

Gamuda (GAM MK)

Closing FY22 on a high note

Beats expectations again; maintain BUY

Earnings positively surprised for the 5th consecutive quarter; the beat came from its E&C and property ops - both topline and margin. We lower FY23E/FY24E net profit by 6%/3% on removing expressway earnings with the near completion of its tolled highways sale, mitigated by upward revisions in E&C job wins and property pre-sales assumptions. Our RNAV-TP is raised to MYR4.40 (+20sen) post updating for key parameters and house-keeping. Risk-reward remains positive; maintain BUY.

E&C & property earnings surged

FY22 core net profit was MYR832m (+42% YoY), at 111%/123% of our/consensus estimates. 4QFY22 core net profit rose 27% QoQ as E&C PBT (pre-FRS11) surged 93% on cost savings from the KVMRT2, while property PBT rose 18% on higher progress billings of both its domestic & overseas projects. FY22 E&C PBT (pre-FRS11) expanded 23% YoY, and property PBT doubled. FY22 headline net profit included a MYR26m provision to reflect loss from sale of 50%-SMART. Balance sheet improved further with net gearing down to 0.13x end-Jul 2022 (vs. 0.18x end-Jul 2021).

Targeting higher E&C wins & prop pre-sales in FY23

Outstanding E&C orderbook was a record MYR14b (24% domestic, 76% overseas) as of end-Jul 2022, after MYR11.6b wins in FY22. This provides visibility into FY26. FY22 property pre-sales was also a new record at MYR4b (+38% YoY; 51% domestic, 49% overseas), while unbilled sales was MYR6.2b as at end-Jul 2022. The internal targets are even higher MYR16b orderbook replenishment and MYR4.5b property pre-sales in FY23.

Earnings & TP revisions

Our earnings revisions remove the expressway earnings contribution from FY23, mitigated by higher E&C job win assumption of MYR5b p.a. (vs. MYR2b earlier). Our new headline net profit est. for FY23 incorporates a MYR1b one-off gain from tolled highways sale. This gain, together with cash proceeds from its highway sale (net of MYR1b special dividend to shareholders) would help lower the net gearing level to 0.01x by end-FY23E, we estimate. We have also included a 39sen special DPS in FY23E, bringing total DPS to 51sen. As for our TP, it now values the tolled highways at MYR2.35b, the disposal proceeds, vs. equity DCF earlier.

FYE Jul (MYR m)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue	3,517	5,163	6,145	8,001	10,746
EBITDA	692	853	724	915	1,192
Core net profit	588	832	718	614	811
Core EPS (sen)	23.4	33.0	28.1	24.1	31.7
Core EPS growth (%)	11.0	41.0	(14.7)	(14.5)	32.0
Net DPS (sen)	0.0	12.0	51.2	12.0	12.0
Core P/E (x)	12.0	11.4	13.7	16.0	12.1
P/BV (x)	0.8	1.0	0.9	0.9	0.9
Net dividend yield (%)	0.0	3.2	13.3	3.1	3.1
ROAE (%)	6.6	8.5	17.3	5.8	7.4
ROAA (%)	3.2	4.3	3.6	3.1	3.9
EV/EBITDA (x)	14.4	13.8	15.0	12.1	9.4
Net gearing (%) (incl perps)	27.0	19.4	6.6	7.8	8.4
Consensus net profit	-	-	698	737	na
MKE vs. Consensus (%)	-	-	151.9	(16.7)	na

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BUY

Share Price	MYR 3.85
12m Price Target	MYR 4.40 (+17%)
Previous Price Target	MYR 4.20

Company Description

Gamuda Bhd engages in engineering and construction, property development and water and expressway concessions.

Statistics

52w high/low (MYR)	4.01/2.77
3m avg turnover (USDm)	2.8
Free float (%)	69.6
Issued shares (m)	2,591
Market capitalisation	MYR10.0B
	USD2.2B

Major shareholders:

Permodalan Nasional Bhd.	14.6%
Employees Provident Fund	14.5%
Kumpulan Wang Persaraan	7.4%

Price Performance



	-1M	-3M	-12M
Absolute (%)	3	13	27
Relative to index (%)	11	17	41

Source: FactSet

Abbreviation

E&C = Engineering & Construction
PBT = pre-tax profit
KVMRT = Klang Valley Mass Rapid Transit
PSI = Penang South Island

Note

Net gearing at the table on the left excludes "marketable securities" vs. our quotes in the text

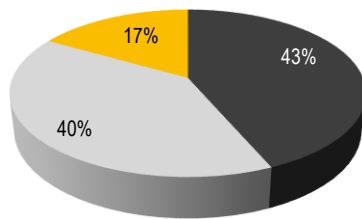
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Tear Sheet Insert

Value Proposition

- Leading engineering & construction (E&C) player that has carved a niche in highly technical tunnelling works.
- Its capabilities have enabled it to clinch key infra projects and gain above-industry average E&C margins.
- Completed infra projects include SMART, Ipoh-Padang Besar EDT, KVMRT1, LDP, SAE, SPRINT, SSP3 and Sg S'gor Dam.
- Has also accumulated strategic property landbank in MY (Klang Valley mainly), VN (HCMC and Hanoi) and SG worth MYR56b in remaining GDV.
- Four urban and matured tolled highways in the Klang Valley provide a recurring income base.

Pretax profit breakdown in FY22 (before FRS11)

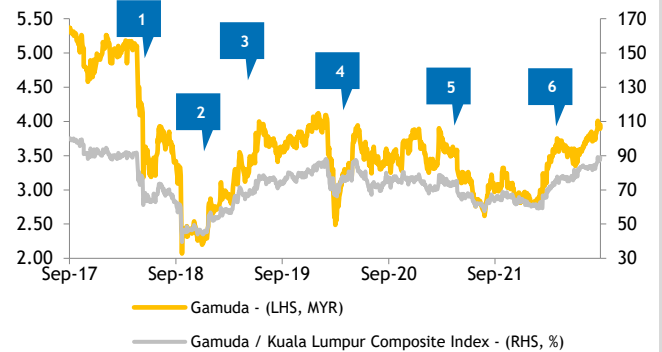
■ Engineering & construction ■ Property development ■ Concessions



Source: Company

Price Drivers

Historical share price trend



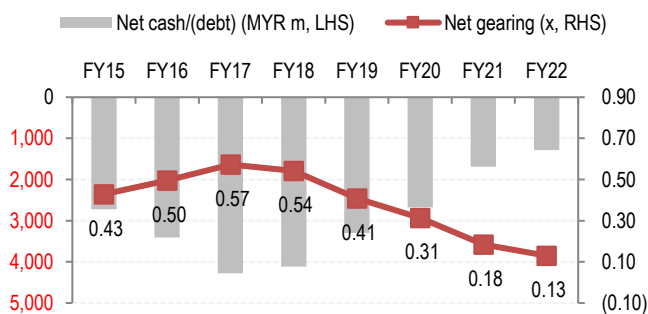
Source: Company, Maybank IBG Research

1. Post GE14 (May 2018) overhang on Malaysia construction stemming from i) review and cancellation of major infra projects and ii) potential abolition of tolled highways.
2. Potential revival of ECRL and sale of its tolled highways.
3. News on revival of Bandar Malaysia project (May 2019), followed by Minister of Finance (Inc.)'s proposed take-over of Gamuda's four tolled highways (Jun 2019).
4. Start of Movement Control Order (MCO) (18 Mar 2020).
5. Announcement (on 11 May 2021) of Gamuda's exclusion from MSCI Global Standard Index.
6. Sale of its highway concessions (announced on 4 Apr 2022) and major E&C wins of MYR11.7b in FY22-YTD.

Financial Metrics

- FY20-22 earnings impacted by pandemic induced movement restrictions & standard operating procedures at work sites.
- Medium-term earnings to be supported by an outstanding E&C orderbook of MYR14b and unbilled property pre-sales of MYR6.2b as of end-Jul 2022.
- Targeting E&C job replenishment from PSI and KVMRT3; intends to make Australia its 2nd E&C base.
- Targeting MYR4.5b property pre-sales in FY22 (+13% YoY); have ventured into UK recently as its 4th property base.
- Net gearing (including 'marketable securities' stood at 0.13x end-Jul 2022, below its internal cap of 0.7x.

Net debt and gearing



Source: Company

Swing Factors

Upside

- Substantial orderbook replenishment, including from major domestic rail projects such as KVMRT3.
- Stronger-than-expected property pre-sales in Malaysia and overseas.
- PSI Island A reclamation work pace proceeds ahead of expectations.

Downside

- Delay in implementation of key infrastructure projects.
- PSI Island A reclamation work pace falls short of the targeted timeline.

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Risk Rating & Score ¹	35.3 (High)
Score Momentum ²	-3.8
Last Updated	24 Jan 2022
Controversy Score ³ (Updated: 28 Jun 2022)	1 - Society incidents (community relations) & business ethics incidents

Business Model & Industry Issues

- As a leading engineering and property group, Gamuda acknowledges its heavy ESG responsibility including that of the environment.
- Milestones in 2021 included the launch of 'Gamuda Green Plan 2025' (GGP), the Group's ESG framework, anchored on 4 pillars: (1) sustainable planning & design, and circular construction; (2) community & business; (3) environmental & biodiversity conservation; (4) enhancing sustainability via digitalisation. GGP commits to reduce corporate GHG emission intensity by 30% in 2025, 45% in 2030 (from base year 2021).
- With the view that ESG and digital will be central to Gamuda's operations moving forward, young leaders in their 30s fill at least half the board seats and executive positions in Gamuda Engineering & Gamuda Land since Jan 2021.
- Gamuda is at the forefront in managing its ESG risks, in our view. Its enhanced resume will lend support in the future tender of major engineering & infrastructure projects in Malaysia and overseas.

Material E issues

- Besides GHG reduction commitment, GGP's other strategic priorities are (i) a 40% reduction in CO₂e emission by 2030, (ii) planting of 1m trees/saplings by 2023 (302k planted as of end-FY21), (iii) developing 2,000 acres of green/waterscapes over 12 urban forest clusters within its property projects by 2023.
- E&C: GGP commits to a 'circular construction' approach by maximising efficiency of raw materials/resources & reducing wastages (20% reduction of construction waste to landfill, 50% recycling of water at construction sites - both by 2025).
- Property: Gamuda Parks (GP), set up in 2018 to formalise the Group's efforts in land and biodiversity conservation in its development projects, jointly manages (with the Govt) the Paya Indah Discovery Wetlands (1,114 acres), located next to the Gamuda Cove development. GP's agendas include (i) a wetland arboretum to regenerate flora and fauna species, and address carbon storage value, and (ii) biodiversity audits in Gamuda's developments in collaboration with local experts.
- Penang South Islands: To be a low carbon development - smart industrial park will be powered by renewable energy; low carbon mobility has been incorporated into the masterplan.

Material S issues

- Gamuda's staff force (3,615 end-FY21) is diversified in race (Bumiputera: 48%, Chinese: 30%, Indian: 5%, Others: 17%) and gender (women made up 35% end-FY21 vs. 31% end-FY20).
- Gamuda Plant Operator School (since 1997) and Tunnelling Training Academy (2011) have trained >45,000 and ~1,000 people respectively. BIM Academy (set up in 2018) aims to train >1,000 employees and subcontractors over 2020-22, in Building Information Modelling digital construction.
- To minimise COVID-19 infection within its workforce, Gamuda set up (i) a RT-PCR testing laboratory in 2020, with capacity to test 20,000 employees fortnightly; and (ii) Centralised Quarantine Quarters at every CLQ. It has launched Gamuda Clinics, serving also the community.
- The Group allocates 2% of its profits p.a. to Yayasan Gamuda (YG), set up in 2016. Enabling Academy, under YG, has trained 66 autism disorder adults and assisted them in securing jobs with >30 partner companies since 2017. YG has awarded 471 scholarships since 1996; the Star Golden Hearts Award is YG's annual recurring anchor project, now into its 5th year (2022).

Key G metrics and issues

- Gamuda's Board comprises 7 Directors: 4 Independent Non-Executive (incl. Chairman) + 1 Non-Independent Non-Executive + 2 Executive. Independent directors make up 57% of its Board. Its Independent Non-Executive Directors have not served a cumulative term >9 years each as recommended by the Malaysian Code on Corporate Governance.
- There are presently 3 women on Gamuda's Board or 43% representation, above the 30% requirement.
- Gamuda provides detailed disclosure on remuneration of directors and top 5 Group senior management. In FY21, remuneration to executive directors (including to alternate directors) was 1.3% of pretax profit, non-executive directors 0.1%, and top 5 senior management 0.5%.
- Gamuda has been audited by Ernst & Young for 20 years since FY02 (and Arthur Andersen, prior to that).
- Gamuda's Integrity and Governance Unit (IGU) was set up on 13 Dec 2019, in line with the Malaysian Anti-Corruption Commission's Strategic Plan of IGU 2019-21. Two policies were adopted in FY21: (i) Anti-Bribery and Corruption Policy; (ii) Whistleblowing Policy and Procedures (which superseded the 2011 whistleblowing policy). Integrity Pledges for directors and staff were also implemented in FY21.
- Since 2018, the Group has digitalised procurement to raise transparency and efficiency. The Group's Digital Procurement Platform leverages on the SAP Ariba e-platform. >MYR300m has been saved since the digitalisation of procurement and supply chain processes, via supply chain collaboration.
- Transactions with related parties include fees for professional services rendered by a law firm of which a director has an interest. The amount is small, at up to MYR1.3m p.a. over FY16-FY21. There were no other material contracts involving directors and major shareholders during our period of review (FY16-FY21).

¹**Risk Rating & Score** - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. ²**Score Momentum** - indicates changes to the company's score since the last update - a **negative** integer indicates a company's improving risk score; a **positive** integer indicates a deterioration. ³**Controversy Score** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

Quantitative parameters (Score: 53)							
	Particulars	Unit	FY18	FY19	FY20	FY21	IJM (FY22)
E	Scope 1 GHG emissions	tCO2e	9460	6071	1287	2998	28312
	Scope 2 GHG emissions	tCO2e	4622	4759	4723	14845	38995
	Total	tCO2e	14082	10830	6010	17843	67307
	Scope 3 GHG emissions	tCO2e	NA	NA	NA	NA	365817
	Total	tCO2e	NA	NA	NA	NA	433124
	GHG intensity (Scope 1 and 2)	tCO2e/m2	NA	NA	NA	NA	NA
	Energy consumed	MWh	NA	3333	NA	22111	69455
	Share of renewable energy use in operations	%	NA	NA	NA	Negligible	4%
	Water recycled across Gamuda Land sites	m3	NA	NA	NA	334333	NA
	Cases of environmental non-compliance	number	NA	0	0	0	1

S	% of women in workforce	%	30.0%	29.0%	31.1%	34.8%	36.0%
	% of women in senior management	%	20.0%	20.0%	20.0%	23.0%	34.0%
	Lost time injury frequency (LTIF) rate - GEngg	number	NA	1.94	1.27	1.94	0.63 (grp)
	Lost time injury frequency (LTIF) rate - GLand	number	NA	0.44	NA	0.00	NA
	Enabling Academy (pax trained since 2017)	number	19	40	63	66	NA
	Gamuda scholarship (pax supported fr 1996)	number	376	410	444	471	>350

G	MD/CEO remuneration as % of PBT	%	0.74%	0.67%	0.97%	0.56%	0.65%
	Board (ex-CEO) remuneration as % of PBT	%	1.89%	1.27%	1.51%	0.86%	1.35%
	Independent directors on the Board	%	57%	57%	57%	57%	55%
	Female directors on the Board	%	43%	43%	43%	43%	27%

Qualitative Parameters (Score: 100)	
a)	Is there an ESG policy in place and whether there is a standalone ESG committee or is it part of a risk committee? <i>Yes - a Sustainability Steering Committee chaired by Group MD and which meets quarterly with the Group CSO reports to the Board.</i>
b)	Is the senior management salary linked to fulfilling ESG targets? <i>Yes - ESG parameters are incorporated in performance evaluation of all employees, including senior management.</i>
c)	Does the company follow the task force of climate related disclosures (TCFD) framework for ESG reporting? <i>Yes - Gamuda is committed to SBTi and is an official supporter to TCFD. In FY21, Gamuda aligned its sustainability reporting to all four TCFD themes - governance, strategy, risk management, metrics & targets.</i>
d)	Does the company have a mechanism to capture Scope 3 emissions - which parameters are captured? <i>Yes - for now, the parameter is just employees' commute.</i>
e)	What are the 2-3 key carbon mitigation/water/waste management strategies adopted by the company? <i>Gamuda has planted 302,081 trees, meeting 30% of its target for 1m trees by 2023. This will support the development of 2,000 acres of green/waterscapes (total investments of e.MYR33m) across 12 forest clusters within its property townships. Gamuda has also installed solar PV panels on its assets (FY21: Gamuda Gardens sales gallery, Celadon Sports & Resort Club; FY22E: 6 other assets) as it targets to develop >300MW of its own RE assets. The KVMRT2 project has water treatment plants at the construction sites for 24 hours active sites' wastewater treatment where the treated water is used for wheel washing & other cleaning purposes.</i>
f)	Does carbon offset form part of the net zero/carbon neutrality target of the company? <i>Yes - Gamuda has set clear internal targets and parameters for carbon offsetting.</i>

Target (Score: 67)		
Particulars	Target	Achieved
Reduce Scope 1 & 2 emissions intensity by 30% in 2025, 45% in 2030; Net zero target by 2050	Net-0	N/A
Plant 1m trees by 2023 under the Advance Tree Planting scheme	1 mil	30.2%
300MW of new RE projects over the next 5 years (from FY21)	300MW	NA
All property projects to be Green Building Index (GBI) certified	GBI	Yes
Gamuda scholarship - to double the quantum allocation	2x	NA
2% of yearly PBT allocation to Yayasan Gamuda	2.0%	Not disclosed
Impact		
NA		
Overall score: 68		
As per our ESG matrix, Gamuda (GAM MK) has an overall score of 68.		

ESG score	Weights	Scores	Final Score
Quantitative	50%	53	26
Qualitative	25%	100	25
Target	25%	67	17
Total			68

As per our ESG assessment, GAM has an established framework, internal policies, and tangible mid/long-term targets but needs to make headway in improving its quantitative "E" disclosures. GAM's overall ESG score is 68, which makes its ESG rating above-average in our view (average ESG rating = 50; refer to Appendix I for our ESG Assessment Scoring).

Fig 1: Results summary

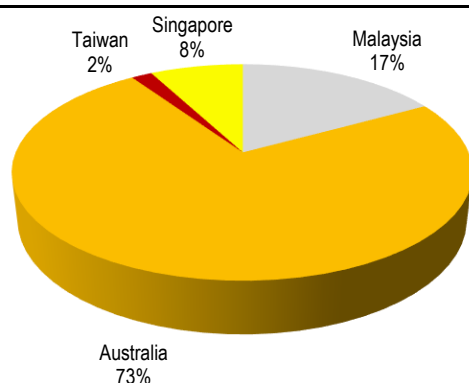
FY Jul (MYR m)	Quarterly					Cumulative		Comments
	4QFY22	4QFY21	% YoY	3QFY22	% QoQ	12MFY22	12MFY21	
Turnover	1,946.6	886.7	119.5	1,180.6	64.9	5,162.6	3,517.2	46.8
EBIT	249.0	229.5	8.5	214.0	16.3	711.1	586.1	21.3
Interest expense	(19.8)	(35.1)	(43.8)	(20.2)	(2.1)	(96.8)	(114.5)	(15.4)
Joint ventures profit	85.8	97.0	(11.5)	62.5	37.2	314.4	216.8	45.0
Associates profit	12.0	(3.6)	NM	13.4	(10.6)	86.7	97.9	(11.4)
Pretax profit	327.0	287.8	13.6	269.8	21.2	1,015.5	786.3	29.2
Tax	(73.0)	(59.3)	23.0	(40.3)	81.2	(179.8)	(154.1)	16.7
Minorities	1.2	(15.6)	NM	(8.0)	NM	(29.4)	(43.9)	(32.9)
Net profit	255.2	212.9	19.9	221.5	15.2	806.2	588.3	37.0
Core net profit	281.2	212.9	32.1	221.5	27.0	832.2	588.3	41.5
EPS (sen)	10.0	8.5	17.9	8.7	14.4	32.0	23.4	36.5
DPS (sen)	-	-	NM	6.0	NM	12.0	-	NM
	4QFY22	4QFY21	+/- ppt	3QFY22	+/- ppt	12MFY22	12MFY21	+/-ppt
EBIT margin (%)	12.8	25.9	(13.1)	18.1	(5.3)	13.8	16.7	(2.9)
Pretax margin (%)	16.8	32.5	(15.7)	22.8	(6.1)	19.7	22.4	(2.7)
Tax rate (%)	22.3	20.6	1.7	14.9	7.4	29.3	32.7	(3.4)
SEGMENTAL								
Revenue:	4QFY22	4QFY21	% YoY	3QFY22	% QoQ	12MFY22	12MFY21	% YoY
Engg & construction	1,044.3	717.3	45.6	476.6	119.1	3,291.5	3,286.5	0.2
Property development	1,055.4	234.3	350.5	739.5	42.7	2,727.5	1,294.9	110.6
Water O&M & toll exp	123.1	96.6	27.4	87.2	41.2	434.2	434.5	(0.1)
Less: JV & Asso	(276.2)	(161.5)	71.1	(122.7)	125.2	(1,290.6)	(1,498.7)	(13.9)
Engg & construction	(218.0)	(117.4)	85.7	(84.7)	157.4	(1,122.7)	(1,317.7)	(14.8)
Property devt	(53.9)	(43.2)	24.8	(34.8)	54.8	(155.2)	(172.1)	(9.9)
Water O&M & toll	(4.4)	(0.9)	396.8	(3.2)	37.1	(12.8)	(8.9)	44.0
Total	1,946.6	886.7	119.5	1,180.6	64.9	5,162.6	3,517.2	46.8
	4QFY22	4QFY21	% YoY	3QFY22	% QoQ	12MFY22	12MFY21	% YoY
Pretax profit	4QFY22	4QFY21	% YoY	3QFY22	% QoQ	12MFY22	12MFY21	% YoY
Engg & construction	17.2	34.6	(50.3)	2.2	679.9	47.4	122.5	(61.3)
Property development	180.6	123.1	46.7	158.6	13.9	431.4	208.4	107.0
Water O&M & toll exp	31.4	36.6	(14.2)	33.0	(4.9)	135.5	140.7	(3.7)
Share of JV & Asso	97.8	93.4	4.7	76.0	28.7	401.1	314.7	27.5
Engg & construction	107.8	98.6	9.3	64.6	67.0	342.1	218.2	56.8
Property devt	5.6	1.9	195.7	(0.4)	NM	6.8	7.8	(13.0)
Water O&M & toll	(15.6)	(7.1)	120.2	11.8	NM	52.2	88.7	(41.1)
Total	327.0	287.8	13.6	269.8	21.2	1,015.5	786.3	29.2
Pretax profit (bf FRS 11)	4QFY22	4QFY21	% YoY	3QFY22	% QoQ	12MFY22	12MFY21	% YoY
Engineering & construction	157.5	154.4	2.0	81.8	92.5	488.6	398.6	22.6
Property development	188.4	126.9	48.5	159.8	17.9	445.8	224.2	98.8
Concessions	15.8	29.5	(46.4)	44.9	(64.8)	187.8	229.3	(18.1)
Total	361.7	310.8	16.4	286.5	26.2	1,122.2	852.1	31.7
	4QFY22	4QFY21	+/-ppt	3QFY22	+/-ppt	12MFY22	12MFY21	+/-ppt
Pretax margin (bf.FRS 11)	4QFY22	4QFY21	+/-ppt	3QFY22	+/-ppt	12MFY22	12MFY21	+/-ppt
Engg & construction	15.1%	21.5%	(6.4)	17.2%	(2.1)	14.8%	12.1%	2.7
Property development	17.9%	54.2%	(36.3)	21.6%	(3.8)	16.3%	17.3%	(1.0)
Overall	16.3%	29.7%	(13.4)	22.0%	(5.7)	17.4%	17.0%	0.4

Sources: Company, Maybank IBG Research

Engineering & Construction

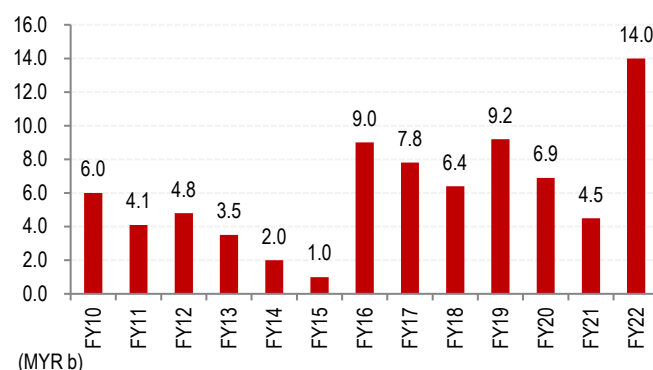
- **MYR11.6b job wins in FY22; outstanding orderbook lifted to MYR14b** as of end-Jul 2022, a new record, providing earnings visibility into FY26. Projects in Australia dominated the outstanding orderbook (at MYR8.2b or 59% of total), followed by Malaysia (MYR3.3b, 24%), Singapore (MYR1.5b, 11%) and Taiwan (MYR1b, 7%).

Fig 2: MYR11.6b E&C wins in FY22



Source: Company, Maybank IBG Research (chart)

Fig 3: Outstanding E&C orderbook



Source: Company, Maybank IBG Research (chart)

- **MYR16b orderbook replenishment target for FY23.** The internal target for new orderbook for the 2 years ending FY23 has been raised to MYR28b (from MYR20b), which implies MYR16b target for FY23.
- **KVMRT3 and PSI.** Gamuda is believed to be focusing on Package CMC 303 for the KVMRT3, with tenders closing soon; outcome is expected towards YE. Elsewhere, EIA approval for the PSI is expected next month.
- **Shortlisted for another project - a suburban rail loop - in Melbourne,** in addition to Melbourne's North East Link with tender expected to be called by end-2022 and the outcome to be known in 2023. Gamuda is partnering John Holland; the JV is among 3 bidders for each project.

Fig 4: E&C orderbook - MYR14b outstanding @ end-Jul 2022

Project	Outstanding (MYR m)	Status
MALAYSIA		
KVMRT2 (Underground and elevated works) (50% share)	900 (vs. 1,100 @ end-Apr 2022)	Work progress at 94% (vs. 93% @ end-Apr 2022). Targeted completion: 2022.
Pan Borneo Sarawak - WPC-04 (65% share)	Min	Work progress at 88% (vs. 96% @ end-Apr 2022). Targeted completion: 2022.
Various others	400	2 nd trunk road Sarawak valued at MYR224m secured in a JV with Naim Engineering (work progress at 17% @ end-Jan 2022). Targeted completion: 2024.
		Residential building & other civil works in M'sia.
Rasau Water Supply Scheme - Stage 1	2,000	Newly secured in Jul 2022. Targeted completion: 2025.

Source: Company

Fig 5: E&C orderbook - MYR14b outstanding @ end-Jul 2022 (continued)

Project	Outstanding (MYR m)	Status
TAIWAN		
Marine bridge (70% share)	100	Work progress at 68% (vs. 65% @ end-Apr 2022). Targeted completion: 2023.
Seawall reclamation (70% share)	400	Work progress at 39% (vs. 33% @ end-Apr 2022). Targeted completion: 2025.
Transmission line (50% share)	200	Newly secured in 4QFY21. Targeted completion: 2025.
Marine bridge extension (70% share)	200	Newly secured in 2022. Targeted completion: 2024.
SINGAPORE		
Bus depot (100% share)	600	Work progress at 23% (vs. 20% @ end-Apr 2022). Targeted completion: 2023.
Defu Station & Tunnel (60% share)	900	A design-and-construct contract with Gamuda as the Lead Member. Defu Station (along Tampines Road) is part of the 29km Cross Island Line Phase 1. Commencement: 2Q 2022 Targeted completion: 2030
AUSTRALIA		
Sydney Metro West - Western Tunnel (100% share)	6,200	Work progress at 5%. A design-and-construct contract with Gamuda as the Head Contractor, and Laing O'Rourke Australia as project delivery partner. Targeted completion: 2025.
Coffs Harbour Bypass (50% share)	2,100	A design-and-construct contract. Commencement: Early-2023. Targeted completion: Late-2027.
Total	14,000	

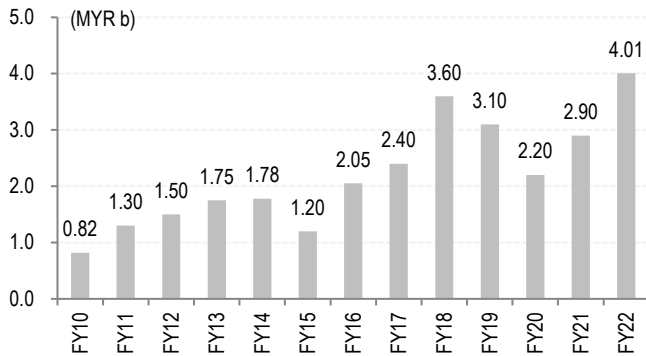
Source: Company

Property development

- **Strong MYR4b pre-sales in FY22 (+38% YoY)**, meeting its MYR4b target for the year. 4Q saw the strongest pre-sales at MYR1.3b (3Q: MYR0.8b; 2Q: MYR1.1b, 1Q: MYR0.8b). Of the MYR4b, MYR2b (51%) came from its domestic projects (+82% YoY), mainly from *Gamuda Cove*, *twentyfive.7*, *Jade Hills* and *Gamuda Gardens*. FY22 pre-sales in Singapore rose 82% YoY to MYR1.1b while in Vietnam fell 31% YoY to MYR0.8b as *Celadon City* nears full completion.
- **Sets MYR4.5b pre-sales target for FY23**, a slight revision from the MYR5b targeted earlier. Of the MYR4.5b, MYR1.5b is targeted to come from quick turnaround projects (QTP), MYR2.3b from its Malaysia developments, and the balance MYR0.7b from overseas. Gamuda now has a portfolio of 5 QTPs with total GDV of MYR2.8b located in London, Melbourne and HCMC in Vietnam.

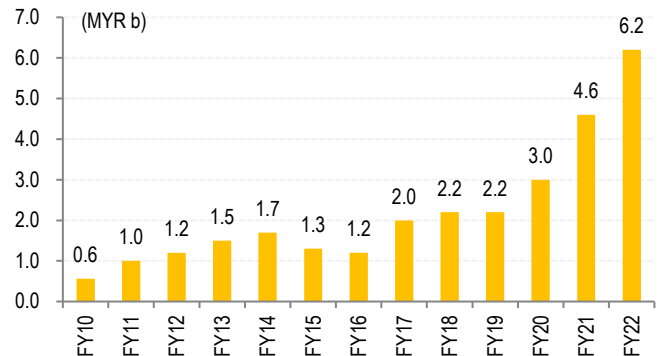
- Unbilled sales stood at another new record of MYR6.2b end-Jul 2022 (vs. MYR5.4b end-Apr 2022).

Fig 6: Property pre-sales



Source: Company, Maybank IBG Research (chart)

Fig 7: Unbilled property sales



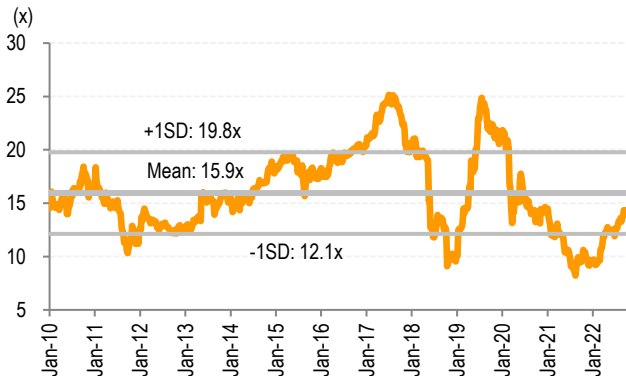
Source: Company, Maybank IBG Research (chart)

Concessions

- ALR acquisition of KESAS, LDP, SPRINT and SMART is nearing completion. ALR has successfully priced its MYR5.5b nominal AAA-rated Sustainability Sukuk Murabahah on 23 Sep 2022 and is working towards deal completion expected by mid-Oct 2022.
- MYR1b planned special dividend (39sen/Gamuda shr) on deal completion.
- MYR1b one-off gain on deal completion, which will boost the group net assets by 39sen/shr, and help to lower its nearing gearing level further to minimal.

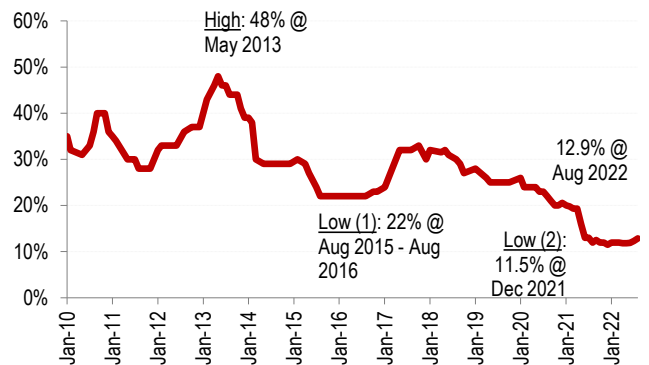
Valuation & foreign shareholding

Fig 8: 12M forward PER



Source: Bloomberg, Maybank IBG Research

Fig 9: Foreign shareholding



Source: Company

Fig 10: RNAV

1.0 CONCESSIONS						
	<u>Equity value + holding cost (MYR'm)</u>	<u>Shareholding (%)</u>	<u>Gamuda's share (MYR'm)</u>	<u>Total (MYR'm)</u>		
Expressways						
Lebuhraya Damansara-Puchong	2,273	42.7%	971			
Shah Alam Expressway	1,300	70.0%	910			
Western Traffic Dispersal Scheme (SPRINT)	915	51.3%	469			
KL Flood Mitigation Programme	-	50.0%	-			
				2,350		

Total concessions				2,350		
2.0 PROPERTY						
	<u>Unsold areas (acres)</u>	<u>Bal. GDV (MYR'm)</u>	<u>Shareholding (%)</u>	<u>NPV of future profits (MYR'm)</u>	<u>Gamuda's share (MYR'm)</u>	
Kota Kemuning (Klang Valley)	10	30	50.0%	5	3	
Valencia (Klang Valley)	0	0	98.8%	0	0	
Bandar Botanic (Klang Valley)	30	1,762	100.0%	114	114	
Jade Hills (Klang Valley)	5	604	100.0%	110	110	
Horizon Hills (Iskandar Malaysia)	304	2,406	50.0%	260	130	
Madge (Klang Valley)	0	20	100.0%	0	0	
Robertson (Klang Valley)	0	70	100.0%	12	12	
Highpark Suites (Klang Valley)	0	50	100.0%	39	39	
Gamuda Gardens (Klang Valley)	620	7,839	100.0%	483	483	
Kundang Estates (Klang Valley)	25	178	100.0%	23	23	
Gamuda Cove (Klang Valley)	1,402	20,878	100.0%	567	567	
Twentyfive.7 (Klang Valley)	119	2,989	100.0%	339	339	
Bukit Bantayan (Sabah)	10	680	100.0%	39	39	
Gamuda City (Hanoi)	268	11,374	100.0%	576	576	
Celadon City (HCMC)	10	389	100.0%	190	190	
Chapel Street (Melbourne)	0	72	100.0%	11	11	
GEM Residences (Singapore)	0	0	50.0%	0	0	
Anchorvale Crescent / OLA (Singapore)	0	70	50.0%	139	69	
	-----	-----			-----	
	2,803	49,411			2,706	
<i>Property NBV @ 31 Jul 2021</i>					5,933	
Total Properties RNAV					8,640	
<i>(-) 40% discount</i>					<i>(3,356)</i>	

Discounted Properties					5,184	
3.0 ENGINEERING & CONSTRUCTION						
			<u>Est. net profit (MYR'm)</u>	<u>Target PER (x)</u>	<u>Gamuda's share (MYR'm)</u>	
FY23E E&C profit			187	15	2,810	
Cash & investment securities at holding company @ 31 Jul 2021					870	

TOTAL RNAV					11,213	
					=====	
No. of ordinary shares @ 31 Jul 2022					2,554	
RNAV per share (MYR) - rounded					4.40	

Source: Maybank IBG Research

Appendix I

Methodology of our proprietary ESG scoring methodology.

We evaluate the ESG ratings based on quantitative, qualitative and ESG targets. We assign a score for each of these three parameters. The overall rating is based on the weighted average of the scores: quantitative (50%), qualitative (25%) and ESG target (25%).

For the quantitative, qualitative and ESG target, the sub-parameters are assigned a score - '0' for data not available, '+1' for improving trajectory, positive change, 'Yes', better than peers or a positive number if historical is not available and '-1' for declining trajectory, negative change, 'No', lower than peers or a negative number. The total of the scores of all the sub-parameters is divided by the total number of sub-parameters, to derive the score of each of the three parameters.

The sub-parameters may be different for different industries depending on the key areas to monitor for each industry. A company should achieve a minimum score of 50 for an average ESG rating.

FYE 31 Jul	FY21A	FY22A	FY23E	FY24E	FY25E
Key Metrics					
P/E (reported) (x)	14.7	10.0	5.6	16.0	12.1
Core P/E (x)	12.0	11.4	13.7	16.0	12.1
P/BV (x)	0.8	1.0	0.9	0.9	0.9
P/NTA (x)	0.8	1.0	1.0	0.9	0.9
Net dividend yield (%)	0.0	3.2	13.3	3.1	3.1
FCF yield (%)	8.1	nm	33.6	1.5	2.0
EV/EBITDA (x)	14.4	13.8	15.0	12.1	9.4
EV/EBIT (x)	21.3	19.3	18.0	14.0	10.5

INCOME STATEMENT (MYR m)

Revenue	3,517.2	5,162.6	6,144.6	8,000.5	10,746.1
EBITDA	692.3	853.3	723.9	915.0	1,192.4
Depreciation	(225.2)	(240.9)	(117.1)	(123.0)	(129.1)
EBIT	467.1	612.4	606.7	792.1	1,063.3
Net interest income / (exp)	4.5	27.9	34.6	30.1	25.3
Associates & JV	314.7	401.1	257.4	21.8	24.0
Exceptionals	0.0	(26.0)	1,038.3	0.0	0.0
Pretax profit	786.3	1,015.5	1,937.1	843.9	1,112.6
Income tax	(154.1)	(179.8)	(173.2)	(222.0)	(293.9)
Minorities	(43.9)	(29.4)	(7.2)	(7.7)	(8.1)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	588.3	806.2	1,756.7	614.3	810.6
Core net profit	588.3	832.2	718.4	614.3	810.6

BALANCE SHEET (MYR m)

Cash & Short Term Investments	2,656.7	2,794.3	3,015.7	2,822.4	2,698.7
Accounts receivable	1,748.4	2,478.1	2,812.1	3,661.4	4,917.9
Inventory	808.6	655.4	677.6	885.7	1,194.2
Property, Plant & Equip (net)	960.7	1,095.5	1,228.4	1,355.4	1,476.3
Intangible assets	0.0	0.0	0.0	0.0	0.0
Investment in Associates & JVs	1,825.0	963.0	1,220.4	1,242.2	1,266.2
Other assets	10,440.9	12,287.4	10,201.1	10,201.1	10,201.1
Total assets	18,440.2	20,273.7	19,155.2	20,168.2	21,754.4
ST interest bearing debt	1,452.2	1,535.3	1,535.3	1,612.1	1,692.7
Accounts payable	1,745.6	2,677.1	2,654.5	3,378.1	4,457.0
LT interest bearing debt	3,775.6	3,244.7	2,182.5	2,073.4	1,969.7
Other liabilities	1,951.0	2,567.0	2,076.0	2,082.0	2,100.0
Total Liabilities	8,924.5	10,023.9	8,448.0	9,145.5	10,219.5
Shareholders Equity	9,163.6	9,900.8	10,351.0	10,658.8	11,162.9
Minority Interest	352.1	349.1	356.3	363.9	372.0
Total shareholder equity	9,515.7	10,249.9	10,707.3	11,022.7	11,534.9
Total liabilities and equity	18,440.2	20,273.7	19,155.2	20,168.2	21,754.4

CASH FLOW (MYR m)

Pretax profit	786.3	1,015.5	1,937.1	843.9	1,112.6
Depreciation & amortisation	225.2	240.9	117.1	123.0	129.1
Adj net interest (income)/exp	(4.5)	(27.9)	(34.6)	(30.1)	(25.3)
Change in working capital	519.2	(203.2)	1,964.9	(299.3)	(447.6)
Cash taxes paid	(154.1)	(179.8)	(173.2)	(222.0)	(293.9)
Other operating cash flow	(314.7)	(401.1)	(257.4)	(21.8)	(24.0)
Cash flow from operations	1,057.4	444.2	3,553.9	393.7	450.9
Capex	(488.0)	(523.0)	(250.0)	(250.0)	(250.0)
Free cash flow	569.4	(78.8)	3,303.9	143.7	200.9
Dividends paid	0.0	(88.0)	(1,306.5)	(306.5)	(306.5)
Equity raised / (purchased)	3.5	0.0	0.0	0.0	1.0
Change in Debt	(304.1)	(233.5)	(1,062.2)	(32.4)	(23.1)
Other invest/financing cash flow	(563.8)	1,023.6	(713.8)	1.9	2.9
Effect of exch rate changes	9.3	51.2	0.0	0.0	1.0
Net cash flow	(295.0)	623.3	221.3	(193.2)	(124.8)

FYE 31 Jul	FY21A	FY22A	FY23E	FY24E	FY25E
Key Ratios					
Growth ratios (%)					
Revenue growth	(4.0)	46.8	19.0	30.2	34.3
EBITDA growth	7.2	23.3	(15.2)	26.4	30.3
EBIT growth	10.5	31.1	(0.9)	30.5	34.2
Pretax growth	33.2	29.2	90.8	(56.4)	31.8
Reported net profit growth	56.3	37.0	117.9	(65.0)	32.0
Core net profit growth	12.1	41.5	(13.7)	(14.5)	32.0
Profitability ratios (%)					
EBITDA margin	19.7	16.5	11.8	11.4	11.1
EBIT margin	13.3	11.9	9.9	9.9	9.9
Pretax profit margin	22.4	19.7	31.5	10.5	10.4
Payout ratio	0.0	37.5	74.4	49.9	37.8
DuPont analysis					
Net profit margin (%)	16.7	15.6	28.6	7.7	7.5
Revenue/Assets (x)	0.2	0.3	0.3	0.4	0.5
Assets/Equity (x)	2.0	2.0	1.9	1.9	1.9
ROAE (%)	6.6	8.5	17.3	5.8	7.4
ROAA (%)	3.2	4.3	3.6	3.1	3.9
Liquidity & Efficiency					
Cash conversion cycle	80.1	16.5	19.3	30.1	33.8
Days receivable outstanding	203.3	147.4	155.0	145.6	143.7
Days inventory outstanding	119.5	64.8	45.2	40.4	39.7
Days payables outstanding	242.8	195.7	181.0	156.0	149.6
Dividend cover (x)	nm	2.7	1.3	2.0	2.6
Current ratio (x)	2.2	2.2	2.0	1.9	1.8
Leverage & Expense Analysis					
Asset/Liability (x)	2.1	2.0	2.3	2.2	2.1
Net gearing (%) (incl perps)	27.0	19.4	6.6	7.8	8.4
Net gearing (%) (excl. perps)	27.0	19.4	6.6	7.8	8.4
Net interest cover (x)	na	na	na	na	na
Debt/EBITDA (x)	7.6	5.6	5.1	4.0	3.1
Capex/revenue (%)	13.9	10.1	4.1	3.1	2.3
Net debt/ (net cash)	2,571.1	1,985.7	702.2	863.0	963.7

Source: Company; Maybank IBG Research

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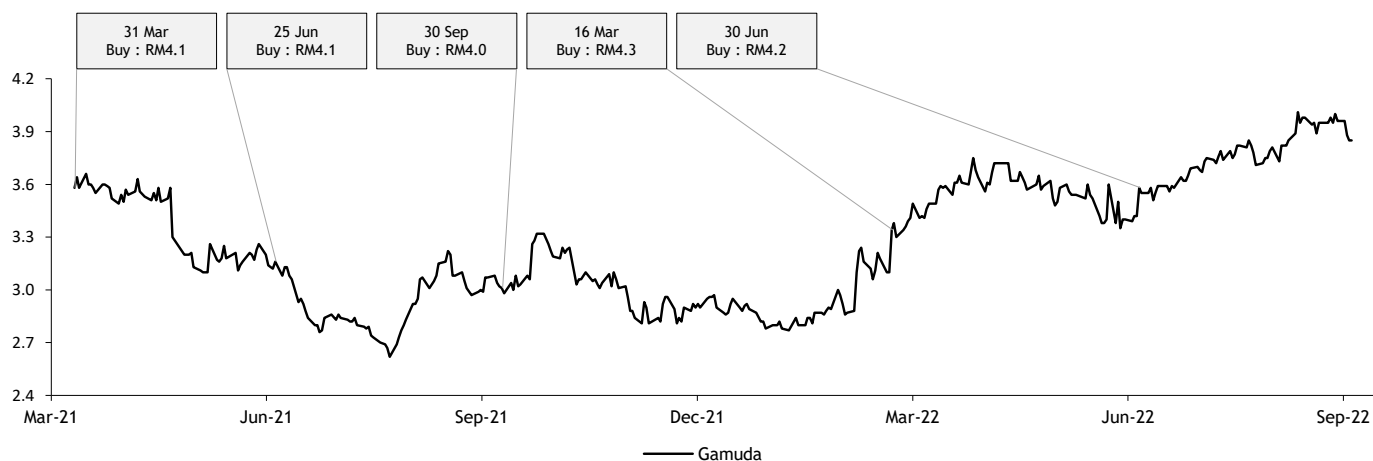
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