

Malaysia

October 25, 2023 - 6:14 PM

ADD (no change)

Consensus ratings*: Buy 20 Hold 0 Sell 1

Current price:	RM4.60
Target price:	RM5.65
Previous target:	RM5.65
Up/downside:	22.9%
CGS-CIMB / Consensus:	9.6%
Reuters:	GAMU.KL
Bloomberg:	GAM MK
Market cap:	US\$2,593m
Average daily turnover:	RM12,408m
Current shares o/s	US\$5.08m
Free float:	RM23.93m

*Source: Bloomberg

Key financial forecasts

	Jul-24F	Jul-25F	Jul-26F
Net Profit (RMm)	953	1,083	1,213
Core EPS (RM)	0.36	0.41	0.46
Core EPS Growth	8.6%	13.6%	12.0%
FD Core P/E (x)	12.83	11.29	10.08
Recurring ROE	8.57%	9.19%	9.64%
P/BV (x)	1.07	1.01	0.94
DPS (RM)	0.12	0.12	0.12
Dividend Yield	2.61%	2.61%	2.61%



Price performance	1M	3M	12M
Absolute (%)	4.5	0.7	20.1
Relative (%)	4.6	0.3	20.2
Major shareholders		% held	
EPF	14.6		
ASN	13.7		

Analyst(s)

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Gamuda

Largest Taiwan win; penetrating MRT space

- Gamuda clinches the RM3.5bn Kaohsiung MRT package in Taiwan.
- An important win: i) largest win in Taiwan, penetrating the MRT space with a main contractor role, and ii) brings it closer to its target of doubling orderbook.
- Reiterate Add and SOP-based TP of RM5.65.

Clinches RM3.5bn project in Taiwan

- Gamuda has won a NTD23.4bn (c.RM3.45bn) contract with its partner Asia World Engineering & Construction Co (AEWC) for the design and build of the Kaohsiung Mass Rapid Transit (MRT) metropolitan line package YC01 in Taiwan from the Kaohsiung city government. Gamuda has an 88% stake in this project, and AWEC has 12%. The project duration is for 9 years.
- AWEC is a general civil construction contractor in Taiwan, and this is the second railway project in Taiwan undertaken by Gamuda and AWEC. The first was the joint TaoYuan City Underground Railway Project Package CJ18 secured in Oct 22.
- The current project win is a 4.4km railway track located within the NiaoSong District, comprising 3.5km underground twin bored tunnels (with 3 underground stations) and 0.9km of elevated tracks (with 1 elevated station).
- The project is part of a substantial infrastructure initiative currently underway in Kaohsiung, Taiwan, with the primary goal of expanding and improving the Kaohsiung city's public transportation system within the NiaoSong District.

Breaking into Taiwan's MRT landscape with main contractor role

- With this win, Gamuda would have six Taiwan projects in its orderbook, bringing its Taiwan exposure to c.RM5bn and total outstanding orderbook to RM24.8bn.
- While this is not its first MRT win in Taiwan (it also won another Kaohsiung MRT project in 2002 worth RM1bn), this current win is the largest MRT win in Taiwan and also the largest overall contract win in Taiwan, where it has a substantial main contractor role with its 88% stake.
- We believe this is a result of the strong reputation it gained over the years in Malaysia, having completed MRT Line 1 and 2.
- Estimated project pretax profit margin guidance is 8%, similar to its Australian projects.
- We understand from the company that there is another outstanding sizeable MRT tender in Taiwan, and it expects an award in the next 6 months.

Doubling of orderbook and revenue

- Gamuda continues to guide for RM25bn total new orders in FY24-25F. This is largely within our forecasts, and this win brings it a step closer to achieve this target. Over the next 3-15 months, it expects to clinch 6 major projects — MRT 3 tunnelling, Suburban Rail Loop East second package, other infrastructure projects in Taiwan, Pan Borneo Sabah highway, Penang LRT, and a renewable energy project in Malaysia.
- At its analyst briefing on 27 Sep, Gamuda shared its revised target to double its revenue in FY24F to RM17bn-18bn (more aggressive than its earlier guidance of RM13bn). It said this is on the assumption of faster recognition of its existing orderbook, more than doubling of its property revenue to RM6bn, backed by lumpy recognition of RM6.7bn unbilled sales for projects in Singapore, the UK and Australia (where accounting recognition is upon project completion), and strong take-ups for its Quick Turnaround Projects.

Reiterate Add and SOP-based TP of RM5.65

- We reiterate Add, with an SOP-based TP of RM5.65. Its current valuations of 12x CY24F P/E and 1.0x CY24F P/BV (1 s.d. below 18-year mean) still look extremely compelling, in our view, considering its strong growth trajectory and record orderbook.
- Key downside risks: potential labour issues locally and abroad derailing its construction progress there, and delays in job awards. Re-rating catalysts are delivering higher-than-expected new order wins, which will translate into better revenue and earnings.

Figure 1: Peer comparison

Company	Bbg	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	P/E (x)	2-year EPS CAGR (%)	P/BV (x)	Recurring ROE (%)	Dividend Yield (%)			
	Ticker			CY23F	CY24F	CY25F			CY23F	CY24F			
Gamuda	GAM MK	Add	4.60	5.65	2,593	13.5	12.1	10.8	4.8%	1.10	1.04	8.5%	7.4%
IJM Corp Bhd	IJM MK	Add	1.86	2.15	1,363	18.5	15.2	13.3	17.5%	0.65	0.63	3.7%	2.0%
WCT Holdings	WCTHG MK	Add	0.54	0.71	158	10.1	8.3	7.4	4.7%	0.19	0.18	1.9%	1.4%
Sunway Construction Group Bhd	SCGB MK	Add	1.89	2.14	509	17.3	14.6	12.5	7.4%	3.03	2.74	18.4%	2.9%
Muhibbah Engineering	MUHI MK	Add	0.70	0.90	106	21.5	10.2	8.0	na	0.38	0.37	1.8%	1.4%
HSS Engineers	HSS MK	Add	0.92	1.21	95	17.0	12.5	10.6	30.7%	1.73	1.58	10.9%	1.8%
YTL Corporation	YTL MK	Add	1.33	1.91	3,048	12.7	11.0	11.4	70.4%	1.00	0.95	8.3%	3.8%
Malayan Cement Bhd	LMC MK	Add	3.60	5.55	986	24.7	18.3	15.1	51.9%	0.79	0.77	3.3%	1.3%
Sunway Bhd	SWB MK	Add	1.88	2.57	1,949	14.7	13.2	13.3	7.7%	0.71	0.68	5.1%	1.9%
Malaysia average				16.2	12.1	10.4	8.6%	1.1	1.0	6.8%	3.0%		

PRICES AS AT 25 OCT 2023

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(RMm)	Jul-22A	Jul-23A	Jul-24F	Jul-25F
Total Net Revenues	4,902	8,234	14,493	16,574
Gross Profit	924	1,188	1,748	2,002
Operating EBITDA	970	1,089	1,392	1,626
Depreciation And Amortisation	-112	-119	-179	-261
Operating EBIT	859	970	1,213	1,366
Financial Income/(Expense)	-87	-78	-133	-115
Pretax Income/(Loss) from Assoc.	350	233	236	238
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-El)	1,122	1,125	1,316	1,489
Exceptional Items	0	0	0	0
Pre-tax Profit	1,122	1,125	1,316	1,489
Taxation	-286	-231	-329	-372
Exceptional Income - post-tax				
Profit After Tax	836	894	987	1,117
Minority Interests	-30	-34	-34	-34
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	806	860	953	1,083
Recurring Net Profit	806	860	953	1,083
Fully Diluted Recurring Net Profit	806	860	953	1,083

Balance Sheet

(RMm)	Jul-22A	Jul-23A	Jul-24F	Jul-25F
Total Cash And Equivalents	5,581	4,177	5,046	5,824
Total Debtors	2,693	2,905	2,759	2,621
Inventories	655	717	681	647
Total Other Current Assets	4,225	7,429	7,429	7,429
Total Current Assets	13,154	15,228	15,915	16,521
Fixed Assets	1,095	1,702	1,623	2,362
Total Investments	963	1,390	1,625	1,863
Intangible Assets	137	140	140	140
Total Other Non-Current Assets	4,924	5,443	5,443	5,443
Total Non-current Assets	7,119	8,674	8,831	9,808
Short-term Debt	1,535	1,410	1,810	2,810
Current Portion of Long-Term Debt				
Total Creditors	2,677	3,811	3,620	3,439
Other Current Liabilities	2,134	1,738	1,738	1,738
Total Current Liabilities	6,347	6,959	7,168	7,987
Total Long-term Debt	3,245	5,514	5,514	5,514
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	327	332	332	332
Total Non-current Liabilities	3,572	5,846	5,846	5,846
Total Provisions	105	139	139	139
Total Liabilities	10,024	12,944	13,153	13,972
Shareholders' Equity	9,901	10,822	11,423	12,154
Minority Interests	349	135	169	203
Total Equity	10,250	10,958	11,592	12,357

Cash Flow

(RMm)	Jul-22A	Jul-23A	Jul-24F	Jul-25F
EBITDA	970	1,089	1,392	1,626
Cash Flow from Inv. & Assoc.	-350	-233	-236	-238
Change In Working Capital	-218	-1,198	-9	-9
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense	112	119	179	261
Other Operating Cashflow	567	9	57	-23
Net Interest (Paid)/Received	-87	-78	-133	-115
Tax Paid	-136	-238	-329	-372
Cashflow From Operations	859	-532	921	1,130
Capex	-209	-701	-100	-1,000
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	707	1,538	0	0
Cash Flow From Investing	499	837	-100	-1,000
Debt Raised/(repaid)	-234	2,054	400	1,000
Proceeds From Issue Of Shares	0	0	0	0
Shares Repurchased				
Dividends Paid	-49	-1,061	-352	-352
Preferred Dividends				
Other Financing Cashflow	968	-2,703	0	0
Cash Flow From Financing	686	-1,710	48	648
Total Cash Generated	2,043	-1,404	869	778
Free Cashflow To Equity	1,124	2,359	1,221	1,130
Free Cashflow To Firm	1,444	384	954	245

Key Ratios

	Jul-22A	Jul-23A	Jul-24F	Jul-25F
Revenue Growth	50.0%	68.0%	76.0%	14.4%
Operating EBITDA Growth	53.8%	12.2%	27.9%	16.8%
Operating EBITDA Margin	19.8%	13.2%	9.6%	9.8%
Net Cash Per Share (RM)	0.31	-1.03	-0.86	-0.94
BVPS (RM)	3.88	4.07	4.30	4.57
Gross Interest Cover	9.91	12.37	9.14	11.91
Effective Tax Rate	25.5%	20.5%	25.0%	25.0%
Net Dividend Payout Ratio	6%	123%	37%	33%
Accounts Receivables Days	163.3	124.1	71.5	59.2
Inventory Days	67.2	35.6	20.1	16.6
Accounts Payables Days	202.9	168.0	106.7	88.4
ROIC (%)	6.34%	8.05%	7.02%	7.95%
ROCE (%)	2.81%	2.90%	3.24%	3.40%
Return On Average Assets	4.65%	4.31%	4.46%	4.71%

12-mth Fwd FD P/E (x) - Gamuda



Key Drivers

	Jul-22A	Jul-23A	Jul-24F	Jul-25F
Construction margins	7.8	8.2	8.1	8.6
Property launches Malaysia	N/A	2,090.0	2,225.0	2,305.0
New order wins	N/A	-	12,000.0	12,000.0

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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Score Range:	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
Description:	Excellent	Very Good	Good	N/A	N/A

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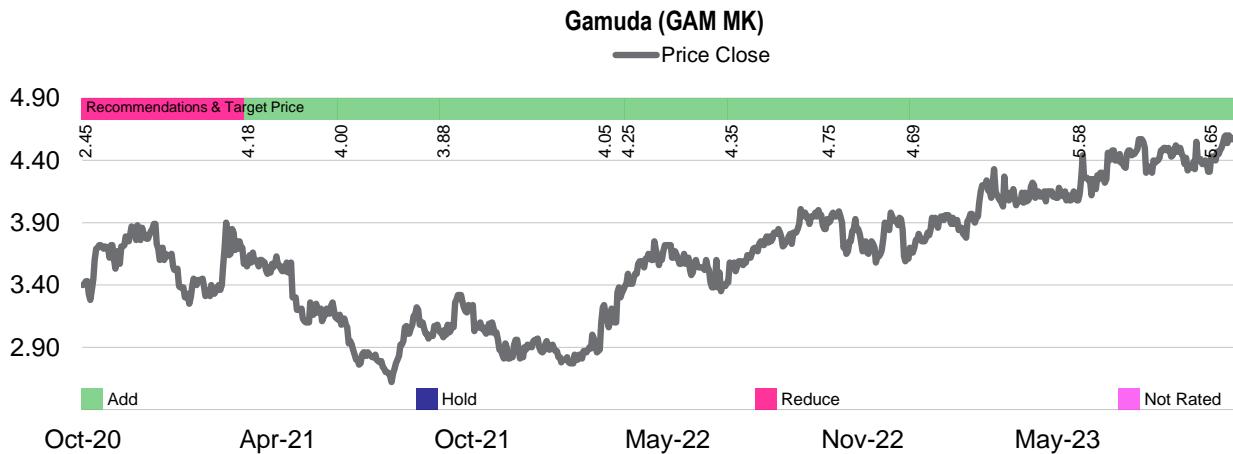
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Distribution of stock ratings and investment banking clients for quarter ended on 30 September 2023

634 companies under coverage for quarter ended on 30 September 2023

	Rating Distribution (%)	Investment Banking clients (%)
Add	66.7%	0.9%
Hold	23.7%	0.0%
Reduce	9.6%	0.2%

Spitzer Chart for stock being researched (2 year data)



Recommendation Framework

Stock Ratings

Definition:

Add The stock's total return is expected to exceed 10% over the next 12 months.

Hold The stock's total return is expected to be between 0% and positive 10% over the next 12 months.

Reduce The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.

Neutral A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.

Underweight An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

Overweight An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.

Neutral A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.

Underweight An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.