

Equity Beat

10 March 2010

Company Update

Gamuda

Job delays resulting in RM101.1m claim

Reiterate Trading Buy
Target Price (TP): RM3.50

- **Gamuda-WCT, 51:49 JV has been served with a request for arbitration by Bahrain Asphalt Establishment BSC, totaling RM101.1m.**
- **The claim was due to the delay in completion of the sub-contract works for the Dukhan Highway.**
- **We believe the recent claim would not affect their presence in the Middle East given their good track record in delivering other overseas jobs.**
- **Therefore, any share price weakness would be a good opportunity to accumulate both Gamuda and WCT shares. We reiterate our Trading BUY call for Gamuda with target price of RM3.50 and BUY call for WCT with target price of RM3.30.**

STOCK INFO

| | | | |
|-----------------------|---------------|-------------------------|---------------------|
| Price (9 Mar 2010) | RM2.79 | KLCI | 1,317.94 |
| Issued shares (mil) | 2,017.5 | Bursa / Bloomberg | 5398 / GAM MK |
| Par Value (RM) | 1.00 | Board / Sector | Main / Construction |
| Market cap. (RM'm) | RM5,628.8 | Syariah Compliant | Yes |
| Price over NTA | 1.66 | | |
| 52-wk price Range | RM1.82–RM3.44 | Major Shareholders | |
| Beta (against KLCI) | 1.46 | EPF | 10.5% |
| 3-mth Avg Daily Vol | 6.579m | Generasi Setia (M) | 7.4% |
| 3-mth Avg Daily Value | RM18.1m | Platinum Invnt Mgmt Ltd | 6.2% |

RM101.1m claims for sub-con works. Both, Gamuda and WCT indicated that the RM101.1m claim was over alleged prolongation, escalation, collateral and associated costs for 728 days in delay for the granular sub-base and flexible pavement works in the construction of the 43km new Dukhan Highway from Shahaniya to Zekreet in Qatar. The sub-contract was signed in Feb 2006 whereby Gamuda and WCT hold 51% and 49% of the JV respectively.

The contract is believed to be pre-mature as the preconditions stipulated in the arbitration clause had not been met. Both parties indicated that they have a good defense against the claims.

Strong presence in the Middle East. Gamuda has an outstanding orderbook of RM7.5b, of which 8% came from additional works for New Doha International Airport and Sitra Bridges in Qatar. Meanwhile, WCT has an outstanding orderbook of RM774m jobs in Qatar, Bahrain, UAE. Both parties are said to actively pursuing other jobs in the Middle East. Therefore, we expect the recent claim would not have a major impact on their reputation in the Middle East as both parties have a good track record with the local government and have completed some major jobs in the Middle East. We do not see any impact on earnings in 2010 as the claim is still in the early stages and both parties have a good chance to defense the claims.

Gamuda: TRADING BUY with TP of RM3.50 and WCT: BUY call with TP of RM3.30. We expect the share prices for both stocks to trade in a negative territory given the latest announcement. Nevertheless, any share price weakness would provide an excellent opportunity to accumulate at lower levels.

| FYE 31 Jul | FY08 | FY09 | FY10F | FY11F |
|------------------------|--------|--------|--------|--------|
| Revenue (RM'm) | 2403.7 | 2727.3 | 2955.8 | 3420.9 |
| EBIT (RM'm) | 318.1 | 183.8 | 336.7 | 448.1 |
| Pretax Profit (RM'm) | 470.8 | 282.2 | 451.0 | 550.5 |
| Net Profit (RM'm) | 325.1 | 204.2 | 334.2 | 412.8 |
| EPS (sen) | 16.2 | 9.7 | 16.6 | 20.5 |
| EPS growth (%) | 76.0 | -40.1 | 71.1 | 23.5 |
| PER(x) | 16.4 | 27.4 | 16.0 | 13.0 |
| Net Dividend (sen) | 18.5 | 8.0 | 9.0 | 10.0 |
| Net Dividend Yield (%) | 6.9 | 3.0 | 3.4 | 3.8 |

Source: Company, Forecasts by MIDFR

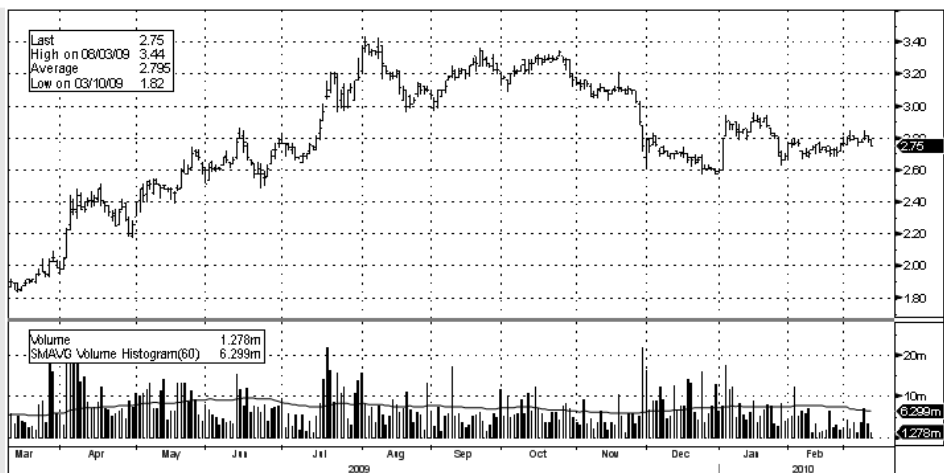
Gamuda: Outstanding overseas jobs

| Key projects | Outstanding Value (RM'm) | Comments |
|---|--------------------------|--------------------------|
| Yenso Park infrastructure | 1,000 | Progressing rapidly |
| New Doha International Airport (Phase 1&2), Bahrain | 480 | Additional works secured |
| Sitar Bridges, Qatar | 140 | Steady progress |
| Nam Theun 1 | 1,800 | Pending finalization |
| Total | 3,420 | |

WCT: Outstanding overseas jobs

| Key projects | Outstanding Value (RM'm) | Comments |
|-----------------------------------|--------------------------|---------------------|
| NDIA, Qatar | 371 | Progressing rapidly |
| BCC Hotel Fits Out | 352 | Progressing rapidly |
| Yas Marina Royal, Yatch Club, UAE | 42 | Almost completed |
| Bahrain City Centre | 22 | Almost completed |
| Dukhan Highway, Qatar | 9 | Completed |
| Total | 796 | |

DAILY PRICE CHART



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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

| | |
|--------------|--|
| BUY | Total return is expected to be >15% over the next 12 months. |
| TRADING BUY | Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow. |
| NEUTRAL | Total return is expected to be between -15% and +15% over the next 12 months. |
| SELL | Total return is expected to be <15% over the next 12 months. |
| TRADING SELL | Stock price is expected to <i>fall</i> by >15% within 3-months after a Trading Sell rating has been assigned due to negative newsflow. |

SECTOR RECOMMENDATIONS

| | |
|-------------|--|
| OVERWEIGHT | 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. |
| UNDERWEIGHT | The sector is expected to underperform the overall market over the next 12 months. |

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Wednesday, 10 March 2010