Gamuda Berhad

(5398 | GAM MK) Main | Construction

Starting the Year Full Steam

Maintain **BUY**

Unchanged **Target Price: RM5.42**

KEY INVESTMENT HIGHLIGHTS

- **SRS Consortium (60% Gamuda) officially awarded RM8.32b Penang LRT contract**
- **Construction to take 6 years; 23.7km elevated viaduct, 19 elevated stations, 1 provisional station and 1 depot**
- **Record high order book at RM37.0b, on track for CY25 target of RM40b to RM45b**
- **Maintain BUY with a unchanged TP of RM5.42**

Officially appointed for Penang LRT. Construction works for the long-awaited Penang LRT, or formally known as the Penang Mutiara Line, is set to begin following the ground-breaking ceremony by Prime Minister YAB Dato' Seri Anwar Ibrahim last Saturday. This was followed by formalisation of the appointment of SRS Consortium Sdn Bhd as the main contractor for the RM8.32b Civil Main Contract 1 (Komtar to Silicon Island alignment). SRS Consortium is a 60%-subsidiary of Gamuda.

Details of the project. The scope of works will include a 23.7km elevated viaduct from Komtar to Island A of the Penang South Reclamation, also known as the Silicon Island. There will be a total of 19 elevated stations along the route and one provisional station on Island A. There will also be a depot on Island A for light and heavy maintenance. The project will take 72 months or six years to complete, by 2031. Works for the provisional station only involves station shell works with future construction to be decided later.

The numbers. In our Apr-24 thematic report "All systems go for the Pearl of the Orient", we estimated that the size may come up to about RM8.23b, based on RM350.0m per km. The official contract value for the first segment of RM8.32b is in line with our expectations. Based on Gamuda's 60% stake in SRS Consortium, its share of the pie is RM4.99b. Management's expectation for pretax margins is 8%.

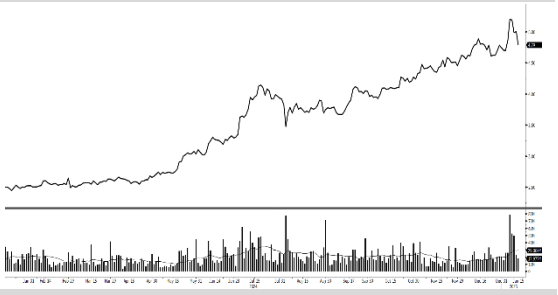
RM40b to RM45b order book by end 2025. Gamuda's outstanding order book currently stands at a high of RM37.0b. well within management's target RM40b to RM45b target by end CY2025, after taking into account an expected burn rate of RM12b to RM13b annually. Upcoming project awards that are expected to provide an extra boost to Gamuda's already bulging order book include a water supply scheme in Sabah, and the potential conversion of several renewable energy early contractor involvement (ECI) into EPCC contracts in Australia and data centre jobs.

Earnings estimates. We are making no changes to our earnings estimates as the Penang LRT win is expected.

Target price. We are also maintaining our **TP** at **RM5.42**, pegging the group's FY26F EPS of 25.8 sen to a PER of 21x, based on +2SD above its long-term mean, which we believe is justifiable given its growing prospects in the construction space with an all-time high outstanding

RETURN STATISTICS	
Price @ 13th Jan 2025 (RM)	4.79
Expected share price return (%)	+13.2
Expected dividend yield (%)	2.1
Expected total return (%)	**+15.5**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-1.9	-0.5
3 months	1.1	21.3
12 months	91.6	79.7

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	22.8	25.8
DPS (sen)	16	10	10
Dividend Yield	1.9%	2.1%	2.1%

KEY STATISTICS	
FBM KLCI	1,585.59
Issued shares (m)	5550.61
Estimated free float (%)	
Market Capitalisation (RM'm)	27,268.07
52-wk price range	RM2.41 - RM5.38
3-mth average daily volume (m)	20.98
3-mth average daily value (RM'm)	95.64
Top Shareholders (%)	
Employees Provident Fund Board	8.14
Amanah Saham Nasional Bhd	4.20
The Vanguard Group Inc	3.57

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More to expect from Penang LRT? Now that the main package has been awarded, all eyes are now on the two remaining packages – the above sea alignment from Komtar to Penang Sentral and the systems package. The latter was recently opened for bidding in Nov-24 while the former can be expected in Jul-25. As these two packages are open tenders, technically, there are no obstacles for Gamuda to secure further wins, provided that its proposals are the most favourable. We believe interested contractors, specifically for above sea alignment which we have estimated to come up to about RM1.93b, are the likes of **IJM Corp (BUY, TP: RM3.89)**, **Sunway Construction (NEUTRAL, TP: RM4.46)** and **MRCB (BUY, TP: RM0.67)**. Further wins from the Penang LRT would be an upside surprise for Gamuda.

Maintain BUY. We are positive on the official contract award of the main Penang LRT package to Gamuda, which marks the certainty of the mega project moving forward and in tune with the timeline set by the Government. 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. All in, we are maintaining our **BUY** recommendation on **Gamuda**.

Figure 1: Penang LRT (Komtar to Silicon Island alignment)



Source: 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 *rise* 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 *fall* 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