

Gamuda Berhad

(5398 | GAM MK) Main | Construction

A Mega Win in Taiwan

KEY INVESTMENT HIGHLIGHTS

- Secures RM4.31b MRT project in Taiwan; Gamuda's share RM3.23b
- Project to be completed in 7 years; PBT margin 8%
- Comes with obligation to undertake additional works worth RM10.8b (Gamuda's share RM8.1b) when instructed by New Taipei City Govt
- Gamuda's order book now stands at RM28.7b
- Maintain BUY with a revised TP of RM9.64

Huge win in Taiwan. Gamuda's latest foreign project win comes from Taiwan, a NTD31.96b (RM4.31b) contract Xizhi Donghu Mass Rapid Transit (MRT). This was awarded by the Department of Rapid Transit Systems under the New Taipei City Government to an unincorporated joint venture (JV) of Gamuda (75%) and Taiwan-based firms MiTAC Information Technology Corp (15%) and Dong Pi Co Ltd (10%). This indicates that Gamuda's share of the contact is RM3.23b.

Details of the project. The job scope involves a 5.78km of elevated viaducts and trackwork, six elevated stations (SB10 to SB15) and system works, which involves rolling stock, power supply, signalling, platform screen door, communication system, central monitoring system, auto fare collection system and depot maintenance equipment. Duration of the project is seven years. Management has guided for a PBT margin of 8%, meaning that Gamuda will be able to generate a pretax profit of approximately RM258.4m.

Future Taiwan replenishment secured. The JV led by Gamuda is also obligated to undertake an already determined additional works which are currently valued at NTD80b (RM10.78b), when instructed by the New Taipei City Government. Gamuda's share for this based on its 75% stake in the JV is RM8.09b. These additional works encompass the Xizhi Donghu Line Maintenance Depot, as well as system and track works for two extension lines - the Keelung Line MRT and the Minsheng Line MRT. The additional works would be separate contracts, and these are expected to be awarded before the end of the main design and build contract. Management expects the additional works to be awarded within three years.

RM30b to RM35b of order book by end 2024. This latest win brings Gamuda's outstanding order book to RM28.73b, bringing the group a step closer towards its end-2024 outstanding order book target of RM30b to RM35b. We expect these to come from the Ulu Padas Hydro project, Penang LRT, hyperscale data centres (approximately RM3b), Pan Borneo Highway, and renewable energy projects in Australia. Gamuda is also in the midst of tendering for the linewide package for the Suburban Rail Loop (SRL) in Melbourne and several packages under the Sydney Metro West project. Management expects the order book to grow to RM40b-RM45b by CY2025, after considering an estimated burn rate of RM12b to RM13b annually.

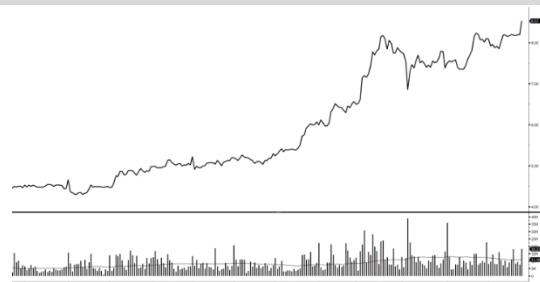
Maintain BUY

Revised Target Price: RM9.64
(Previously RM9.01)

RETURN STATISTICS

Price @ 22 nd Oct 2024 (RM)	8.54
Expected share price return (%)	+12.9
Expected dividend yield (%)	2.3
Expected total return (%)	+15.2

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	3.8	5.4
3 months	5.7	6.1
12 months	86.9	63.9

INVESTMENT STATISTICS

FYE July	2024A	2025F	2026F
Revenue	13,346.7	16,872.6	19,403.5
Operating Profit	945.2	1,552.3	1,804.5
Profit Before Tax	1,097.4	1,647.6	1,917.3
Core Net Profit	907.3	1,298.6	1,468.0
Core EPS	32.8	46.1	52.1
DPS (sen)	16	20	20
Dividend Yield	1.9%	2.3%	2.3%

KEY STATISTICS


FBM KLCI	1,642.54
Issue shares (m)	2775.30
Estimated free float (%)	70.95
Market Capitalisation (RM'm)	24,088.66
52-wk price range	RM4.34 - RM8.55
3-mth average daily volume (m)	10.97
3-mth average daily value (RM'm)	84.91
Top Shareholders (%)	
Amanah Saham Nasional Bhd	13.44
Employees Provident Fund Board	10.13
Generasi Setia M Sdn Bhd	4.07

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Earnings estimates. We maintain our earnings projections as the new win is within estimates.

Target price. We are upgrading our TP to **RM9.64** as we peg Gamuda's FY26F EPS of 52.1 sen to an updated PER of 18.5x, based on +1SD above its four-year mean from FY15 to FY18 during the previous construction upcycle.

Maintain BUY. We are positive on Gamuda's new MRT win in Taiwan, which brings the group closer to a new high of RM30b-RM35b order book target by the year end. This also cements future order book replenishment due to the obligation to undertake additional works. Gamuda remains our favourite 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. Being a premium builder of data centres, the group now focusses only on hyperscale data centres, underpinning sizeable order book replenishments. All in, we are maintaining our **BUY** recommendation on **Gamuda.** 

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024A	2025F	2026F
Revenue	5,089.5	8,233.6	13,346.7	16,872.6	19,403.5
Operating profit	685.3	922.8	945.2	1,552.3	1,804.5
Finance costs	(93.8)	(88.4)	(173.4)	(124.7)	(137.2)
Profit before tax	1,008.2	1,067.6	1,097.4	1,647.6	1,917.3
Tax	(168.9)	(230.9)	(155.1)	(378.9)	(479.3)
Net profit	806.2	860.1	912.1	1,298.6	1,468.0
Core net profit	805.8	860.8	907.3	1,298.6	1,468.0

Balance Sheet (RM'm)	2022A	2023A	2024A	2025F	2026F
Property, plant and equipment	1,095.5	1,701.7	1,613.9	1,662.3	1,712.1
Land held for property development	3,507.9	3,769.1	3,830.2	3,833.2	3,834.2
Non-current assets	7,119.3	8,674.3	9,743.4	9,794.8	9,794.8
Cash	2,794.3	3,169.5	2,698.9	3,019.1	3,020.1
Trade debtors	2,478.1	2,904.5	3,281.2	6,236.1	5,132.8
Current assets	11,068.2	15,227.5	16,777.8	19,784.1	18,681.7
Trade creditors	2,677.1	3,810.6	4,806.3	6,377.9	5,383.3
Short-term debt	1,535.3	1,409.7	1,003.3	1,381.1	1,381.1
Current liabilities	5,887.2	6,958.6	7,532.1	9,481.4	8,486.8
Long-term debt	3,244.7	5,514.0	6,803.3	4,015.9	3,815.1
Non-current liabilities	3,677.0	5,985.4	7,467.6	4,680.2	4,479.4
Share capital	3,723.2	4,078.1	4,529.9	4,223.0	4,223.0
Retained earnings	6,177.6	6,744.3	6,835.4	7,570.0	8,264.2
Equity	10,249.9	10,957.8	11,521.5	15,417.3	15,510.3

Cash Flow (RM'm)	2022A	2023A	2024A	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
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	2024A	2025F	2026F
Operating profit margin	13.5%	11.2%	7.1%	9.2%	9.3%
PBT margin	19.8%	13.0%	8.2%	9.8%	9.9%
PAT margin	15.8%	10.4%	6.8%	7.7%	7.6%
Core PAT margin	15.8%	10.5%	6.8%	7.7%	7.6%

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