

## Gamuda Berhad

(5398 | GAM MK) Main | Construction

### Ulu Padas Hydro Project Sealed

#### KEY INVESTMENT HIGHLIGHTS

- Signs acceptance of Ulu Padas Hydro project; pending signing of PPA
- Construction to begin in 2025, taking 6 years; 40 years of PPA to generate recurring income
- Strong order book at RM26.0b; in line to surpass RM30.0b mark by end-2024
- Maintain BUY with a revised TP of RM8.26

**Acceptance of hydro project.** Gamuda, through Upper Padas Power Sdn Bhd (UPPSB), has inked the acceptance of a letter of notification (LoN) from the Energy Commission of Sabah (ECoS) for the development of the 187.5MW Ulu Padas Hydroelectric project.

**Project details.** The project comprises the construction of a dam located in Tenom and Sipitang districts in Sabah, which will deliver an average of 1,052GWh of clean energy annually. This will be developed by UPPSB, which is a wholly-owned unit of UPP Holdings Sdn Bhd. The latter is a JV between Gamuda (45%), Sabah Energy Corporation Sdn Bhd (40%) and Kerjaya Kagum Hitech JV Sdn Bhd (15%). The construction process is expected to be completed within six years, starting in 2025 after UPPSB signs a 40-year power purchase agreement (PPA) with Sabah Electricity Sdn Bhd as the offtaker. In addition, the LoN also requires UPPSB to propose and implement a floating solar solution to be integrated with the project.

**40 years of recurring income.** Upon the scheduled commercial operating date on or before 31<sup>st</sup> December 2030, the project is expected to generate an annual revenue higher than RM400m annually, which will provide recurring income for Gamuda over the next 40 years.

**Order book on track to record high.** Pending finalisation of the PPA, we expect the hydro project to add about RM3.0b to Gamuda's outstanding orderbook. The group's outstanding order book is estimated to be at about RM26.0b. The hydro project and the upcoming Penang LRT will likely boost the amount exceeding RM30.0b by end-2024.

**Sungai Rasau incident.** At 2pm on Saturday, a collapse of the pond embankment where the Sungai Rasau Water Supply Scheme (Stage 1) project is located resulted in the pond water entering the front area of the construction site. Gamuda has halted ongoing works to evaluate the situation and to implement additional safety protocols. Based on updates from management, the affected area was an ancillary site where the intake structure is being built, which did not affect the main site or the critical path. They guided that the completion date by Jun-25 is still intact, after an initial assessment on the required remedial works. The RM1.97b project was awarded to Gamuda by Pengurusan Air Selangor in Jul-22, which includes the construction of an intake structure of a 1,400m-litre-a-day (MLD) capacity to draw augmented raw water from ex-mining

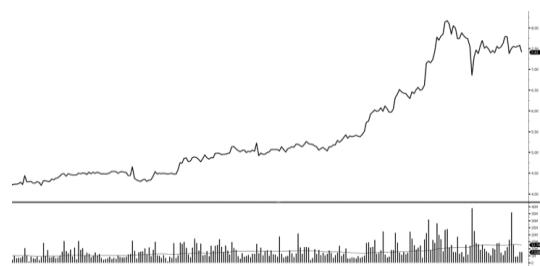
## Maintain BUY

**Revised Target Price: RM8.26**  
(previously RM7.50)

#### RETURN STATISTICS

Price @ 6 <sup>th</sup> Sep 2024 (RM)	7.41
Expected share price return (%)	+11.4
Expected dividend yield (%)	+2.2
Expected total return (%)	+13.6

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	0.1	-4.6
3 months	12.6	19.6
12 months	67.6	48.1

#### INVESTMENT STATISTICS

FYE July	2024E	2025F	2026F
Revenue	13,498.1	16,872.6	18,559.9
Operating Profit	1,147.3	1,552.3	1,726.1
Profit Before Tax	1,277.3	1,647.6	1,817.6
Core Net Profit	1,008.6	1,298.6	1,429.6
Core EPS	36.4	46.9	51.6
DPS (sen)	16	16	20
Dividend Yield	2.2%	2.2%	2.7%

#### KEY STATISTICS

FBM KLCI	1,653.12
Issue shares (m)	2662.74
Estimated free float (%)	70.92
Market Capitalisation (RM'm)	20,883.91
52-wk price range	RM4.30 - RM8.49
3-mth average daily volume (m)	12.60
3-mth average daily value (RM'm)	92.46
Top Shareholders (%)	
Amanah Saham Nasional Bhd	13.45
Employees Provident Fund Board	11.36
Generasi Setia M Sdn bhd	4.07


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ponds in Taman Putra Permai, Puchong and a 700 MLD water treatment plant near Tanjung Dua Belas. Other works include a 2.4 metre diameter twin-pipe to connect the intake structure and water treatment plant and two overhead bridges crossing the Elite and SKVE highways. The completion progress as at Jul-24 was 28%.

**Earnings estimates.** We are maintaining our earnings estimates.

**Target price.** We revise our **TP** to **RM8.26** as we take the opportunity to roll forward our valuation base year to FY26, pegging a PER of 16x based on +1SD above its six-year historical mean to an EPS of 51.6 sen.

**Maintain BUY.** We view the Ulu Padas Hydroelectric project positively, as Gamuda stands to benefit from both construction and also the recurring income from power generation in the future. Gamuda remains among our preferred picks for the construction sector, backed by its successful overseas expansion plan; its consistency in clinching sizeable jobs and it being a front runner for most mega projects in Malaysia. We also like its exposure in the data centre construction space, now making its name as a premium builder. All factors considered, we maintain our **BUY** recommendation on Gamuda. 

## FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	5,089.5	8,233.6	13,498.1	16,872.6	18,559.9
Operating profit	685.3	922.8	1,147.3	1,552.3	1,726.1
Finance costs	(93.8)	(88.4)	(90.0)	(124.7)	(128.5)
Profit before tax	1,008.2	1,067.6	1,277.3	1,647.6	1,817.6
Tax	(168.9)	(230.9)	(293.8)	(378.9)	(418.0)
Net profit	806.2	860.1	1,008.6	1,298.6	1,429.6
Core net profit	805.8	860.8	1,008.6	1,298.6	1,429.6

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	1,277.3	1,647.6	1,817.6
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>

<b>Profitability Margins</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025F</b>	<b>2026F</b>
Operating profit margin	13.5%	11.2%	8.5%	9.2%	9.3%
PBT margin	19.8%	13.0%	9.5%	9.8%	9.8%
PAT margin	15.8%	10.4%	7.5%	7.7%	7.7%
Core PAT margin	15.8%	10.5%	7.5%	7.7%	7.7%

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