

## Gamuda Berhad

(5398 | GAM MK) Main | Construction

### First Major Win in FY24

#### KEY INVESTMENT HIGHLIGHTS

- Secured RM3.45b Kaohsiung MRT Yellow Line package in Taiwan
- Project to be undertaken by Gamuda-AWEC JV (88%-12%) for 4.4km railway track (3.5km underground), 3 underground and 1 elevated stations
- Project estimated to deliver RM242.4m to RM303.0m of operating profit over the next nine years
- Maintain BUY with an unchanged TP of RM5.38

**Strengthening overseas presence.** Gamuda has locked in another overseas win, this time in Taiwan for a mass rapid transit (MRT) package comprising mainly underground works. The size of the contract is NTD23.40b (RM3.45b), which will be undertaken via a joint-venture with Taiwanese construction firm Asia World Engineering & Construction Co (AWEC).

**Project information.** The Gamuda-AWEC JV (88%-12%) has been appointed as the main contractor for Package YC01 of the Kaohsiung MRT Metropolitan Line (Yellow Line) to design and build a 4.4km railway track within Niasong District, comprising 3.5km of underground twin bored tunnels with three underground stations and 0.9km of elevated tracks with one elevated station. The project is expected to be completed in 107 months or nine years. This is part of an ongoing substantial infrastructure initiative in Kaohsiung, with an aim to expand and improve the city's public transformation system within Niasong.

**Taiwan jobs and AWEC partnership.** This is the second project to be undertaken by Gamuda together with its partner AWEC. In Oct 22, the 60:40 Gamuda-AWEC JV secured a RM2.13b underground railway project in Taoyuan City. This latest job win also marks Gamuda's third railway project and sixth infrastructure project in Taiwan.

**Financial impact.** With the lion's share of 88% of the JV, Gamuda's share of the package is about RM3.03b. Estimating an operating margin of 8% to 10% of Taiwan projects, the project is expected to deliver RM242.4m to RM303.0m of operating profit to Gamuda over the nine-year period.

**Outstanding order book.** With this latest win, Gamuda's unbilled construction order book stands at RM22b to RM24b, with strong earnings visibility up to FY27. As guided in the earnings call last month, management is optimistic on both domestic and international domestic wins, targeting to secure RM25b of new jobs in FY24 and FY25. There are five more projects on its radar over the next 15 months, including one in Taiwan and the MRT3 underground package.

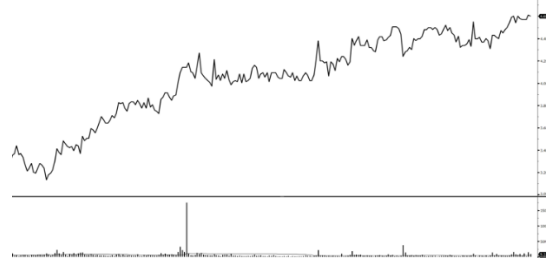
**Earnings estimates.** We are maintaining our estimates as the new project win is in line with expectations.

**Maintain BUY**
**Unchanged Target Price: RM5.38**

#### RETURN STATISTICS

Price @ 25 <sup>th</sup> Oct 2023 (RM)	4.60
Expected share price return (%)	+16.96
Expected dividend yield (%)	2.78
Expected total return (%)	+19.74

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-3.8	-3.5
3 months	-2.0	-6.4
12 months	23.2	20.0

#### INVESTMENT STATISTICS


FYE July	2023A	2024E	2025F
Revenue	8,233.6	11,569.0	12,154.4
Operating Profit	922.8	1,654.4	1,685.2
Profit Before Tax	1,067.6	1,563.4	1,589.2
Core Net Profit	860.8	1,085.9	1,137.2
Core EPS	33.6	42.4	44.4
DPS (sen)	50	12	12
Dividend Yield	9.9%	2.8%	2.8%

#### KEY STATISTICS

FBM KLCI	1,442.51
Issue shares (m)	2553.93
Estimated free float (%)	49.04
Market Capitalisation (RM'm)	12,407.91
52-wk price range	RM3.48 - RM4.72
3-mth average daily volume (m)	10.12
3-mth average daily value (RM'm)	41.17
Top Shareholders (%)	
Amanah Saham Nasional Bhd	13.59
Employees Provident Fund Board	11.53
KWAP	4.93

**Analyst**
**Royce** Tan Seng Hooi  
 royce.tan@midf.com.my  
 03-2173 8461

**Target price.** As such, we are also keeping to our **TP at RM5.38** by pegging a PER of 12.7x based on +1SD above its three-year mean to the group's FY24F EPS of 42.4 sen.

**Maintain BUY.** Gamuda is our top pick for the construction sector, backed by its bulging order book that is expected to deliver strong earnings over the next few years, attributable to its strong expansion overseas, especially in Australia. Prospects for the construction sector in Malaysia are also looking bright, with the Government's commitment in pushing through with vital projects to improve connectivity and in providing better amenities and infrastructures. Other than MRT3, Gamuda will also be involved in the Penang LRT development and it is also among the bidders for the Pan Borneo Sabah packages. In Australia, the newly acquired DT Infrastructure places Gamuda in a sweet spot to undertake more and larger infrastructure projects, especially rail. All factors considered, we are maintaining our **BUY** recommendation on **Gamuda**. 

## FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023A	2024E	2025F
Revenue	3,517.2	5,089.5	8,233.6	11,569.0	12,154.4
Operating profit	586.1	685.3	922.8	1,654.4	1,685.2
Finance costs	(114.5)	(93.8)	(88.4)	(311.0)	(316.0)
Profit before tax	786.3	1,008.2	1,067.6	1,563.4	1,589.2
Tax	(154.1)	(168.9)	(230.9)	(497.5)	(472.1)
Net profit	588.3	806.2	860.1	1,085.9	1,137.2
Core net profit	583.7	805.8	860.8	1,085.9	1,137.2

Balance Sheet (RM'm)	2021A	2022A	2023A	2024E	2025F
Property, plant and equipment	960.7	1,095.5	1,701.7	1,735.7	1,787.8
Land held for property development	3,305.1	3,507.9	3,769.1	3,721.5	3,833.2
<b>Non-current assets</b>	<b>8,528.3</b>	<b>7,119.3</b>	<b>8,674.3</b>	<b>8,660.7</b>	<b>8,824.5</b>
Cash	2,656.7	2,794.3	3,169.5	2,875.3	3,019.1
Trade debtors	1,746.5	2,478.1	2,904.5	5,125.1	5,347.9
<b>Current assets</b>	<b>9,895.1</b>	<b>11,068.2</b>	<b>15,227.5</b>	<b>17,434.5</b>	<b>17,821.1</b>
Trade creditors	1,745.6	2,677.1	3,810.6	5,206.1	5,469.5
Short-term debt	1,452.2	1,535.3	1,409.7	1,238.5	1,244.3
<b>Current liabilities</b>	<b>4,480.9</b>	<b>5,887.2</b>	<b>6,958.6</b>	<b>8,182.8</b>	<b>8,452.0</b>
Long-term debt	3,775.6	3,244.7	5,514.0	3,550.9	3,618.0
<b>Non-current liabilities</b>	<b>4,426.8</b>	<b>3,677.0</b>	<b>5,985.4</b>	<b>4,022.3</b>	<b>4,089.4</b>
Share capital	3,620.9	3,723.2	4,078.1	3,723.2	3,723.2
Retained earnings	5,542.6	6,177.6	6,744.3	6,427.1	6,555.7
<b>Equity</b>	<b>9,515.7</b>	<b>10,249.9</b>	<b>10,957.8</b>	<b>13,890.1</b>	<b>14,104.2</b>

Cash Flow (RM'm)	2021A	2022A	2023A	2024E	2025F
PBT	786.3	1,008.2	1,067.6	1,563.4	1,589.2
Depreciation & amortisation	225.2	240.9	386.3	295.0	312.5
Changes in working capital	569.6	519.2	646.9	1,052.8	1,033.1
<b>Operating cash flow</b>	<b>971.6</b>	<b>444.2</b>	<b>(588.9)</b>	<b>(274.3)</b>	<b>(276.5)</b>
Capital expenditure	(457.1)	(523.0)	(2,296.8)	(200.0)	(200.0)
<b>Investing cash flow</b>	<b>(819.2)</b>	<b>498.7</b>	<b>837.3</b>	<b>250.0</b>	<b>250.0</b>
Debt raised/(repaid)	(251.3)	(239.6)	2,053.6	(259.1)	(272.1)
Equity raised/(repaid)	(122.4)	(88.0)	(1,060.7)	(306.0)	(306.0)
Dividends paid	(370.2)	(319.6)	694.4	(565.1)	(578.1)
<b>Financing cash flow</b>	<b>(217.8)</b>	<b>623.3</b>	<b>942.8</b>	<b>(589.4)</b>	<b>(604.6)</b>
<b>Net cash flow</b>	<b>1,518.8</b>	<b>1,301.3</b>	<b>1,908.4</b>	<b>2,830.6</b>	<b>4,479.8</b>
<b>Beginning cash flow</b>	<b>1,301.3</b>	<b>1,984.7</b>	<b>2,830.6</b>	<b>2,241.2</b>	<b>3,875.2</b>
<b>Ending cash flow</b>	<b>786.3</b>	<b>1,008.2</b>	<b>1,067.6</b>	<b>1,563.4</b>	<b>1,589.2</b>

Source: Bloomberg, 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.

#### ESG RECOMMENDATIONS\* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

\* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology