

## Gamuda Berhad

(5398 | GAM MK) Main | Construction

### Riding Strong Prospects in Vietnam

#### KEY INVESTMENT HIGHLIGHTS

- Recently launched Eaton Park in HCMC with a GDV of USD1.1b; first phase comprising two apartment blocks sold out in 3 days
- Upcoming launches in Vietnam are The Meadow (HCMC) in Jun-24 and Springville (Dong Nai) in 4QCY24
- Vietnam team given USD800m budget for land banking exercise over five years
- Maintain BUY with an unchanged TP of RM6.83

**HCMC visit.** We were in Ho Chi Minh City (HCMC) recently, in a working trip led by Gamuda Bhd where we visited Gamuda Land's flagship township development Celadon City and its latest high-rise residential project, Eaton Park. Gamuda Land is the property development arm of Gamuda and we believe it will be able to ride on Vietnam's growth over the next few years, backed by strong demand, limited supply of new properties in the market and its foresight in terms of acquiring lands in upcoming prime areas. Gamuda Land has had a string of successful launches in Vietnam and is recognised among the top five foreign real estate developers.

**History of Gamuda's entry into Vietnam.** Vietnam was Gamuda Land's first overseas venture back in 2007 when it began developing Gamuda City at the Hoang Mai district in southern Hanoi, spanning over 274ha. The development site was in exchange for Gamuda building and transforming what was formerly a sewer wastewater-plagued land into the 250-acre Yen So Park, with a sewage plant that could treat up to 200,000m<sup>3</sup> of wastewater every day. Gamuda Land further strengthened its footprint in Vietnam down south in HCMC when it launched the Celadon City development in 2011. The shift in Gamuda's focus on quick turnaround projects (QTPs) saw the launches of Artisan Park (Binh Duong province) and Elysian (HCMC) in recent years, followed by the latest QTP, Eaton Park.

**The launch of Eaton Park.** Located on Mai Chi Tho Street in the prime area Thu Duc City, the Eaton Park development is among Gamuda Land's fastest QTP to launch, in just 10 months after the acquisition of the land in Jul-23 for USD315m (RM1.47b). It will be a mix-used high-rise residential project with 1,980 apartment units and 72 shops and shophouses with a GDV of USD1.1b. Phase 1, which comprises two of the six towers, was launched on 18<sup>th</sup> May, achieved a take up rate of 95% in just two hours. The remaining 5% were snapped up in two days. The second and third phases of Eaton Park are expected to be launched by end-CY24 and by Gamuda's FY26, respectively.

**Prime location.** Thu Duc City is a newly formed secondary city with the greater HCMC, located only 6.5km from the existing CBD. It has direct access to the Hanoi Highway and An Phu Intersection the gateway to the North-South Expressway which connects HCMC and Hanoi. It is also located less than 1km away from the Long Thanh-Dau Giay Expressway

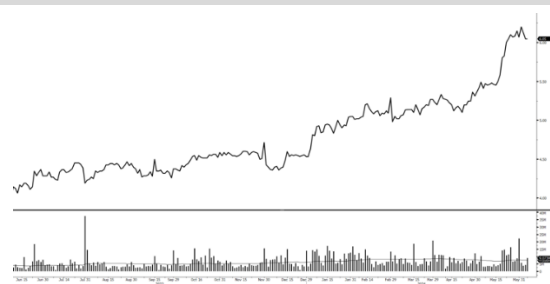
**Maintain BUY**

**Unchanged Target Price: RM6.83**

#### RETURN STATISTICS

Price @ 7 <sup>th</sup> June 2024 (RM)	6.05
Expected share price return (%)	+12.9
Expected dividend yield (%)	+1.8
Expected total return (%)	+14.7

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	10.6	9.4
3 months	14.8	13.6
12 months	46.8	24.9

#### INVESTMENT STATISTICS

FYE July	2024E	2025F	2026F
Revenue	13,498.1	14,173.0	14,598.2
Operating Profit	1,214.8	1,346.4	1,445.6
Profit Before Tax	1,349.8	1,471.9	1,568.3
Core Net Profit	1,085.6	1,182.1	1,258.2
Core EPS	39.2	42.7	45.5
DPS (sen)	12	12	12
Dividend Yield	2.0%	2.0%	2.0%

#### KEY STATISTICS

FBM KLCI	1,617.86
Issued shares (m)	2662.74
Estimated free float (%)	57.74
Market Capitalisation (RM'm)	16,759.74
52-wk price range	RM4.11 - RM6.24
3-mth average daily volume (m)	7.57
3-mth average daily value (RM'm)	41.39
Top Shareholders (%)	
Amanah Saham Nasional Bhd	13.68
Employees Provident Fund Board	9.26
Generasi Setia M Sdn Bhd	4.12

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which connects HCMC and Hanoi. It is also located less than 1km away from the Long Thanh-Dau Giay Expressway that connects HCMC to major industrial zones such as the Saigon Hi-Tech Park. Meanwhile, the upcoming completion of Metro Line 1, which is expected to be completed by the end-CY24, will further enhance connectivity. The station is located only 750m north from the project site.

**Table 1: Eaton Park project information**

Land area	9.32 acres (37,699 sqm)
Maximum plot ratio	6.96
Gross floor area	188,754 sqm
Component	6 towers (29-39 floors)
Selling price (per sqm)	
-Apartment	USD5,400 - USD6,300
-Penthouse	USD9,900 - USD11,100
-Shophouse	USD9,100 - USD10,300
Expected development period	4 years

Source: Gamuda

**Figure 1: Scale model of Eaton Park**



Source: MIDFR

**Figure 2: Construction ongoing at the Eaton Park site**



Source: MIDFR

**Prospects in Vietnam.** In a briefing session with analysts and fund managers, Angus Liew, the chairman of Vietnam operations for Gamuda Land, said the team in Vietnam has been given a mandate to acquire more lands, with a budget of USD800m (c. RM3.7b) over the next five years for the whole of Vietnam. Among areas being considered are the provinces of Binh Duong and Dong Nai, both of which are in close proximity to HCMC. Liew also highlighted strong prospects in Hanoi, which has seen an escalation in property prices due to the lack of supply. Gamuda's strategy in Vietnam is to build high-end properties, which appeals to the younger generation, most of whom are purchasing their first homes.

**Upcoming launches.** Liew also gave us a preview of two upcoming launches namely The Meadow and Springville. The Meadow is a rare landed residential project featuring 212 townhouses and villas at the Binh Chanh District in HCMC. A landed residential project is considered rare in HCMC, where developers are forced to build high-rise buildings due to the cost of land. Springville on the other hand, is located at the Nhon Trach District in the Dong Nai, measuring about 35km from the HCMC CBD. It is an integrated mixed-use township with residential and commercial developments totalling 426 townhouse/shophouse units and 2,504 high-rise apartments. Both are Gamuda Land's latest QTPs in Vietnam.

**Table 2: Upcoming launches in Vietnam**

	<b>The Meadow</b>	<b>Springville</b>
<b>Location</b>	Binh Chanh District, HCMC	Hiep Phuoc, Nhon Trach District, Dong Nai Province
<b>GDV</b>	USD78m	USD393m
<b>Land area</b>	10.36 acres (41,911 sqm)	45.05 acres (182,294 sqm)
<b>Maximum plot ratio</b>	1.4	2.0
<b>Gross floor area</b>	50,299 sqm	364,175 sqm
<b>Component</b>	196 townhouses; 16 villas	426 townhouse/shophouse; 2,504 high-rise apartments
<b>Selling price (per sqm)</b>		
-Townhouse	USD3,400	USD2,750- USD3,200
-Villa	USD3,200	
-Shophouse		USD3,900 - USD4,350
-Apartment		USD1,700 - USD1,800
-Social housing		USD1,300 - USD1,360
<b>Expected launch date</b>	Jun-24	4QCY24
<b>Expected development period</b>	2 years	5 years
<b>Accessibility</b>	<ul style="list-style-type: none"> <li>- Immediate access to Tran Van Giau Road that leads to major Road arteries</li> <li>- Connectivity to be enhanced with the completion of nearby Ring Road 3 in 2025</li> </ul>	<ul style="list-style-type: none"> <li>- Near the Long Thanh – Dau Giay expressway, National Road 51, and the soon-to-be-completed Ring Road 3</li> <li>- 10km away from upcoming Long Thanh International Airport</li> </ul>

Source: Gamuda

### **Market briefing by Savills**

**Strong demand, insufficient supply** We were also given a briefing on the property market in Vietnam by real estate agency Savills, led by its managing director Neil Alexander MacGregor and Head of Research Giang Huynh. They expect limited new housing supplies in HCMC over the next few years, as new projects are insufficient to cater for the city's organic needs of 50,000 houses per year. Therefore, we opine that developers that can deliver will be in a sweet spot. In 1QCY24, supply of apartments declined -27%yoy to 4,922 units after nine projects temporarily halted due to incomplete legal requirements or sale policy adjustments. The remainder of 2024 will see a supply of 8,400 apartment units from 25 new launches. Meanwhile for landed properties, new supply in the first quarter was only 42 units (-11%yoy), contributing to a primary stock of 762 units. Restricted low-rise approvals by HCMC's authority continue to limit available land bank.

**Urbanisation potential remains strong.** Vietnam is expected to enjoy an improving urbanisation rate as it scales the value chain into the manufacturing sector and as manufacturing wages increase, making it more attractive for those in the countryside to move to cities such as HCMC. The current urbanisation rate is around 36% according to Savills Vietnam's estimates, up from 30% some five years ago. China's rate in comparison, is about 60%. Most of the younger generation are still living in multigenerational family homes and there is now a dramatic shift in trend for the younger working class to move into their own apartments, creating a demand for housing. Officially, HCMC's population is at about 9m people but unofficial estimates points towards a figure of 13m, and about half of them are not homeowners yet.

**Earnings estimates and expectations.** We are making no changes to our earnings estimates.

**Target price.** We are maintaining our **TP** at **RM6.83**, as we peg a PER of 16x based on +1SD above its six-year historical mean to the group's FY25F EPS of 42.7 sen.

**Maintain BUY.** We continue to like Gamuda for its exposure and it being a front runner of crucial infrastructure projects in the country and its strong overseas expansion plan, especially in Australia. It has also carved its name in the data centre space in what we deem as a premium builder, due to its speed in completing the AIMS Cyberjaya Block 2 in only eight



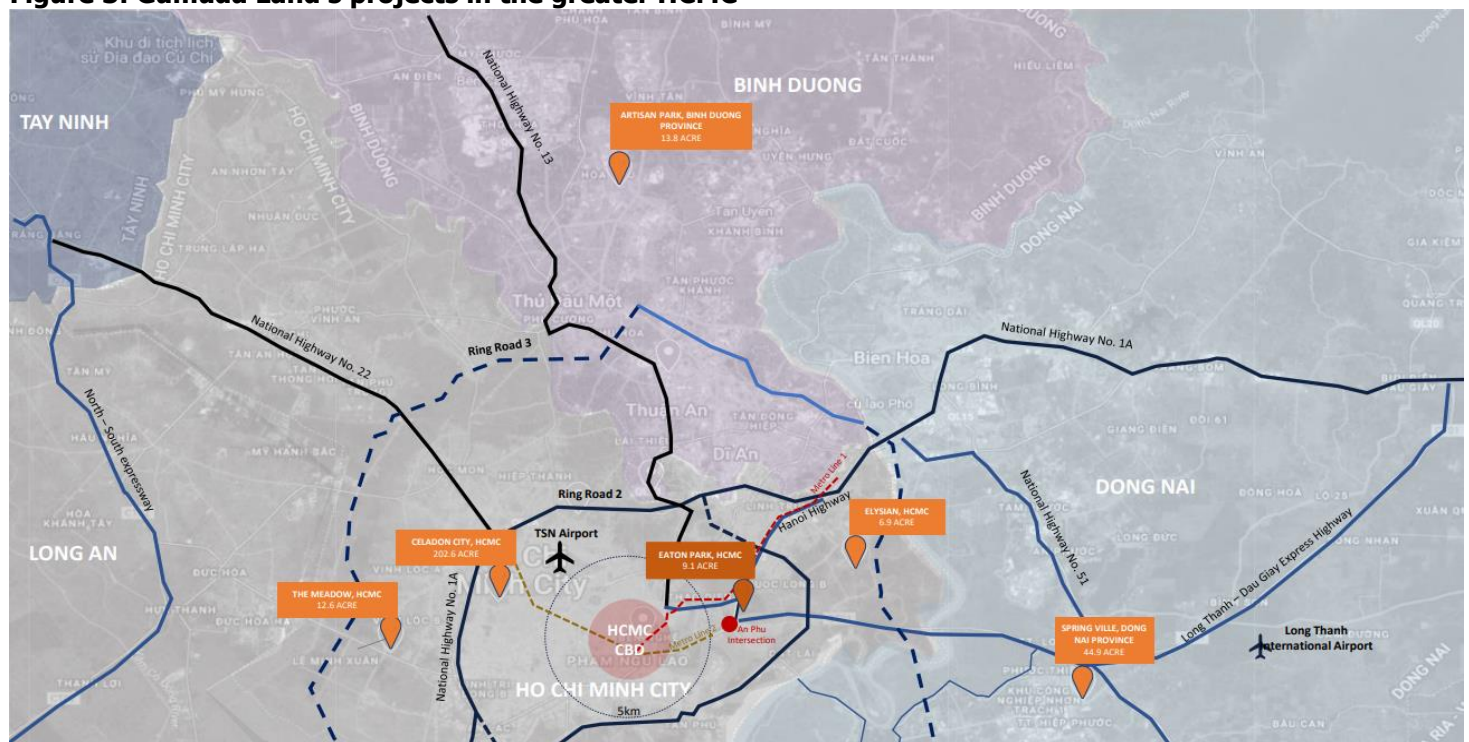
months. The group's strong performance in the property development scene in Vietnam is the cherry on top of the cake as it stands to benefit from the strong demand amid limited supply of new properties. We can expect more positive news to come from Vietnam, backed by its USD800m war chest to secure more landbanks. All factors considered, including the group's bulging order book of about RM25.0b, we maintain our **BUY** recommendation on **Gamuda**.

**Table 3: Gamuda's projects in Vietnam**

Projects	Area unsold (acres)	Remaining GDV (RM'm)	Projected new sales (RM'm)			
			FY21A	FY22A	FY23A	FY24F
Gamuda City (Hanoi)	232	13,154	240	145	580	820
Celadon City (HCMC)	0	281	890	635	170	180
<b>QTPs</b>						
Artisan Park (HCMC)	-	280	0	0	320	60
Elysian (HCMC)	-	700	0	0	440	440
Eaton Park (HCMC)	9	4,220	0	0	0	830
The Meadow (HCMC)	n/a	78	n/a	n/a	n/a	n/a
Springville (Dong Nai)	n/a	393	n/a	n/a	n/a	n/a

Source: Gamuda

**Figure 3: Gamuda Land's projects in the greater HCMC**



Source: Gamuda

## FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	5,089.5	8,233.6	13,498.1	14,173.0	14,598.2
Operating profit	685.3	922.8	1,214.8	1,346.4	1,445.6
Finance costs	(93.8)	(88.4)	-90.0	-94.5	-97.3
Profit before tax	1,008.2	1,067.6	1,349.8	1,471.9	1,568.3
Tax	(168.9)	(230.9)	-297.0	-323.8	-345.0
Net profit	806.2	860.1	1,085.6	1,182.1	1,258.2
Core net profit	805.8	860.8	1,085.6	1,182.1	1,258.2

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
<b>Non-current assets</b>	<b>7,119.3</b>	<b>8,674.3</b>	<b>8,660.7</b>	<b>8,824.5</b>	<b>8,824.5</b>
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
<b>Current assets</b>	<b>11,068.2</b>	<b>15,227.5</b>	<b>17,434.5</b>	<b>17,821.1</b>	<b>17,607.0</b>
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
<b>Current liabilities</b>	<b>5,887.2</b>	<b>6,958.6</b>	<b>8,182.8</b>	<b>8,452.0</b>	<b>8,365.8</b>
Long-term debt	3,244.7	5,514.0	3,550.9	3,618.0	3,437.1
<b>Non-current liabilities</b>	<b>3,677.0</b>	<b>5,985.4</b>	<b>4,022.3</b>	<b>4,089.4</b>	<b>3,908.5</b>
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
<b>Equity</b>	<b>10,249.9</b>	<b>10,957.8</b>	<b>13,890.1</b>	<b>14,104.2</b>	<b>14,157.2</b>

Cash Flow (RM'm)	2022A	2023A	2024E	2025F	2026F
PBT	1,008.2	1,067.6	1,349.8	1,471.9	1,568.3
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
<b>Operating cash flow</b>	<b>444.2</b>	<b>(588.9)</b>	<b>(274.3)</b>	<b>(276.5)</b>	<b>(90.3)</b>
Capital expenditure	(523.0)	(2,296.8)	(200.0)	(200.0)	(200.0)
<b>Investing cash flow</b>	<b>498.7</b>	<b>837.3</b>	<b>250.0</b>	<b>250.0</b>	<b>250.0</b>
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)
<b>Financing cash flow</b>	<b>623.3</b>	<b>942.8</b>	<b>(589.4)</b>	<b>(604.6)</b>	<b>(578.1)</b>
<b>Net cash flow</b>	<b>1,301.3</b>	<b>1,908.4</b>	<b>2,830.6</b>	<b>4,479.8</b>	<b>(418.4)</b>
<b>Beginning cash flow</b>	<b>1,984.7</b>	<b>2,830.6</b>	<b>2,241.2</b>	<b>3,875.2</b>	<b>4,480.8</b>
<b>Ending cash flow</b>	<b>1,008.2</b>	<b>1,067.6</b>	<b>1,563.4</b>	<b>1,589.2</b>	<b>4,062.4</b>

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%

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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