

Gamuda Berhad

(5398 | GAM MK) Main | Construction

Decent Start to FY24

KEY INVESTMENT HIGHLIGHTS

- 1QFY24 core net profit grew +2.4%yoy to RM194.3m, slightly below house and consensus estimates. Revenue doubled to RM2.80b
- Construction revenue came in 2.8x higher at RM2.24b, 84.3% from overseas projects; PBT grew 19.3%yoy to RM133.0m
- Order book remains strong at RM25.77b, earnings visibility up to FY27/28. Management confident of RM25b job wins in 2 years
- Maintain BUY with an upgraded TP of RM5.55

Below expectations. Gamuda Bhd kicked off FY24 on a rather decent note with a core net profit of RM194.3m, a +2.4%yoy increase over 1QFY23 and on the back of a revenue that doubled to RM2.80b. This came in slightly below expectations at 17.9% and 19.1% of ours and consensus' full-year projections. We still deem the results in line with the expectations of stronger construction progress and margins in the coming quarters and lumpy property earnings towards the end of the FY.

Margins to improve in future. Construction revenue for the quarter came in 2.8x higher at RM2.24b, 84.3% of which were from overseas operations. PBT grew +19.3%yoy to RM133.0m. PBT margin saw a decline from 13.9% in 1QFY23 to 5.9% in 1QFY24, as earnings are now skewed towards the overseas market where margins are lower than that in Malaysia and also higher margins that came from MRT2, which has since been completed. Overseas margins are expected to pick up in the coming quarters as Gamuda improves on its operational efficiencies.

Stronger property results. Revenue from the property segment came in slightly lower by -5.9%yoy to RM605.9m. PBT however, grew +45.8%yoy to RM106.7m, indicating an improvement in margins from 11.4% to 17.6%. Despite a slower 1QFY24 which saw Gamuda clocking in only RM454m of sales as compared to its FY24 target of RM5.6b, this is expected to pick up in upcoming quarters with the acceleration of project launches and lumpy project recognitions. Unbilled sales currently stand at RM6.7b.

Order book remains strong. The group's unbilled construction order book stands at a high of RM25.77b, made up mainly of overseas projects. Australian jobs make up 47.0% of the outstanding order book, followed by Taiwan (19.0%) and Singapore (11.9%). Malaysian projects make up RM5.7b or 22.1% of the total order book. There was a RM1.2b increase in variation order for the group's Sydney Metro West – Western Tunnelling Package and a RM1.77b MRT project in Singapore that it secured yesterday. Management is confident of securing RM25b of job replenishments in two years, having secured RM4.77b to date. It also expects to add at least RM3b of from the Upper Padas hydroelectric power plant in Sabah, of which it will hold a 45% stake. The groundbreaking ceremony will be held today, which will be officiated by Prime Minister Datuk Seri Anwar Ibrahim. Management also revealed that they have been shortlisted for a highway project in Melbourne and will now proceed

Maintain BUY

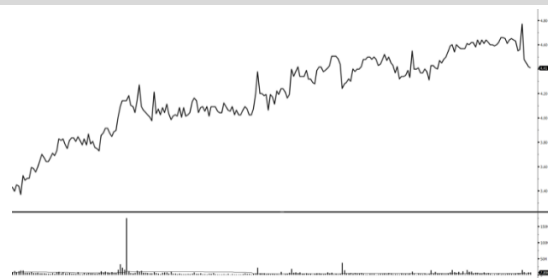
Revised Target Price: RM5.55

(Previously RM5.38)

RETURN STATISTICS

Price @ 6 th Dec 2023 (RM)	4.41
Expected share price return (%)	+25.85
Expected dividend yield (%)	2.16
Expected total return (%)	+28.01

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-5.0	-3.8
3 months	-0.5	0.8
12 months	24.8	26.6

INVESTMENT STATISTICS

FYE July	2024E	2025F	2026F
Revenue	11,569.0	12,154.4	12,519.0
Operating Profit	1,654.4	1,685.2	1,752.5
Profit Before Tax	1,563.4	1,589.2	1,772.1
Core Net Profit	1,085.9	1,137.2	1,232.3
Core EPS	40.8	42.7	46.3
DPS (sen)	12	12	12
Dividend Yield	2.2%	2.2%	2.2%

KEY STATISTICS

FBM KLCI	1,445.82
Issue shares (m)	2662.74
Estimated free float (%)	56.27
Market Capitalisation (RM'm)	11,903.48
52-wk price range	RM3.42 - RM4.77
3-mth average daily volume (m)	5.56
3-mth average daily value (RM'm)	25.26
Top Shareholders (%)	
Amanah Saham Nasional Bhd	14.04
Employees Provident Fund Board	10.37
KWAP	4.18

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with the tender process.

Singapore MRT package. Gamuda was awarded the civil contract to design and construct the West Coast Station and tunnels under the Cross Island Line Phase 2 (CRL2) by the Land Transport Authority. CRL2 is Singapore's eighth MRT line. The contract sum is SGD509.6m (RM1.77b) for one underground station and two tunnels of approximately 1.9km in total. Construction is expected to commence in 1QCY24 and will be completed by 2032.

Updates on other mega projects. Management expects the Penang LRT to be rolled out in the next three to four months. Gamuda's exact role in the project has yet to be determined but recall that the project is part of the Penang Transport Mater Plan (PTMP) and SRS Consortium Sdn Bhd is the project delivery partner of the PTMP. Gamuda holds a 60% stake in SRS Consortium. Discussions for the project are at advanced stages to finalise the implementation model of the project. As for MRT3, further delays can be expected as MRT Corp has extended the tender validity period for the fourth time up to Mar-24.

Earnings estimates. We are maintaining our FY24E-FY25F estimates and we introduce FY26F.

Target price. We are revising our **TP** from **RM5.38** to RM5.55, as we peg a PER of 13x based on +1SD above its three-year historical mean to the group's FY25F EPS of 42.7 sen as we roll forward our valuation to the next financial year.

Maintain BUY. Gamuda remains our top pick for the construction sector, backed by its strong overseas expansion plan and its consistency in clinching sizeable jobs. Its bulging order book of almost RM26b provides strong earnings visibility at least over the next three financial years and in Malaysia, its prospects remain bright as we can expect Gamuda's involvement in the MRT3, Penang LRT and Pan Borneo Sabah projects. In Australia, the newly acquired DT Infrastructure places Gamuda in a sweet spot to undertake more and larger infrastructure projects, especially rail. The group's balance sheet also remains healthy with a net gearing of 24.7%, well below its self-imposed limit of 70%. All factors considered, we are maintaining our **BUY** recommendation on **Gamuda**. 

GAMUDA BHD: 1QFY24 RESULTS SUMMARY

Income Statement	Quarterly Results				
	1QFY24	4QFY23	1QFY23	QoQ	YoY
Revenue	2,804.7	3,416.8	1,306.6	-17.9%	114.6%
Profit from operations	243.2	344.5	147.9	-29.4%	64.4%
Finance costs	(37.5)	(25.7)	(27.5)	-45.7%	-36.4%
Share of profit of associated companies	2.0	1.8	1.6	7.7%	21.3%
Share of profit of joint ventures	32.1	22.7	62.7	40.9%	-48.8%
Profit before tax	239.7	343.3	184.7	-30.2%	29.8%
Tax expense	(37.9)	(89.8)	(28.0)	57.8%	-35.2%
Profit from continuing operations	201.9	253.5	156.7	-20.4%	28.8%
Profit from discontinued operations	0.0	0.0	57.2	-	-100.0%
Minority interest	6.8	1.8	11.7	282.4%	-41.7%
Reported net profit	195.0	251.7	190.4	-22.5%	2.4%
Core net profit	194.3	253.1	189.7	-23.2%	2.4%

Source: Company, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	5,089.5	8,233.6	11,569.0	12,154.4	12,519.0
Operating profit	685.3	922.8	1,654.4	1,685.2	1,752.5
Finance costs	(93.8)	(88.4)	(311.0)	(316.0)	(250.4)
Profit before tax	1,008.2	1,067.6	1,563.4	1,589.2	1,722.1
Tax	(168.9)	(230.9)	(497.5)	(472.1)	(509.8)
Net profit	806.2	860.1	1,085.9	1,137.2	1,232.3
Core net profit	805.8	860.8	1,085.9	1,137.2	1,232.3

Balance Sheet (RM'm)	2022A	2023A	2024E	2025F	2026F
Property, plant and equipment	1,095.5	1,701.7	1,735.7	1,787.8	1,841.4
Land held for property development	3,507.9	3,769.1	3,721.5	3,833.2	3,834.2
Non-current assets	7,119.3	8,674.3	8,660.7	8,824.5	8,824.5
Cash	2,794.3	3,169.5	2,875.3	3,019.1	3,020.1
Trade debtors	2,478.1	2,904.5	5,125.1	5,347.9	5,132.8
Current assets	11,068.2	15,227.5	17,434.5	17,821.1	17,607.0
Trade creditors	2,677.1	3,810.6	5,206.1	5,469.5	5,383.3
Short-term debt	1,535.3	1,409.7	1,238.5	1,244.3	1,244.3
Current liabilities	5,887.2	6,958.6	8,182.8	8,452.0	8,365.8
Long-term debt	3,244.7	5,514.0	3,550.9	3,618.0	3,437.1
Non-current liabilities	3,677.0	5,985.4	4,022.3	4,089.4	3,908.5
Share capital	3,723.2	4,078.1	4,223.0	4,223.0	4,223.0
Retained earnings	6,177.6	6,744.3	7,479.3	8,297.0	9,209.8
Equity	10,249.9	10,957.8	13,890.1	14,104.2	14,157.2

Cash Flow (RM'm)	2022A	2023A	2024E	2025F	2026F
PBT	1,008.2	1,067.6	1,563.4	1,589.2	1,772.1
Depreciation & amortisation	240.9	386.3	295.0	312.5	405.1
Changes in working capital	519.2	646.9	1,052.8	1,033.1	1,126.7
Operating cash flow	444.2	(588.9)	(274.3)	(276.5)	(90.3)
Capital expenditure	(523.0)	(2,296.8)	(200.0)	(200.0)	(200.0)
Investing cash flow	498.7	837.3	250.0	250.0	250.0
Debt raised/(repaid)	(239.6)	2,053.6	(259.1)	(272.1)	(272.1)
Dividends paid	(319.6)	694.4	(565.1)	(578.1)	(306.0)
Financing cash flow	623.3	942.8	(589.4)	(604.6)	(578.1)
Net cash flow	1,301.3	1,908.4	2,830.6	4,479.8	(418.4)
Beginning cash flow	1,984.7	2,830.6	2,241.2	3,875.2	4,480.8
Ending cash flow	1,008.2	1,067.6	1,563.4	1,589.2	4,062.4

Profitability Margins	2022A	2023A	2024E	2025F	2026F
Operating profit margin	13.5%	11.2%	14.3%	13.9%	14.0%
PBT margin	19.8%	13.0%	13.5%	13.1%	13.8%
PAT margin	15.8%	10.4%	9.4%	9.4%	9.8%
Core PAT margin	15.8%	10.5%	9.4%	9.4%	9.8%

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