

Gamuda (GAM MK)

A sizeable win in Taiwan

Positive surprise; raising TP to MYR9.60

Gamuda's latest MYR3.2b E&C win for a Taiwan MRT project has lifted its outstanding orderbook to MYR28.7b, further strengthening its earnings visibility. This contract win is a positive surprise and comes with MYR8.1b of additional works in about 3 years' time, sustaining the project's work momentum for at least the next 10 years. We maintain our earnings forecasts, having imputed job win assumptions, but raise our RNAV-based TP to MYR9.60 from MYR8.70. We reiterate our BUY call on the stock.

MYR3.2b Xizhi Donghu MRT job (Gamuda's share)

Gamuda's 75% unincorporated JV has secured the design-and-build of the Xizhi Donghu Mass Rapid Transit (MRT) project in Taipei worth NTD32b (or MYR4.3b). The JV is also obligated to undertake additional works valued at NTD80b (or MYR10.8b) at a future date (estd. in about 3 years' time) comprising a maintenance depot and two extension lines. Gamuda's 75% share of works for the Xizhi Donghu MRT project is MYR3.2b, and MYR8.1b for the future additional works. The Xizhi Donghu MRT project is fully elevated comprising a 5.78km track and 6 stations.

Lifts outstanding E&C orderbook to MYR28.7b

This is Gamuda's 7th project in Taiwan since becoming the 1st Malaysian construction group to build Taiwan's urban metro, winning the Kaohsiung MRT Orange Line in 2002. This latest job win comes in exactly a year after clinching the Kaohsiung MRT Yellow Line valued at MYR3.45b (in Oct 2023). We estimate this latest win has lifted Gamuda's outstanding orderbook to MYR28.7b. Outstanding jobs in Taiwan is now MYR7.5b (26% of total) with jobs in Australia still dominating (40% of total) followed by Malaysia (24%) and Singapore (10%). This win also brings Gamuda a step closer towards its MYR30b job win target for FY25-26E (MYR3.9b secured in FY25-YTD).

Ranks no. 20 in market cap - likely KLCI constituent

Assuming 8% PBT margin, we estimate MYR195m net profit (7sen EPS) contribution over the next 7 years into FY32E. We maintain our forecasts, having imputed MYR20b job win assumption for FY25E. We however raise our TP on lifting our PER target for its E&C ops and removing the discount to its property ops valuation (see pg. 8). Gamuda now ranks 20th in market cap; it is likely to feature as a FBM KLCI constituent at the Nov 2024 review.

FYE Jul (MYR m)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue	8,268	13,347	12,840	16,321	18,260
EBITDA	909	942	1,627	1,961	2,086
Core net profit	860	912	1,115	1,308	1,385
Core EPS (sen)	32.7	33.3	40.2	47.1	49.9
Core EPS growth (%)	(0.5)	1.8	20.6	17.4	5.9
Net DPS (sen)	50.0	16.0	20.0	20.0	20.0
Core P/E (x)	13.1	23.6	21.3	18.1	17.1
P/BV (x)	1.0	1.9	2.0	1.9	1.8
Net dividend yield (%)	11.6	2.0	2.3	2.3	2.3
ROAE (%)	17.8	8.2	9.6	10.6	10.6
ROAA (%)	3.9	3.6	4.1	4.5	4.5
EV/EBITDA (x)	15.6	27.7	18.3	16.0	15.2
Net gearing (%) (incl perps)	25.1	38.6	49.1	59.0	56.5
Consensus net profit	-	-	1,192	1,393	1,547
MIBG vs. Consensus (%)	-	-	(6.5)	(6.0)	(10.5)

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BUY

Share Price	MYR 8.54
12m Price Target	MYR 9.60 (+15%)
Previous Price Target	MYR 8.70

Company Description

Gamuda Bhd engages in engineering and construction, property development and water O&M.

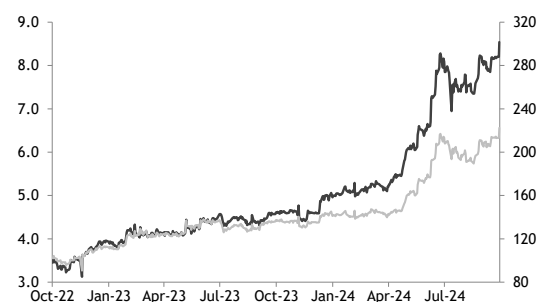
Statistics

52w high/low (MYR)	8.54/4.41
3m avg turnover (USDm)	19.3
Free float (%)	75.7
Issued shares (m)	2,821
Market capitalisation	MYR24.1B
	USD5.6B

Major shareholders:

Permodalan Nasional Bhd.	13.4%
Employees Provident Fund	10.1%
RAJA AZLAN SHAH ELEENA	4.1%

Price Performance



— Gamuda - (LHS, MYR) — Gamuda / Kuala Lumpur Composite Index - (RHS, %)

	-1M	-3M	-12M
Absolute (%)	4	7	87
Relative to index (%)	5	6	64

Source: FactSet

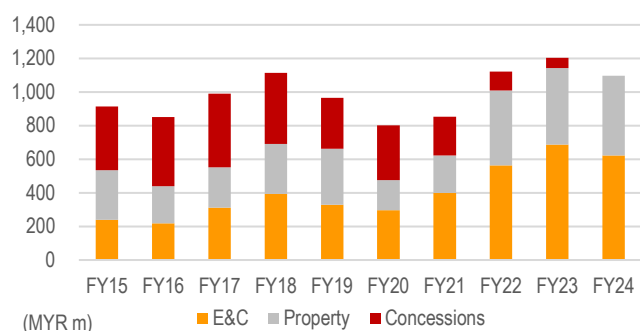
Abbreviation

E&C = engineering & construction
MRT = mass rail transit
PBT = pre-tax profit
Ops = operations

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 KVMRT 1&2, Ipoh-Padang Besar EDT, SMART, LDP, SAE, SPRINT, SSP3 and Sg S'gor Dam.
- Has also accumulated strategic property landbank in MY (Klang Valley mainly), VN (HCMC and Hanoi), LDN and AU worth MYR60b in remaining GDV.
- Exited the tolled highway business after selling its four urban concessions in Aug 2022 (completed on 13 Oct 2022).

Pretax profit breakdown (before FRS11)

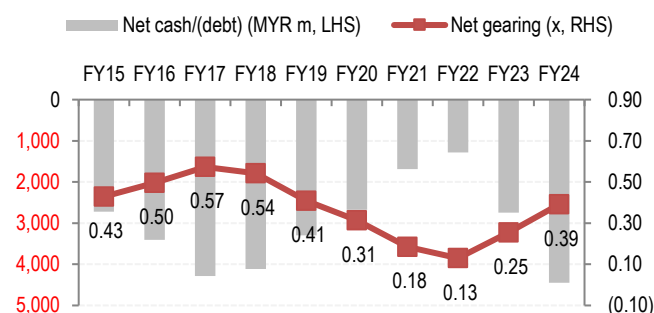


Source: Company

Financial Metrics

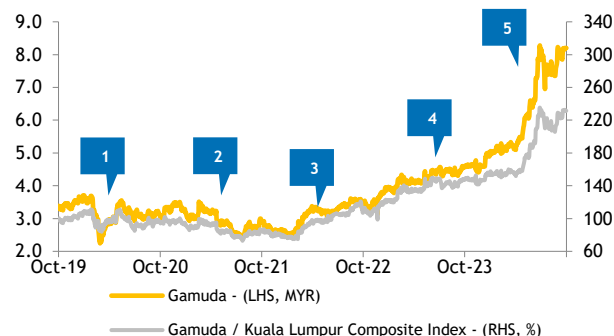
- Medium-term earnings to be supported by an outstanding E&C orderbook of MYR28.7b (latest), and unbilled property pre-sales of MYR7.7b (as of Jul 2024).
- Targeting MYR30b E&C job replenishment in FY24-25; Australia is now its 2nd E&C base.
- Targeting MYR6b property pre-sales in FY25 (+20% YoY); have ventured into UK recently as its 4th property base.
- Net gearing (including 'marketable securities') stood at 0.39x end-Jul 2024, below its internal cap of 0.7x, giving a debt headroom of c.MYR3.6b.

Net debt and gearing (including 'marketable securities')



Price Drivers

Historical share price trend



Source: Company, Maybank IBG Research

1. Start of pandemic induced movement restriction in Malaysia (18 Mar 2020).
2. Announcement (on 11 May 2021) of Gamuda's exclusion from MSCI Global Standard Index.
3. Sale of its highway concessions (announced on 4 Apr 2022) and major E&C wins of MYR11.6b in FY22.
4. Inclusion in MSCI Emerging Market Index wef 28 Feb 2023.
5. Optimism on strong orderbook replenishment.

Swing Factors

Upside

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

Downside

- Delay in implementation of key infrastructure projects.
- Silicon Island reclamation work pace falls short of the targeted timeline.
- Cost overrun and delay in E&C orderbook execution.

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Risk Rating & Score ¹	29.5 (Medium)
Score Momentum ²	-1.6
Last Updated	23 May 2024
Controversy Score ³ (Updated: 21 Jun 2023)	1 - Society & Community (community relations)

Business Model & Industry Issues

- As a leading engineering and property group, Gamuda acknowledges its heavy ESG responsibility including that of the environment.
- Milestones included the launch of 'Gamuda Green Plan 2025' (GGP) in 2021, the Group's ESG framework, anchored on 4 pillars: (1) sustainable planning & design for construction; (2) community & business; (3) environmental & biodiversity conservation; (4) enhancing sustainability via digitalisation. GGP commits to lower Scope 1 & 2 emissions intensity by 30% in 2025, 45% in 2030 (fr base year 2022).
- 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 and 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

- 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; 11 lakes), located next to the *Gamuda Cove* development. GP's agendas include (i) a Wetlands 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 Silicon Island:** To be a model of sustainable (low carbon) development - Green Tech Park to be 100%-RE powered; low carbon mobility has been incorporated into the masterplan.
- Gamuda's biodiversity commitment includes (i) planting of 1m trees/saplings by 2023 (>600k planted at end-FY23), and (ii) developing 2,000 acres of green/waterscapes across 12 urban forest clusters within its property projects by 2025 (1,665 acres developed at 16 of its property projects, as at end-FY23).

Material S issues

- Gamuda's staff force in M'sia (3,341 end-FY23) is diversified in race (Bumiputera: 57%, Chinese: 35%, Indian: 7%, Others: 1%). Its total staff force (4,219 end-FY23, including in Vietnam and Australia) are also diversified in gender (women 38%, men 62%).
- Gamuda Plant Operator School (since 1997) and Tunnelling Training Academy (2011) have trained >45,000 and >1,000 pax each. BIM Academy (since 2018) has upskilled >5,000 employees in Building Information Modelling digital construction.
- Average training hours for staff in Malaysia rose to 19.5 hours in FY23 (FY22: 14.2 hours).
- During the pandemic, Gamuda pioneered in providing high quality centralised labour quarters (CLQs) for all its migrant workers in M'sia. It also set up Centralised Quarantine Quarters (CQQs) at its CLQs for COVID-19-positive migrant workers.
- The Group allocates 2% of its profits before tax p.a. to Yayasan Gamuda (YG), set up in 2016. Enabling Academy, under YG, has trained 96 autism disorder adults since 2017 and assisted them in securing jobs. YG has awarded 603 scholarships since 1996 (FY23: MYR20m/79 scholarships; FY22: MYR12.6m/53).

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 4 women on Gamuda's Board or 57% representation, above the 30% requirement.
- Gamuda provides detailed disclosure on remuneration of directors. In FY23, remuneration of executive directors (incl. alternate directors) was 0.8% of pretax profit, non-executive directors 0.1%. Disclosures on remuneration of its top 5 senior management (on named basis) are in bands of MYR50k.
- Gamuda has been audited by Ernst & Young for 22 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 on 28 Jul 2020: (i) Anti-Bribery and Corruption (ABC) Policy; (ii) Whistleblowing Policy and Procedures (which superseded the 2011 whistleblowing policy). Integrity Pledges for directors and staff were implemented from FY21. In FY22, it rolled out the Gamuda Organisational Anti-Corruption Plan 2021-24, and extended its ABC and Whistleblowing policies to its ops in Australia, Singapore, Vietnam and Taiwan.
- 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. Gamuda has also adopted SAP S/4HANA as its new cloud-based ERP system, enabling the Group to improve on governance, among others.
- 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- FY23. There were no other material contracts involving directors and major shareholders during our period of review (FY16-FY23).

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: 67)							
	Particulars	Unit	FY20	FY21	FY22	FY23	IJM (FY24)
E	Scope 1 GHG emissions	tCO2e	1287	2995	8428	6718	20820
	Scope 2 GHG emissions	tCO2e	4723	13588	18147	20107	51430
	Total	tCO2e	6010	16583	26575	26825	72250
	Scope 3 GHG emissions	tCO2e	NA	NA	5709	130008	867685
	Total	tCO2e	NA	NA	32284	156833	939935
	GHG intensity (Scope 1 and 2)	tCO2e/MYRm rev	NA	NA	4.7	3.6	NA
	Energy consumed	MWh	NA	22111	32214	30168	157982
	Share of renewable energy use in operations	%	NA	Negligible	4.2%	22.3%	5.7%
	Waste recycled	%	NA	0.3%	9.2%	5.6%	10.6%
	Cases of environmental non-compliance	number	0	0	0	0	0
S	% of women in workforce	%	31.1%	35.0%	36.0%	37.6%	31.0%
	% of women in management	%	30.0%	30.0%	31.0%	31.8%	31.2%
	Lost time injury frequency (LTIF) rate - GEngg	number	1.27	2.18	0.00	0.00	0.80
	Lost time injury frequency (LTIF) rate - GLand	number	NA	0.00	0.00	0.00	NA
	Enabling Academy (pax trained since 2017)	number	63	66	86	96	NA
	Gamuda scholarship (pax supported fr 1996)	number	444	471	524	603	>370 (fr 1994)
G	MD/CEO remuneration as % of PBT	%	0.97%	0.56%	0.43%	0.28%	0.26%
	Board (ex-CEO) remuneration as % of PBT	%	1.51%	0.86%	0.66%	0.55%	0.27%
	Independent directors on the Board	%	57%	57%	57%	57%	64%
	Female directors on the Board	%	43%	43%	57%	57%	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 - Gamuda Green Plan 2025 is a strategic roadmap towards driving sustainability. A Sustainability Steering Committee reports to the Board.</i>
b)	Is the senior management salary linked to fulfilling ESG targets? <i>Yes - sustainability related KPIs have been incorporated in performance evaluation of all employees since FY21, including senior management, and they account for up to 50% of the KPI weighting.</i>
c)	Does the company follow the task force of climate related disclosures (TCFD) framework for ESG reporting? <i>Yes - besides TCFD, Gamuda has aligned its sustainability reporting to Sustainability Accounting Standards Board (SASB) and Carbon Disclosure Project (CDP).</i>
d)	Does the company have a mechanism to capture Scope 3 emissions - which parameters are captured? <i>Yes - in FY23, Gamuda broadened its disclosure of Scope 3 emissions to 8 categories from 1 previously.</i>
e)	What are the 2-3 key carbon mitigation/water/waste management strategies adopted by the company? <i>Gamuda has planted >600,000 trees as at end-FY23, meeting >60% of its target for 1m trees by 2023. It has developed 1,665 acres of green/waterscapes across 12 urban forest clusters within its property townships (target 2,000 acres by 2025). Gamuda has also installed solar PV panels on its 10 assets (generating capacity of 3,143kWp) as it targets to develop over 800MW of its own RE assets.</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 by 2050	Net-0	N/A
Plant 1m trees by 2023 under the Advanced Tree Planting scheme	1 mil	>60%
800MW of own RE asset portfolio	800MW	39MW
All future residential & commercial projects to be Green Building Index (GBI) certified	GBI	Yes
Gamuda scholarship - to raise the fund to MYR30m in FY24E, from MYR20m in FY23	MYR30m for FY24	MYR20m in FY23
2% of yearly PBT allocation to Yayasan Gamuda	2.0%	Not disclosed
Impact		
NA		
Overall score: 75		
As per our ESG matrix, Gamuda (GAM MK) has an overall score of 75.		

ESG score	Weights	Scores	Final Score
Quantitative	50%	67	33
Qualitative	25%	100	25
Target	25%	67	17
Total			75

As per our ESG assessment, GAM has an established framework, internal policies, and tangible mid/long-term targets. GAM's overall ESG score is 75, which makes its ESG rating above-average, in our view (average ESG rating = 50; refer to Appendix I for our ESG Assessment Scoring).

About the new Taiwan MRT contract

Providing multi-year works momentum. Gamuda, in an unincorporated JV with its Taiwanese partners, has been awarded the design-and-build of the Xizhi Donghu Mass Rapid Transit (MRT) construction turnkey project in Taipei by (ultimately) the New Taipei City Government. The contract value is NTD32b (or MYR4.3b). The JV is also obligated to undertake additional works valued at NTD80b (or MYR10.8b) comprising 1) a Xizhi Donghu Line maintenance depot; and 2) system & track works for two extension lines - Keelung Line MRT and Minsheng Line MRT. Works on the Xizhi Donghu MRT are expected to take 7 years, while the additional works (for a maintenance depot and two extension lines) are expected to start before the Xizhi Donghu MRT completes construction (guidance is in 3 years' time).

About the Xizhi Donghu MRT project. The project is totally elevated, comprising a 5.78km railway track and 6 stations (also elevated), located within Taipei Neihs District and New Taipei City Xizhi District. The project is part of a major infrastructure initiative now underway in New Taipei City, with the goal of expanding and improving the connectivity between Xizhi District and other parts of New Taipei and Taipei City. The MYR4.3b design-and-build contract includes system works (rolling stock, power supply, signalling, etc.).

Fig 1: Overview of Xizhi Donghu MRT alignment



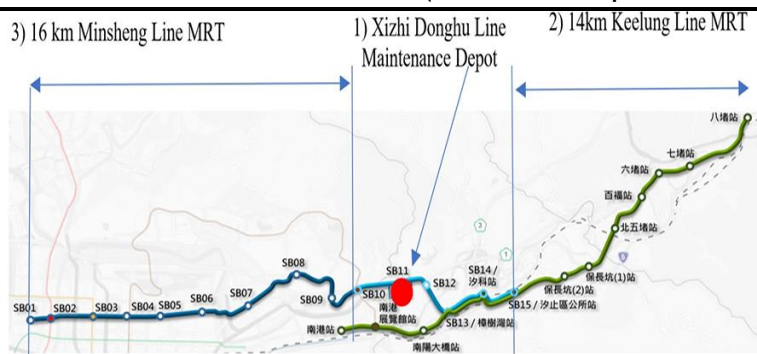
Source: Company

Fig 2: Details of the additional works (maintenance depot & 2 new lines)

Additional Sum Items	1	2	3
	Xizhi Donghu Line Maintenance Depot	Keelung Line MRT System and Trackworks	Minsheng Line MRT System and Trackworks
Scope of Work	Civil & structural, MEP for Maintenance Depot	<u>Trackwork</u> <u>System Work</u> <ul style="list-style-type: none"> Rolling Stock Signalling Power Supply Communication System 	<u>Trackwork</u> <u>System Work</u> <ul style="list-style-type: none"> Rolling Stock Signalling Power Supply Communication System

Source: Company

Fig 3: Information on the additional works (maintenance depot & 2 new lines)



Source: Company

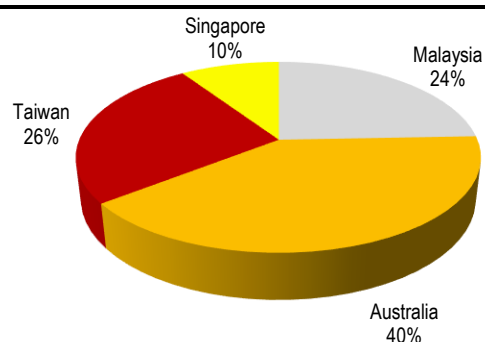
About its Taiwanese partners. Gamuda has a 75% stake in the unincorporated JV, with its Taiwanese partners, MiTAC Information Technology Corp. having a 15% stake, and Dong Pi Co, Ltd the remaining 10% stake. MiTAC is a provider of AIoT solutions for smart city and digital transformation with its principal activities in the railway sector comprising (among others) communication systems, power supply, automated fare collection, SCADA, platform screen door and signalling system. Dong Pi is a general civil contractor specialising in tunnel construction, marine engineering, road & bridge works, track laying, and industrial building works. Each partner's share of the works in the MYR4.3b Xizhi Donghu MRT contract is equivalent to their respective stake in the unincorporated JV.

A sizeable upliftment to Gamuda's orderbook

MYR3.2b for now, plus MYR8.1b in about 3 years' time. Gamuda's 75% stake in the unincorporated JV brings its portion of works for the Xizhi Donghu MRT project to MYR3.2b, with another MYR8.1b to come in 3 years' time after the final go-ahead for the additional works. We understand that the additional works are very much "in the bag", and the contract (with physical construction expected to start in about 3 years' time) has cost escalation clauses, in the event of unexpected major hikes in construction material, system and other critical costs.

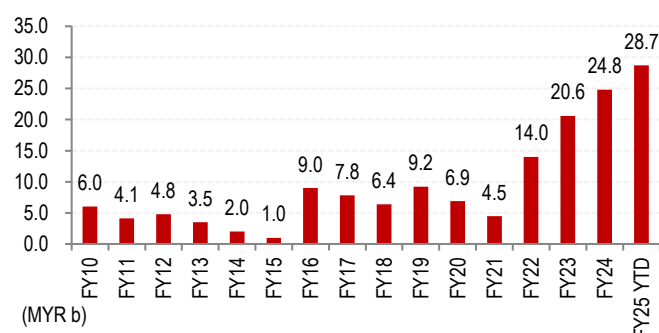
Outstanding E&C orderbook of MYR28.7b. We estimate Gamuda's outstanding E&C orderbook to be higher now at MYR28.7b, based on MYR24.8b outstanding orderbook as at end-FY24 (Jul 2024), and incorporating the 1) recently won Boulder Creek wind farm project in Australia (in Sep) worth MYR0.7b, and 2) this new Xizhi Donghu MRT contract valued at MYR3.2b (Gamuda's portion). Projects in Australia still dominates its E&C orderbook at 40% of total outstanding, followed by projects in Taiwan (26%), Malaysia (24%) and Singapore (10%).

Fig 4: MYR28.7b outstanding orderbook now



Source: Company, Maybank IBG Research (chart)

Fig 5: Outstanding E&C orderbook



Source: Company, Maybank IBG Research (chart)

Fig 6: E&C orderbook - MYR28.7b outstanding

Project	Outstanding (MYR m)	Status
MALAYSIA		
Silicon Island - Phase 1 reclamation	3,600	Work progress at 4% with about 35 acres reclaimed (vs. 20 acres @ end-Apr 2024). Targeted completion: 2030.
Rasau Water Supply Scheme - Stage 1	1,400	Work progress at 28% (vs. 15% @ end-Apr 2024). Targeted completion: 2025.
Google's hyper scale Data Centre in Elmina Business Park 1A project	1,700	Secured on 24 May 2024. Targeted completion: Feb 2026 (structure) & Sep 2026 (MEP fit-out)
AIMS Group's Cyberjaya Block 3 data centre	300	Secured in May 2024.
AUSTRALIA		
Sydney Metro West - Western Tunnel (100% share)	2,800	Work progress at 65% (vs. 61% @ end-Apr 2024). Targeted completion: 2026.
Coffs Harbour Bypass (50% share)	1,500	Work progress at 32% (vs. 24% @ end-Apr 2024). Targeted completion: Late-2027.
M1 Motorway (40% share)	800	Work progress at 35% (vs. 24% @ end-Apr 2024). Targeted completion: 2028.
DTI projects	3,400	Various stages of completion.
Metronet Hi-Capacity Signalling (46% share)	2,300	Recently secured in 2024, in JV with Alstom.
Boulder Creek 228 MW wind farm in Queensland (100% share)	702	Recently secured in Sep 2024.
TAIWAN		
Marine bridge (70% share)	Min	Work progress at 100% (vs. 92% @ end-Apr 2024). Targeted completion: 2023.
Seawall reclamation (70% share)	100	Work progress at 81% (vs. 77% @ end-Apr 2024). Targeted completion: 2025.
Transmission line (50% share)	200	Work progress at 32% (vs. 20% @ end-Apr 2024). Targeted completion: 2025.
Tao Yuan underground (60% share)	1,100	Work progress at 7% (vs. 2% end-Apr 2024). Targeted completion: 2030.
Kaoshiung MRT YC01 (88% share)	2,900	Newly secured in 2023. Targeted completed: 2032.
Xizhi Donghu MRT (75% share)	3,200	Recently secured in Oct 2024.

Source: Company

Fig 6: E&C orderbook - MYR28.7b outstanding (continued)

Project	Outstanding (MYR m)	Status
SINGAPORE		
Bus depot (100% share)	300	Work progress at 69% (vs. 66% @ end-Apr 2024). Targeted completion: 2023. Application for EOT submitted.
Defu Station & Tunnel (60% share)	700	Work progress at 28% (vs. 21% @ end-Apr 2024). Targeted completion: 2030.
West Coast Station & Tunnel Project (100% share)	1,700	Newly secured on 6 Dec 2023. Targeted completion: 2032.
Total	28,700	

Source: Company

Valuation

Latest Taiwan MRT win is a positive surprise to us. This latest contract win is a positive surprise to us, in both timing and value (contract size). Earlier guidance (in end-Sep 2024) was circa MYR15b of E&C wins expected for the next two quarters (1Q-2QFY25E) comprising the Upper Padas HEP & water supply scheme, Mutiara Line LRT Segment 1 (Silicon Island to Komtar), a few data centre projects in Malaysia and some renewable energy (RE) projects in Australia (the MYR0.7b Boulder Creek wind farm project has since been secured last month, in Sep) - but no guidance of a job win in Taiwan. With this latest win, we believe that Gamuda is very much on track for record high E&C wins in FY25-26E; the internal target of MYR30b may be surpassed. The Mutiara Line LRT in Penang was mentioned in last Friday's Budget 2025 Speech which implies that works should take off soon.

Raising RNAV-based TP. We value Gamuda on RNAV with the E&C ops on PER and the property ops on NPV of future profits. On expectation for strong E&C orderbook replenishment ahead, we raise our target PER for its E&C ops to 25x from 23x (on unchanged FY25E E&C earnings). Also, in anticipation for strong property pre-sales - the internal target is MYR6b in FY25E (+20% YoY) with two Quick Turn-Around Projects in Vietnam to support FY25E pre-sales - we remove the 10% discount that we had previously attached onto our NPV est. for its property ops. **Consequently, we derive a new TP of MYR9.60 which implies 23.9x FY25E PER and 20.4x FY26E PER (this compares to its recent PER high of 25x in mid-2017).**

Bonus issue to improve liquidity. Separately, Gamuda announced that its 1-for-1 proposed bonus issue has received the go-ahead from Bursa Malaysia Securities. The bonus issue will improve the affordability of Gamuda shares especially for retail investors; this should further drive Gamuda shares' trading liquidity.

Potential FBM KLCI constituent, with a 'sizeable' index weight. We have highlighted early this month [\[link\]](#) the possibility of Gamuda featuring as an FBM KLCI constituent in the upcoming constituent review in end-Nov 2024. Based on yesterday's (22 Oct) share price close, Gamuda's ranking in market capitalisation has risen further to no. 20 (from no. 23 in our 7 Oct review using 4 Oct share price close). If its ranking remains at no. 20, or is anywhere above no. 25 on the upcoming constituent review date (we estimate 25 Nov), Gamuda should feature as an FBM KLCI constituent as it also passes the liquidity eligibility test, based on our calculation. If Gamuda features as a constituent, we estimate its KLCI weight to be 'sizeable' at 3.3% (per our report on 7 Oct using 4 Oct share price close). At 3.3%, Gamuda's KLCI weight would rank no. 6.

Fig 7: Revalued Net Asset Value (RNAV)

1.0 ENGINEERING & CONSTRUCTION

	Est. net profit (MYR'm)	Target PER (x)	Gamuda's share (MYR'm)
FY25E E&C profit	593	25	14,816

2.0 PROPERTY

	Unsold areas (acres)	Bal. GDV (MYR'm)	Shareholding (%)	NPV of future profits (MYR'm)	Gamuda's share (MYR'm)
Jade Hills (Klang Valley)	0	19	100%	3	3
Horizon Hills (Iskandar Malaysia)	210	1,890	50%	233	116
Gamuda Gardens (Klang Valley)	567	8,320	100%	591	591
Gamuda Parks (Klang Valley)	486	4,047	100%	237	237
Kundang (Klang Valley)	25	88	100%	19	19
Gamuda Cove (Klang Valley)	510	19,011	100%	924	924
twentyfive.7 (Klang Valley)	107	1,947	100%	181	181
Gamuda GM Klang	13	1,138	100%	77	77
Others (Malaysia)	7	852	100%	47	47
Gamuda City (Hanoi)	232	11,160	100%	1,015	1,015
Celadon City (HCMC)	0	253	100%	37	37
Chapel Street (Melbourne)	0	52	100%	3	3
OLA (Singapore)	0	0	50%	0	0
Quick turnaround projects	60	11,419	various	1,282	1,154
	2,217	60,196			4,405

Net asset @ 31 Jul 2023 (latest available)

Total Property

(-) 10% discount (removed)

Discounted Property

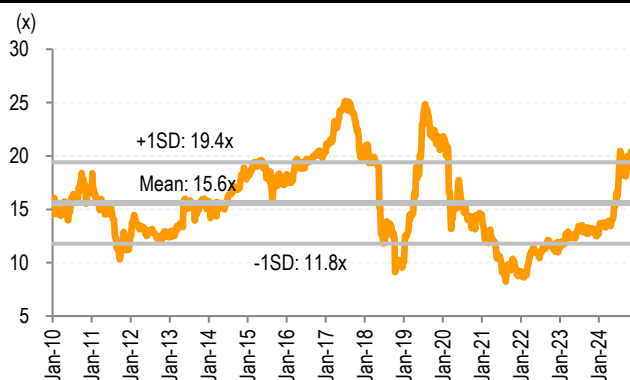
TOTAL RNAV

No. of ordinary shares @ 31 Jul 2024

RNAV per share (MYR) - rounded

Source: Maybank IBG Research

Fig 8: 12M forward PER

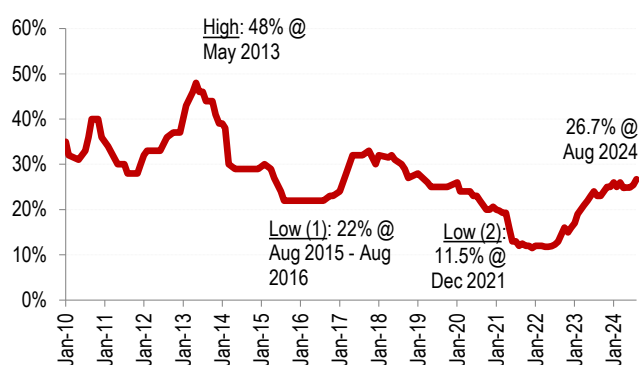


Source: Bloomberg, Maybank IBG Research

Fig 9: 12M forward P/B



Source: Bloomberg, Maybank IBG Research

Fig 10: Foreign shareholding


Source: Company

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	FY23A	FY24A	FY25E	FY26E	FY27E
Key Metrics					
P/E (reported) (x)	5.5	15.7	21.3	18.1	17.1
Core P/E (x)	13.1	23.6	21.3	18.1	17.1
P/BV (x)	1.0	1.9	2.0	1.9	1.8
P/NTA (x)	1.1	2.1	2.2	2.0	1.9
Net dividend yield (%)	11.6	2.0	2.3	2.3	2.3
FCF yield (%)	nm	nm	nm	nm	6.1
EV/EBITDA (x)	15.6	27.7	18.3	16.0	15.2
EV/EBIT (x)	18.0	33.5	20.5	17.7	16.7

INCOME STATEMENT (MYR m)

Revenue	8,268.1	13,346.7	12,839.9	16,320.9	18,260.0
EBITDA	909.1	942.2	1,627.2	1,960.8	2,085.8
Depreciation	(120.2)	(162.7)	(170.8)	(179.3)	(188.3)
EBIT	788.8	779.5	1,456.5	1,781.5	1,897.4
Net interest income / (exp)	73.6	(7.8)	(16.4)	(25.5)	(35.1)
Associates & JV	255.3	325.6	26.0	32.1	31.1
Exceptionals	1,111.1	0.0	0.0	0.0	0.0
Pretax profit	2,228.9	1,097.4	1,466.1	1,788.0	1,893.4
Income tax	(223.8)	(155.1)	(345.6)	(474.1)	(502.8)
Minorities	(166.7)	(30.2)	(5.5)	(5.5)	(5.5)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	1,838.4	912.1	1,114.9	1,308.4	1,385.1
Core net profit	860.1	912.1	1,114.9	1,308.4	1,385.1

BALANCE SHEET (MYR m)

Cash & Short Term Investments	4,177.3	3,361.1	2,803.2	1,500.8	2,375.5
Accounts receivable	2,942.1	3,281.2	4,435.6	5,638.1	6,308.0
Inventory	717.2	612.2	553.4	708.7	798.3
Property, Plant & Equip (net)	1,649.0	1,613.9	1,743.1	1,863.7	1,975.4
Intangible assets	497.6	898.5	898.5	898.5	898.5
Investment in Associates & JVs	1,390.1	1,891.5	1,917.6	1,949.6	1,980.7
Other assets	12,411.0	14,862.8	15,743.8	16,918.4	18,093.0
Total assets	23,784.3	26,521.2	28,095.0	29,477.9	32,429.4
ST interest bearing debt	1,409.7	1,003.3	1,934.4	2,280.7	3,307.2
Accounts payable	3,713.0	4,806.3	4,872.8	5,070.7	6,120.8
LT interest bearing debt	5,514.0	6,803.3	6,803.3	6,803.3	6,803.3
Other liabilities	2,221.0	2,387.0	2,398.0	2,478.0	2,517.0
Total Liabilities	12,857.7	14,999.7	16,008.2	16,632.2	18,748.1
Shareholders Equity	10,791.1	11,365.2	11,925.1	12,678.4	13,508.5
Minority Interest	135.5	156.2	161.7	167.3	172.8
Total shareholder equity	10,926.6	11,521.5	12,086.9	12,845.7	13,681.3
Total liabilities and equity	23,784.3	26,521.2	28,095.0	29,477.9	32,429.4

CASH FLOW (MYR m)

Pretax profit	2,228.9	1,097.4	1,466.1	1,788.0	1,893.4
Depreciation & amortisation	120.2	162.7	170.8	179.3	188.3
Adj net interest (income)/exp	(73.6)	7.8	16.4	25.5	35.1
Change in working capital	(1,392.0)	(636.2)	(1,166.7)	(1,237.7)	162.9
Cash taxes paid	(223.8)	(155.1)	(345.6)	(474.1)	(502.8)
Other operating cash flow	(255.3)	(325.6)	(26.0)	(32.1)	(31.1)
Cash flow from operations	404.4	150.9	115.0	249.0	1,745.8
Capex	(2,755.4)	(1,871.2)	(300.0)	(300.0)	(300.0)
Free cash flow	(2,351.0)	(1,720.3)	(185.0)	(51.0)	1,445.8
Dividends paid	(1,442.7)	(100.7)	(555.1)	(555.1)	(555.1)
Equity raised / (purchased)	98.3	146.3	146.3	146.3	146.3
Change in Debt	2,128.2	878.5	931.1	346.3	1,026.6
Other invest/financing cash flow	2,510.0	595.2	(895.3)	(1,188.9)	(1,188.9)
Effect of exch rate changes	(20.7)	(33.7)	0.0	0.0	0.0
Net cash flow	942.8	(200.9)	(557.9)	(1,302.4)	874.7

FYE 31 Jul	FY23A	FY24A	FY25E	FY26E	FY27E
Key Ratios					
Growth ratios (%)					
Revenue growth	60.7	61.4	(3.8)	27.1	11.9
EBITDA growth	6.0	3.6	72.7	20.5	6.4
EBIT growth	27.8	(1.2)	86.8	22.3	6.5
Pretax growth	119.4	(50.8)	33.6	22.0	5.9
Reported net profit growth	128.0	(50.4)	22.2	17.4	5.9
Core net profit growth	3.4	6.0	22.2	17.4	5.9
Profitability ratios (%)					
EBITDA margin	11.0	7.1	12.7	12.0	11.4
EBIT margin	9.5	5.8	11.3	10.9	10.4
Pretax profit margin	27.0	8.2	11.4	11.0	10.4
Payout ratio	71.5	48.0	49.8	42.4	40.1
DuPont analysis					
Net profit margin (%)	22.2	6.8	8.7	8.0	7.6
Revenue/Assets (x)	0.3	0.5	0.5	0.6	0.6
Assets/Equity (x)	2.2	2.3	2.4	2.3	2.4
ROAE (%)	17.8	8.2	9.6	10.6	10.6
ROAA (%)	3.9	3.6	4.1	4.5	4.5
Liquidity & Efficiency					
Cash conversion cycle	(7.4)	(21.8)	(30.6)	0.9	8.7
Days receivable outstanding	117.1	83.9	108.2	111.1	117.8
Days inventory outstanding	34.1	19.5	19.0	16.0	17.0
Days payables outstanding	158.6	125.3	157.8	126.2	126.0
Dividend cover (x)	1.4	2.1	2.0	2.4	2.5
Current ratio (x)	2.2	2.2	2.0	1.9	1.7
Leverage & Expense Analysis					
Asset/Liability (x)	1.8	1.8	1.8	1.8	1.7
Net gearing (%) (incl perps)	25.1	38.6	49.1	59.0	56.5
Net gearing (%) (excl. perps)	25.1	38.6	49.1	59.0	56.5
Net interest cover (x)	na	100.5	88.7	69.8	54.1
Debt/EBITDA (x)	7.6	8.3	5.4	4.6	4.8
Capex/revenue (%)	33.3	14.0	2.3	1.8	1.6
Net debt/ (net cash)	2,746.4	4,445.5	5,934.5	7,583.2	7,735.0

Source: Company; Maybank IBG Research

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Malaysia

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Singapore

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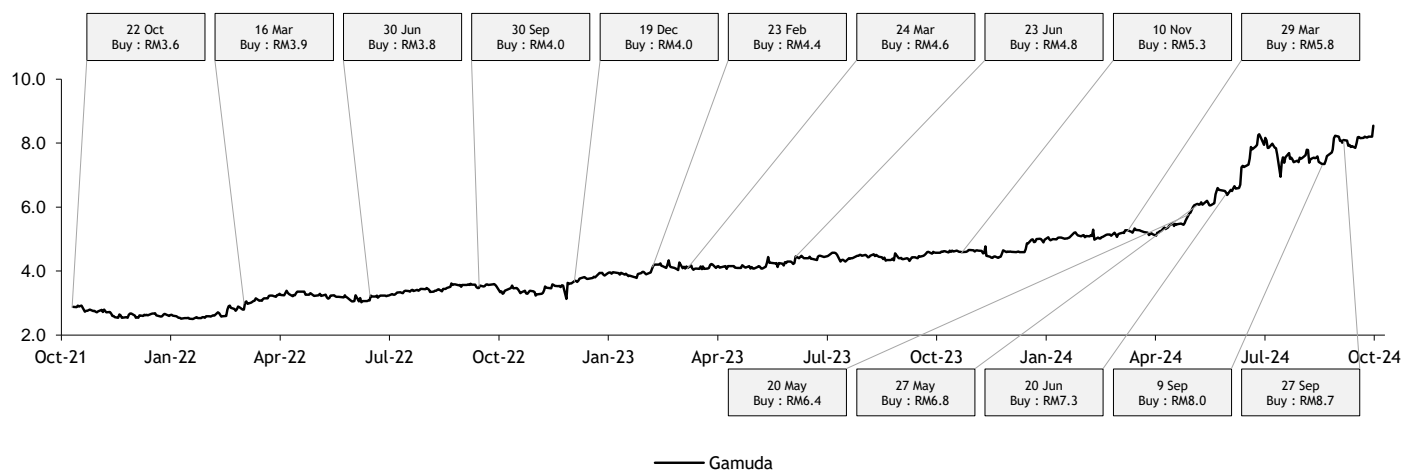
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