

31 March 2021

# Gamuda Bhd

## 1HFY21 Within Expectations

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2QFY21 CNP of RM123m brought 1HFY21 CNP in line with our/consensus expectations at 44%/42% of full-year estimates. YTD property sales of RM1.5b also matched expectation. No dividends as expected. 2HFY21 anticipated to perform stronger than 1HFY21 due to lumpy property earnings from its Vietnam development, Celadon City. Maintain FY21-22E earnings estimates and reiterate OP and SoP-TP of RM4.17.

**Within expectations.** 2QFY21 CNP of RM123m (+13% QoQ; -30% YoY) lifted 1HFY20 CNP to RM232m (-33% YoY), within our/consensus expectations at 44%/42% of full-year estimates respectively. No dividends as expected.

2QFY21 registered property sales of RM0.8b – bringing **1HFY21 property sales to RM1.5b – also within** our/management's target of RM3.3b/RM3.5b.

**Highlights.** 2QFY21 CNP of RM123m increased 13% **QoQ** attributed to better water concession performance. Consequently, PAT contributions from its concession division improved (+54%) and cushioned the fall from its construction (-11%) and property (-18%) segments.

**YoY**, 1HFY21 CNP was lower 33% due to the impact from the Covid-19 pandemic. We highlight that the sharp drop in property contributions (at -79%) was also due to the fact that Gamuda could not recognise earnings from its Celadon City project (Ho Chi Minh) despite construction progress due to delays in securing building approvals arising from the ongoing national elections in Vietnam.

**Replenishment prospects.** Prospective awards flow from upcoming megaprojects in sequence would be: (i) Australia M6 highway – by 2QCY21, (iii) Sydney Metro West Central Tunnelling Package – by 4QCY21, (iii) Sydney Airport Metro Line – by 4QCY21/1QCY22, (iv) Sydney Metro West Western Tunnelling Package – by 2QCY22, and (v) MRT3 – quickest would be late-CY21.

**Balance sheet to be stronger.** Currently, net gearing remains healthy at 0.27x and is expected to go down further in 3QFY21 as Gamuda has monetised RM350m worth of receivables owed to its 80%-owned subsidiary Gamuda Water (through asset backed securitisation).

**As of 2QFY21, outstanding order-book stood at RM5.5b**, mainly comprising KVMRT2 (RM3.4b or 62% of outstanding order-book) which would continue to drive construction earnings till early FY22. Meanwhile, its order-book is poised to be bumped up by RM5b (from PSR land reclamation works) once the JV agreements between Penang State and SRS consortium are finalized.

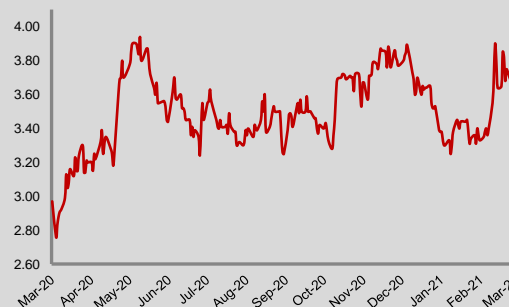
**Maintain our FY21-22E forecasts.** We anticipate 2HFY21 to come in much stronger compared to 1HFY21, underpinned by lumpy contributions in 4QFY21 as Gamuda obtains building approvals for Celadon City and recognize the progress completions that were backlogged once the national election in Vietnam, to be held on 23<sup>rd</sup> of May 2021, is concluded.

**Maintain OUTPERFORM with unchanged SoP-based TP of RM4.17.** We continue to like Gamuda for their dominant position in the construction space in Malaysia which is poised to benefit from any pump-priming initiatives.

**OUTPERFORM** ↔

Price : **RM3.55**  
Target Price : **RM4.17** ↔

### Share Price Performance



KLCI	1,597.73
YTD KLCI chg	-1.8%
YTD stock price chg	-8.7%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	GAM MK Equity
Market Cap (RM m)	8,923.0
Shares Outstanding	2,513.5
52-week range (H)	4.05
52-week range (L)	2.75
3-mth avg daily vol:	2,900,976
Free Float	48%
Beta	1.2

### Major Shareholders

Employees Provident Fund Board	14.6%
Amanah Saham Nasional	13.7%
Kumpulan Wang Persaraan	8.1%

### Summary Earnings Table

FYE Jul (RM m)	2020A	2021E	2022E
Turnover	3663.0	5080.9	4657.8
EBIT	564.5	624.0	740.8
PBT	585.5	714.9	806.8
<b>Net Profit</b>	<b>371.7</b>	<b>534.1</b>	<b>589.3</b>
<b>Core PATAMI</b>	<b>519.8</b>	<b>534.1</b>	<b>589.3</b>
Consensus (NP)	517.0	554.0	642.0
Earnings Revision	n.a.	0%	0%
Core EPS (sen)	21.1	21.7	24.0
Core EPS growth (%)	-28	3	10
NDPS (sen)	6.0	6.0	12.0
NTA per Share (RM)	3.60	3.76	3.88
PER (x)	16.8	16.3	14.8
Price to NTA (x)	1.0	0.9	0.9
Debt-to-Equity ratio (x)	0.3	0.5	0.4
Return on Asset (%)	3.2	3.0	3.3
Return on Equity (%)	5.9	5.8	6.2
Net Div. Yield (%)	1.7	1.7	3.4



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**Risks to our call include:** (i) absence of MRT3 project, (ii) failing to secure a single win for their three Australian bids, and (iii) sudden halt in PTMP land reclamations due to environmental issues.

**Results Highlight**

FYE July (RM m)	2Q21	1Q21	QoQ	2Q20	YoY	1H21	1H20	YoY
Revenue	895.4	764.0	17%	1,090.7	-18%	1,659.4	2,186.5	-24%
<b>Operating profit</b>	<b>96.2</b>	<b>93.9</b>	2%	<b>154.7</b>	-38%	<b>190.1</b>	<b>324.9</b>	-41%
Finance cost	-27.5	-27.1	2%	-23.7	16%	-54.6	-59.0	-7%
Associates	41.2	27.1	52%	44.9	-8%	68.3	76.1	-10%
JV	45.5	46.1	-1%	43.8	4%	91.6	95.6	-4%
<b>Pre-EI pretax profit</b>	<b>155.5</b>	<b>140.8</b>	10%	<b>219.7</b>	-29%	<b>296.3</b>	<b>437.7</b>	-32%
Exceptionals	0.0	0.0	n.a.	0.0	n.a.	0.0	0.0	n.a.
<b>Pretax profit</b>	<b>155.5</b>	<b>140.8</b>	10%	<b>219.7</b>	-29%	<b>296.3</b>	<b>437.7</b>	-32%
Tax	-20.3	-20.2	0%	-33.8	-40%	-40.5	-66.2	-39%
Minority interests	-12.1	-11.3	7%	-10.7	12%	-23.4	-22.7	3%
<b>Net profit</b>	<b>123.1</b>	<b>109.3</b>	13%	<b>175.2</b>	-30%	<b>232.4</b>	<b>348.8</b>	-33%
<b>Normalised net profit</b>	<b>123.1</b>	<b>109.3</b>	13%	<b>175.2</b>	-30%	<b>232.4</b>	<b>348.8</b>	-33%
DPS (sen)	0.0	0.0	n.a.	0.0	n.a.	0.0	6.0	-100%
EPS	4.9	4.3	13%	7.0	-30%	9.2	13.9	-33%
EBIT margin	11%	12%		14%		11%	15%	
Pretax margin	17%	18%		20%		18%	20%	
NP margin	14%	14%		16%		14%	16%	
CNP margin	14%	14%		16%		14%	16%	
Effective tax	-13%	-14%		-15%		-14%	-15%	

Source: Company, Kenanga Research

**Segmental Breakdown**

Revenue (Reported + JV)	2Q21	1Q21	QoQ	2Q20	YoY	1H21	1H20	YoY
Engineering and Construction	992.5	1,069.4	-7%	1,524.4	-35%	2,062.0	2,668.0	-23%
Property Development	273.8	318.4	-14%	574.7	-52%	592.2	1,104.8	-46%
Water and Expressways Concessions	112.7	126.2	-11%	125.7	-10%	238.9	252.7	-5%
<b>Total</b>	<b>1,379.0</b>	<b>1,514.1</b>	<b>-9%</b>	<b>2,224.8</b>	<b>-38%</b>	<b>2,893.2</b>	<b>4,025.5</b>	<b>-28%</b>
<b>PAT Segmentation</b>								
Engineering and Construction	51.6	58.3	-11%	73.6	-30%	109.8	140.8	-22%
Property Development	8.1	9.9	-18%	40.1	-80%	18.1	87.9	-79%
Water and Expressways Concessions	63.4	41.1	54%	61.5	3%	104.5	120.1	-13%
<b>Total</b>	<b>123.1</b>	<b>109.3</b>	<b>13%</b>	<b>175.2</b>	<b>-30%</b>	<b>232.4</b>	<b>348.8</b>	<b>-33%</b>
<b>PAT margins</b>								
Engineering and Construction	5%	5%		5%		5%	5%	
Property Development	3%	3%		7%		3%	8%	
Water and Expressways Concessions	56%	33%		49%		44%	48%	
<b>Total</b>	<b>9%</b>	<b>7%</b>		<b>8%</b>		<b>8%</b>	<b>9%</b>	

Source: Company, Kenanga Research

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**Sum of Parts Table**

<b>GAMUDA SoP</b>	<b>Stake</b>	<b>Valuation Method</b>	<b>PAT/DCF/BV</b>	<b>Probability</b>	<b>Valuation multiple (x)</b>	<b>Value (m)</b>
Construction (Base case assumes 2.5b replenishment)	100%	FY21E PER	206		20	4122
+						
<b>DCF value of potential projects</b>						
MRT3 Underground	50%	DCF*Probability	525	100%		263
MRT3 Above ground	50%	DCF*Probability	385	100%		193
M6 (Australia)	50%	DCF*Probability	511	50%		128
Sydney Metro West	50%	DCF*Probability	450	100%		225
PTMP (Land Reclamation)	60%	DCF*Probability	1440	35%		302
PTMP (LRT)	60%	DCF*Probability	480	10%		29
Pan Island Link (PIL)	100%	DCF*Probability	480	35%		168
Property	100%	FY21E PBV	3482		0.5	1741
Gamuda Waters (GWSB)	80%	DCF	656			525
Kesas	70%	DCF	1017			712
Sprint	52%	DCF	758			394
Smart	50%	DCF	210			105
LDP	44%	DCF	2491			1096
Remaining cash from SPLASH Sale	100%					234
<b>Sum</b>						<b>10235</b>
					Number of Shares	2458
					<b>Target Price (RM)</b>	<b>4.17</b>
					FY21E CNP (RM m)	534
					Implied Fwd PER (x)	19.2

Source: Kenanga Research

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## Peer Comparison

Name	Last Price (RM)	Market Cap (RM'm)	Shariah Compliant	Current FYE	PER (x) - Core Earnings			PBV (x)		ROE (%)		Net DivYld (%)	Target Price	Rating
					Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.			
<b>STOCKS UNDER COVERAGE</b>														
GAMUDA BHD	3.55	8,923.0	Y	07/2021	16.8	16.4	14.8	1.0	1.0	6.2%	1.7%	4.17	OP	
GEORGE KENT (MALAYSIA) BHD	0.795	416.1	Y	03/2021	11.8	8.3	9.6	0.9	0.8	10.1%	4.3%	0.560	UP	
HOCK SENG LEE BERHAD	0.960	527.5	Y	12/2021	16.5	9.5	9.0	0.6	0.6	6.7%	2.5%	1.20	OP	
IJM CORP BHD	1.70	6,150.1	Y	03/2021	18.3	23.6	19.3	0.6	0.6	3.4%	1.8%	2.20	OP	
KERJAYA PROSPEK GROUP BHD	1.34	1,658.1	Y	12/2021	18.3	12.6	10.5	1.7	1.5	12.7%	2.8%	1.50	OP	
KIMLUN CORP BHD	0.865	305.7	Y	12/2021	19.3	6.0	5.3	0.5	0.4	7.3%	3.5%	1.45	OP	
MITRAJAYA HOLDINGS BHD	0.340	279.8	Y	12/2021	29.1	17.2	30.9	0.4	0.4	2.3%	0.0%	0.215	UP	
MUHIBBAH ENGINEERING (M) BHD	1.10	531.8	Y	12/2021	N.A.	20.4	13.4	0.5	0.4	2.2%	0.9%	1.25	OP	
SUNWAY CONSTRUCTION GROUP BHD	1.80	2,320.8	Y	12/2021	28.1	17.6	15.7	3.7	3.4	20.1%	3.9%	2.10	OP	
WCT HOLDINGS BHD	0.580	813.9	Y	12/2021	N.A.	6.4	8.9	0.3	0.3	5.6%	0.0%	0.675	OP	
<b>Simple Average</b>					<b>19.8</b>	<b>13.8</b>	<b>13.7</b>	<b>1.0</b>	<b>1.0</b>	<b>7.7%</b>	<b>2.1%</b>			

Source: Bloomberg, Kenanga Research

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**Stock Ratings are defined as follows:****Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

**Sector Recommendations\*\*\***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

**\*\*\*Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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