

Gamuda Berhad

(5398 | GAM MK) Main | Construction

First Major Win in FY24

KEY INVESTMENT HIGHLIGHTS

- Part of JV to develop RM4b hydro power plant in Sabah
- Project to take 5 years to complete, starting 1HCY24 and power offtake by Sabah Electricity for at least 40 years
- Project estimated to contribute positively from FY25 to FY29 and generate recurring income from FY29 onwards
- Maintain BUY with an unchanged TP of RM5.38

Project win in Sabah. Less than a week after securing a major MRT job in Taiwan, Gamuda has booked yet another win. Via a joint-venture (JV) in which Gamuda holds a 45% stake, it secured a RM4b hydroelectric power plant project in Sabah. Construction work is expected to begin in 1HCY24 and will take approximately five years to complete, in 2029.

Project information. The project is to develop the Upper Padas Hydroelectric Power Plant in the Tenom and Sipitang districts of Sabah. The planned maximum generating capacity of the hydroelectric dam is 187.5MW and Sabah Electricity Sdn Bhd will be the offtaker of the power generated for no less than 40 years. Tariff details and the power purchase agreement (PPA) will be announced in due course.

JV arrangement. The JV will be between Gamuda (45%) and two other parties – Sabah Energy Corporation Sdn Bhd (40%) and Kerjaya Kagum Hitech JV Sdn Bhd (15%) – in a company called UPP Holdings Sdn Bhd, which in turn wholly owns Upper Padas Power Sdn Bhd, being the project developer. The purpose of the JV is to undertake a private finance initiative (PFI) to develop the hydroelectric dam. Part of the agreement for the terms of the JV is to appoint a consortium comprising Gamuda and Kerjaya Kagum Hitech JV as the turnkey contractor.

Financial impact. The project is only expected to generate meaningful contributions to Gamuda's top and bottom lines starting FY25 as it is only slated to begin in 1HCY24, and generate recurring income for Gamuda for at least 40 years when commercial operations begin in 2029.

Outstanding order book. In terms of order book, Gamuda should be able to add at least RM2b to its outstanding order book level, pending further details of the consortium that it will be part of, which will be appointed as turnkey contractor of the project. This would then bring the group's unbilled order book level to about RM24b to RM26b, with strong earnings visibility up to FY27. Management has set an optimistic target to secure RM25b of new jobs in FY24 and FY25.

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

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.

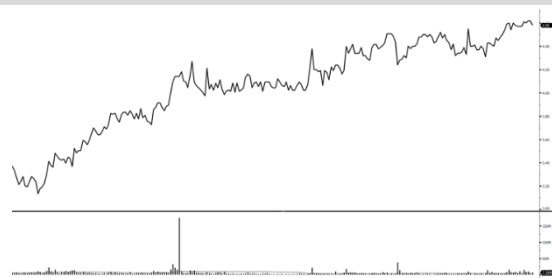
Maintain BUY

Unchanged Target Price: RM5.38

RETURN STATISTICS

Price @ 30 th Oct 2023 (RM)	4.58
Expected share price return (%)	+17.47
Expected dividend yield (%)	2.78
Expected total return (%)	+20.25

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	3.4	2.3
3 months	3.4	8.0
12 months	32.0	33.9

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	1,439.20
Issue shares (m)	2662.74
Estimated free float (%)	53.08
Market Capitalisation (RM'm)	12,357.48
52-wk price range	RM3.21 - RM4.72
3-mth average daily volume (m)	5.80
3-mth average daily value (RM'm)	25.84
Top Shareholders (%)	
Amanah Saham Nasional Bhd	13.59
Employees Provident Fund Board	11.57
KWAP	4.93

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Maintain BUY. Gamuda continues to be our top pick for the sector, backed by its already bulging order book and its ability to continue securing new jobs. It has made strong inroads overseas, especially in Australia and it remains on the forefront in Malaysia when it comes to securing domestic jobs. Among projects on Gamuda's radar are the MRT3 tunneling package, Pan Borneo Sabah and the Penang LRT. 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
Non-current assets	8,528.3	7,119.3	8,674.3	8,660.7	8,824.5
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
Current assets	9,895.1	11,068.2	15,227.5	17,434.5	17,821.1
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
Current liabilities	4,480.9	5,887.2	6,958.6	8,182.8	8,452.0
Long-term debt	3,775.6	3,244.7	5,514.0	3,550.9	3,618.0
Non-current liabilities	4,426.8	3,677.0	5,985.4	4,022.3	4,089.4
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
Equity	9,515.7	10,249.9	10,957.8	13,890.1	14,104.2

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
Operating cash flow	971.6	444.2	(588.9)	(274.3)	(276.5)
Capital expenditure	(457.1)	(523.0)	(2,296.8)	(200.0)	(200.0)
Investing cash flow	(819.2)	498.7	837.3	250.0	250.0
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)
Financing cash flow	(217.8)	623.3	942.8	(589.4)	(604.6)
Net cash flow	1,518.8	1,301.3	1,908.4	2,830.6	4,479.8
Beginning cash flow	1,301.3	1,984.7	2,830.6	2,241.2	3,875.2
Ending cash flow	786.3	1,008.2	1,067.6	1,563.4	1,589.2

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