increase in (a) revenue – RM795.8m (+33.32%YoY), and (b) PBT – RM729.3 (+41.6%YoY). So far, we are confident that the progress of MRT2 SSP and Pan Borneo (Pantu Junction to Btg Skrang) will be on schedule thus maintaining our current earnings estimates.

**Bright prospect beckons.** Strong influx of mega projects is expected to contribute to Gamuda's current estimated unbilled orderbook of RM7.7bn by another +15.0%. We are expecting that Gamuda may win sub-contracting jobs from Gemas-JB double track railway project that has been awarded to YTL Corp.

**Recommendation.** We maintain our NEUTRAL recommendation due to YTD share price run-up with an adjusted TP of RM5.25 per share based on sum-of-parts valuation (SOP). We refined our valuation to reflect changes in debt value. 

**Maintain NEUTRAL**  
**Adjusted Target Price (TP): RM5.25**  
**(from RM5.05)**

RETURN STATS	
Price (23 March 2018)	RM5.12
Target Price	RM5.25
Expected Share Price Return	+2.5%
Expected Dividend Yield	+2.9%
<b>Expected Total Return</b>	<b>+5.4%</b>

STOCK INFO	
KLCI	1,865.22
Bursa / Bloomberg	5398 / GAM MK
Board / Sector	Main/Construction
Syariah Compliant	Yes
Issued shares (mil)	2,457.8
Par Value (RM)	1.00
Market cap. (RM'm)	12,584
Price over NA	1.64
52-wk price Range	RM4.58 – RM5.52
Beta (against KLCI)	0.87x
3-mth Avg Daily Vol	4.30m
3-mth Avg Daily Value	RM21.6m
Major Shareholders (%)	
EPF	11.69
ASB	8.72
DYAM Raja Eleena	4.81
KWAP	3.48

## 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: MIDFR

## SOP VALUATION

Segments	Stake	Basis	Indicative value (RM'm)	Per share (RM)
Construction	Various	FY19 earnings-to-PER 18x	6,265.5	2.55
MRT Line 2 PDP Fees	50%	DCF Valuation (WACC:9%)	345.9	0.15
PTMP PDP Fees		DCF Valuation (WACC:9%)		
Property	Various	RNAV @ 15% discount	6,038.4	2.46
<b>Concessions Assets</b>				
Litrak	48%	MIDFR Target Price of RM5.34	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 RM2.8b	1,120.0	0.46
Net debt/cash		As at 6MFY18	(4,112.6)	(1.67)
Proceeds from warrants		Full conversion	94.5	0.04
<b>Sum-of-Parts (SOP)</b>			<b>12,881.0</b>	<b>5.25</b>
Enlarged no. of shares				2,457.0

Source: MIDFR

## DAILY PRICE CHART



Source: Bloomberg, MIDFR

Fadhli Dzulkifly  
 abdul.fadhli@midf.com.my  
 03-2773 8462

## 6M18 RESULTS SUMMARY

FYE Jul (RM'm)	Quarterly Results					Cumulative		
	2Q18	1Q18	2Q17	YoY	QoQ	6MFY18	6MFY17	YoY
Revenue	1,000.2	853.8	853.8	17.1%	17.1%	1,774.5	1,358.7	30.6%
EBIT	171.0	168.2	168.2	1.7%	1.7%	354.2	301.8	17.4%
Pre-tax profit	268.3	218.6	218.6	22.7%	22.7%	527.6	424.6	24.3%
Tax	(44.3)	(39.4)	(39.4)	12.4%	12.4%	85.8	70.0	22.6%
PATAMI	211.2	166.2	166.2	27.1%	27.1%	414.2	328.4	26.1%
EPS (sen)	8.6	6.9	6.6	30.1%	25.4%	16.9	13.6	24.5%
				(%-pt)	(%-pt)			(%-pt)
EBIT margin	17.1%	19.7%	19.7%	-13.2%	-13.2%	20.0%	22.2%	-10.1%
Pre-tax margin	156.9%	130.0%	130.0%	20.7%	20.7%	29.7%	31.3%	-4.9%
Net profit margin	-16.5%	-18.0%	-18.0%	-8.4%	-8.4%	23.3%	24.2%	-3.4%
Effective tax rate	-4.4%	-4.6%	-4.6%	-4.0%	-4.0%	4.8%	-16.5%	-128.9%
<b>Revenue Breakdown</b>								
<b>Segments</b>	<b>6MFY18</b>	<b>6MFY17</b>	<b>YoY (%)</b>	<b>Comments</b>				
Engineering & Construction	795.8	596.9	33.32	Healthy progress billings				
Property Development	729.3	515.0	41.61	Sturdy sales from Vietnam and local projects				
Water & Expressway Concessions	249.3	246.7	1.05					
Total	1,774.5	1,358.7	30.60					
<b>PBT Breakdown</b>								
<b>Segments</b>	<b>6MFY18</b>	<b>6MFY17</b>	<b>YoY(%)</b>	<b>Comments</b>				
Engineering & Construction	150.1	89.0	68.65					
Property Development	61.3	68.1	-9.99	Sales cost increase				
Water & Expressway Concessions	142.8	144.6	-1.24					
Total	354.2	301.8	17.36					

Source: Company, MIDFR

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (23878 - X).  
 (Bank Pelaburan)  
 (A Participating Organisation of Bursa Malaysia Securities Berhad)

## DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (23878-X). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This document may not be reproduced, distributed or published in any form or for any purpose.

### 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.