

PP14767/09/2012(030761)

Wednesday, June 24, 2015

## Gamuda Berhad

## “Bidding to Develop Singapore’s Land”

Gamuda Berhad (Gamuda) and its partners has submitted a bid to develop a parcel of land in Toa Payoh, Singapore worth approximately SGD345.86mil (RM962.5mil) or about SGD755 (RM2,105) per sq. ft. The competition among other bidders remain intense but we do not rule out Gamuda’s chance to make a first entrance into Singapore’s burgeoning property market especially with its vast expertise in developing overseas project in Vietnam. Hence, we maintain our BUY call on Gamuda with TP of RM5.87.

- **Bid to develop Toa Payoh’s land.** According to the Star, a consortium consisting Gamuda Bhd, Evia Real Estate (7) Pte Ltd and Maxdim Pte Ltd has submitted a tender worth SGD345.86mil (RM962.5mil) to potentially develop a 99-year leasehold plot of land in Toa Payoh, Singapore. The bid translates into an average land cost of SGD8,130 (RM22,672) per sq. meter of gross floor area or around SGD755 (RM2,105) per sq. ft. The consortium has submitted the highest bids among 14 other bidders. Meanwhile, Sing Holdings made the second highest bid of SGD747.09 per sq. ft. followed by a tie-up between UOL Venture Investments and Singland Homes offered SGD740.32 per sq. ft.
- **Toa Payoh’s new residential units.** Toa Payoh is a well-established and matured estate located in the central region of Singapore, with very few private residential projects. Based on our channel checks, “Toa Payoh New Town” is one of the earliest satellite public housing estates in Singapore which was built in 1968. For the new projects, Housing and Development Board of Singapore (HDB) has allocated 3-acre site of land to develop a new private residential units located within walking distance from North South Line’s Braddel MRT station.

## BUY (TP: RM5.87)

Current Price (RM)	RM4.94
New Target Price (RM)	RM5.87
Previous Target Price (RM)	RM5.28
Previous Recommend.	BUY
Upside To Target Price	19%
Dividend Yield (FY16)	2%

## Stock Code

Bloomberg	GAM MK
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## Stock &amp; Market Data

Listing	MAIN MARKET
Sector	Construction
Shariah Compliance	Yes
Issued Shares (mn)	2,406
Market Cap (RM mn)	12,005
YTD Chg In Share Price	-0.4%
Beta (x)	0.91
52-week Hi/Lo (RM)	5.36   4.55
3M Average Volume (shrs)	4.60mn
Estimated Free Float	52%

## Major Shareholders

EPF	9%
Skim ASB	8%
KWAP	7%

- **Impact on Gamuda.** We do not rule out Gamuda's consortium opportunity to win the tender despite facing a tough competition among other bidders as top 5 tenderers' bid prices are within a close range of 4% and merely 1% above the second highest bidder. Moreover, Gamuda strong reputation in developing overseas' property project could be an added advantage to win the Singapore's tender and hence, marking its first foray into property development in Singapore. Currently, Gamuda is working on 2 projects in Vietnam comprising Gamuda City in Hanoi with remaining GDV of RM8.5 billion and Celedon City in Ho Chi Minh City with remaining GDV of RM2.0 billion. Therefore, if the consortium wins the tender, we assume that Gamuda's remaining GDV for overseas market could approximately increase by 4% to RM11.3 billion based on Gamuda's estimate consortium portion of 40%.
- **Change to forecast.** No change to our earnings forecast pending the outcome of this stiff bidding process. Notwithstanding that, Gamuda's FY15 and FY16 earnings are forecast to jump by 4% y-o-y and 15% y-o-y driven by i) acceleration in KVMRT1 development, ii) steady unbilled property sales of RM1.5 billion and iii) higher earnings contribution from concession division.
- **Valuation & recommendation.** We value Gamuda at RM5.87, pegging to the group's average 3-years PER of 16x and the stock is a **BUY**. Re-rating catalyst may come from i) government's mega spending railway project expansion and ii) front runner of PTMP and KVMRT 3 project and iii) aggressive landbanking expansion.

Table 1: Peers comparison (Calenderised)

Company	FYE	Price (RM)	EPS (sen)		P/E (X)		P/B (X)		ROE (%)	DY (%)	TP (RM)	Call
			FY15	FY16	FY15	FY16	FY15	FY16				
IJM CORP	Mar	6.89	41	47	20.6	15.8	1.5	1.4	6	2	8.14	Buy
GAMUDA	Jul	4.94	32	32	16.0	16.0	2.0	1.9	13	2	5.87	Buy
WCT	Dec	1.48	13	14	14.6	12.9	0.9	0.9	5	1	1.76	Hold
BENALEC	Jun	0.60	3	6	15.2	12.8	1.0	0.9	0	0	NR	NR
CREST BUILDER	Dec	1.14	11	8	10.9	14.2	0.4	0.0	6	3	NR	NR
EVERSENDAL	Dec	0.91	8	10	9.7	7.4	0.6	0.6	4	1	NR	NR
KIMLUN	Dec	1.33	15	16	8.5	7.8	0.9	0.8	13	2	NR	NR
MRCB	Dec	1.23	6	9	23.7	15.7	1.4	1.4	8	2	NR	NR
AZRB	Dec	0.69	5	7	14.1	10.1	0.0	0.0	5	NA	NR	NR
YTL CORP	Jun	1.53	14	13	13.3	12.8	1.2	1.1	9	6	NR	NR
Average					14.7	12.5	1.0	0.9	7	2		

Source: Bloomberg, M&amp;A Securities

Table 2: Financial Forecast

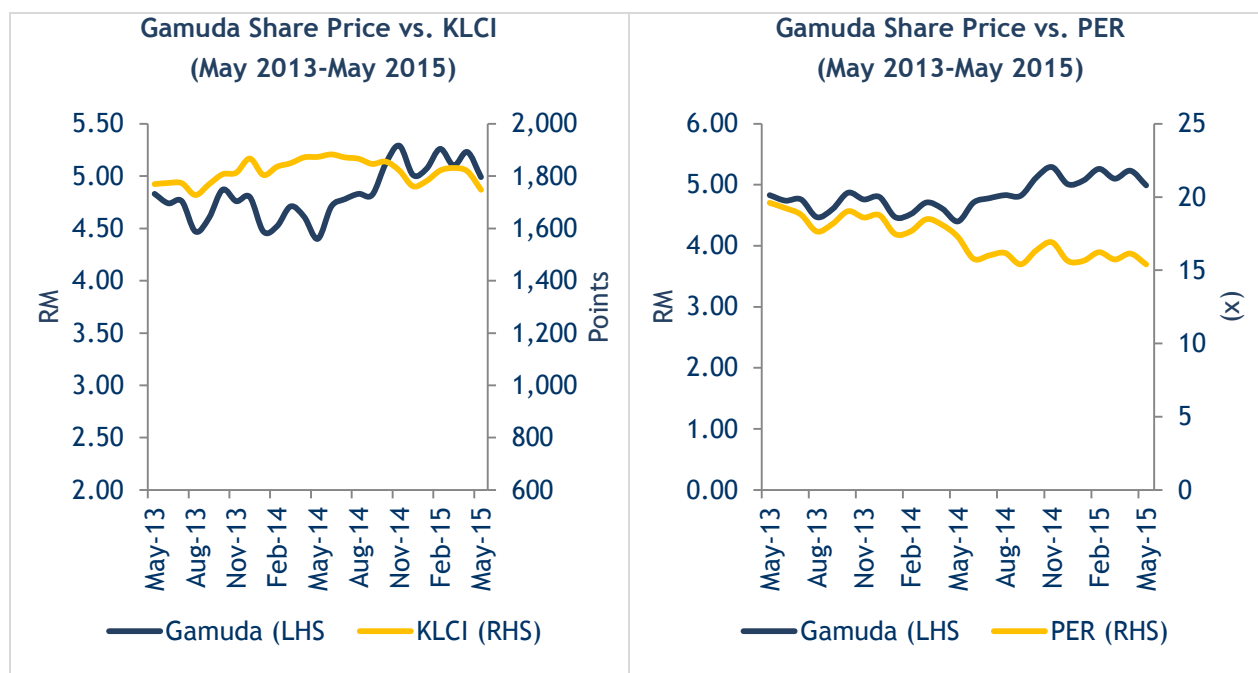
YE: Jul (RM million)	FY12	FY13	FY14*	FY15F	FY16F
Revenue	3,087	3,883	2,230	4,445	5,112
EBIT	585	512	488	756	869
Finance costs	(62)	(61)	(66)	(111)	(153)
Associates	206	241	430	293	358
PBT	728	693	852	938.0	1073.5
Net profit	547	541	719	740	849
EPS (sen)	26	25	32	32	37
EBIT margin	19%	13%	22%	17%	17%
PBT margin	24%	18%	38%	21%	21%
Net profit margin	18%	14%	32%	17%	17%
PER (x)	13.3	18.9	15.4	16.2	14.2
P/BV (x)	1.8	2.0	2.1	1.9	1.7
DPS (sen)	16	12	12	12	12
Dividend Yield	3%	2%	2%	2%	2%

\*Based on FRS 11 accounting standard  
Source: Bursa Malaysia, M&A Securities

Table 3: Landbanks and GDV (3Q15)

Projects	Area Unsold (acres)	Remaining GDV (RM mil)
<b>MALAYSIA</b>		
1. Kota Kemuning (50%)	10	230
2. Valencia	-	20
3. Bandar Botanic	60	2,150
4. Jade Hills	190	1,100
5. Horizon Hills (50%)	490	4,100
6. Madge Mansions	-	120
7. The Robertson	-	530
8. HighPark Suites	5	630
9. Seri Serai	820	6,600
10. Kundang	90	520
11. Tanjong 12	1,530	19,000
12. KK257	257	3,000
13. Bukit Bentayan, Sabah	18	710
<b>TOTAL (MALAYSIA)</b>	<b>3,470</b>	<b>38,710</b>
<b>OVERSEAS</b>		
11. Gamuda City (Hanoi)	420	8,500
12. Celadon City (HCMC)	180	2,000
13. Chapel Street (Melbourne)	0.4	400
<b>TOTAL (OVERSEAS)</b>	<b>600</b>	<b>10,900</b>
<b>TOTAL GROUP</b>	<b>4,070</b>	<b>49,610</b>

Source: Gamuda, M&A Securities



Source: Bloomberg, M&A Securities

# M&A Securities

## STOCK RECOMMENDATIONS

<b>BUY</b>	Share price is expected to be $\geq +10\%$ over the next 12 months.
<b>TRADING BUY</b>	Share price is expected to be $\geq +10\%$ within 3-months due to positive newsflow.
<b>HOLD</b>	Share price is expected to be between $-10\%$ and $+10\%$ over the next 12 months.
<b>SELL</b>	Share price is expected to be $\geq -10\%$ over the next 12 months.

## SECTOR RECOMMENDATIONS

<b>OVERWEIGHT</b>	The sector is expected to outperform the FBM KLCI over the next 12 months.
<b>NEUTRAL</b>	The sector is expected to perform in line with the FBM KLCI over the next 12 months.
<b>UNDERWEIGHT</b>	The sector is expected to underperform the FBM KLCI over the next 12 months.

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