

# Equity Beat

## Corporate Update

### Gamuda

2<sup>nd</sup> property foray in Vietnam

**Maintain Trading Buy**  
Target Price (TP): RM3.50

- Gamuda announced plan to increase its exposure in Vietnam by buying development land in Ho Chi Minh (HCM) for US\$82.8m (RM277m) cash via a 60% stake in Tan Thang Company (TTC).
- The project spans across 82ha of land with GDV of RM6b (US\$1.8b) over a 7-year period.
- The latest JV to further strengthen its existence in the Vietnam property market after its maiden property project, the Yenso Park to be launched in May.
- Any price weakness arising from concerns over the Vietnam exposure would be an opportunity to accumulate. We reiterate our Trading BUY call with target price of RM3.50 per share as we expect some good news on the local front to boost its share price performance.

#### STOCK INFO

Price (10 Mar 2010)	RM2.79	KLCI	1,328.22
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%

**Strengthening its property expertise.** Gamuda announced that it has entered into an agreement with Sacomreal to acquire a 60% stake in TTC for US\$82.8m cash via internally generated funds with payments in two tranches of 20% and 80%. Other shareholders are Sacomreal (30%) (affiliated to Sacombank, Vietnam's largest private bank) and a Vietnamese individual, Ms Chau Kim Yen (10%).

**Lifestyle township developments.** The latest project is a mid to high-end residential with a range of supporting amenities which include sports and educational complex on a 82ha of land, 9km from the Central Business District (CBD) and 3km from the airport. The land is the largest plot left in HCM with land acquisition cost valued at US\$168/sq m (neighbouring plot is valued between US\$250-400/sq m). GDV is estimated at RM6b (US\$1.8b) with an average selling price from US\$1,200/sq m onwards. Management indicated to launch US\$100m of properties in FY11 and sales to pick up to US\$300m in FY13-14. The management-expected PBT margin is between 20% and 25% for this project.

**Combined GDV of RM20b, both overseas and local.** Good news to Gamuda that their latest project would increase its total GDV to RM20b, with RM10b for its Yenso Park project, RM6b for the Tan Thang Development (TTD) and the remaining RM6b from its local property developments. Gamuda is expected to generate sales of up to RM2b (possibly

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

in FY13), including both overseas and local property developments with the biggest contribution derived from its property development in Vietnam.

**Earnings contribution.** We expect a slight earnings dilution of between 2-2.5% arising from this venture. Nevertheless, we are expecting earnings to contribute positively from FY12 onwards once property sales geared up.

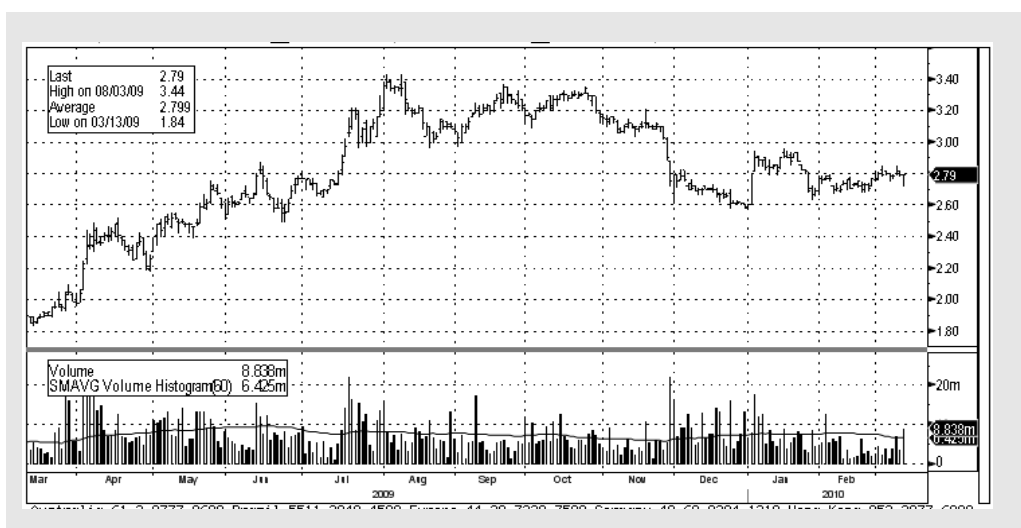
**Vietnam concerns remain intact.** Despite concerns over the weakening in the Vietnamese currency, rising inflation and widening trade deficit, we are confident that its property market would remain resilient as property values in Vietnam are pegged to the USD or gold. Furthermore, property demand is seen as a hedge against inflation risks and currency exposure.

**Reiterate TRADING BUY with TP of RM3.50.** We are maintaining our Trading BUY call as prospects remained bright with more jobs expected to come from the construction division. Management indicated that they are bidding few large projects which include the LRT extension and we are expecting some good news in April.

### Gamuda: Outstanding overseas jobs (excluding HCM project)

Key projects	Outstanding Value (RM'm)	Comments
Yenso Park infrastructure, Vietnam	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, Laos	1,800	Pending finalization
<b>Total</b>	<b>3,420</b>	

### 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.