

PP14767/09/2012(030761)

Gamuda Berhad

“Grab PDP Role of PTMP”

Penang State Government has officially appointed SRS Consortium led by Gamuda (60% stake) as the Project Delivery Partner (PDP) for Penang Transport Master Plan (PTMP) to undertake the RM5.3 billion LRT project and RM4.5 billion pan-island linked expressway in the news that was flashed all over the newspapers recently. This will only cement our BUY recommendation on Gamuda with an unchanged target price of RM5.87.

- PDP appointment.** Penang State Government has appointed SRS Consortium as the PDP for Penang Transport Master Plan (PTMP). SRS Consortium is comprised of Gamuda (60% stake) and 2 local firms, Ideal Property Development Sdn Bhd (20% stake) and Loh Phoy Yen Holdings Sdn Bhd (20% stake). The consortium will undertake to supervise LRT project worth RM5.3 billion and 20km pan-island linked expressway (Bayan Lepas to Tanjung Bungah) worth RM4.5 billion, in the first PTMP phase. The scope, terms and conditions of the appointment will be finalized between the State Government and SRS Consortium following which the PDP Agreement shall be executed within 6 months from the date of the letter of awards (LOA).
- A slice of project detail.** Penang State Government has allocated the site at old Prangin market or widely known as Sia Boey (Town’s End) to be the central LRT station. The initial plan of the 17.5km LRT line will run from inner George Town to Bayan Lepas. Furthermore, there will be two additional lines, running from Sia Boey to Tanjung Tokong via Kelawei Road and to Paya Terubong via Datuk Keramat and Air Itam. Gamuda still has to obtain a LRT license from the federal government which will take about 9 months to 1 year to acquire. The group now is searching for local

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BUY (TP: RM5.87)

Current Price (RM)	RM4.35
New Target Price (RM)	RM5.87
Previous Target Price (RM)	RM5.28
Previous Recommend.	BUY
Upside To Target Price	35%
Dividend Yield (FY16)	2%

Stock Code

Bloomberg	GAM MK
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Stock & Market Data

Listing	MAIN MARKET
Sector	Construction
Shariah Compliance	Yes
Issued Shares (mn)	2,406
Market Cap (RM mn)	10,418
YTD Chg In Share Price	-14%
Beta (x)	0.99
52-week Hi/Lo (RM)	5.36 4.29
3M Average Volume (shrs)	4.38mn
Estimated Free Float	53%

Major Shareholders

EPF	9%
Skim ASB	8%
KWAP	7%

contractors to undertake soil and alignment studies for the LRT project. The expressways will include a 4.2km bypass from Persiaran Gurney to Persiaran Tun Dr Lim Chong Eu, a 4.6km expressway and by-pass from Tun Dr Lim Chong Eu Expressway to Bandar Baru Air Itam and a 4-lane 12km road linking Tanjung Bungah with Teluk Bahang. Moreover, other schemes within the first phase include RM100 million trains and catamaran system and RM100 million highway interchange.

- **Our view.** We are not surprise on the appointment of Gamuda as a PDP for PTMP based on their expertise as the current PDP role for KVMRT1 and once against being appointed as PDP for KVMRT2 together with MMC. Hence, we believe this will be a key catalyst for Gamuda to secure the same role for KVMRT3. Assuming the PDP fees is between 5%-6%, the earnings contribution could be around RM59-71 million annually based on Gamuda's PDP portion of RM5.9 billion (60% stake) and estimate completion period of 5 years (2017-2021). The stock remains attractive proven through steady foreign shareholding of 27% as at May (January: 32%) and hence, we expect the current share price weakness will be appropriate time for the investors to accumulate the stock.
- **Change to forecast.** No change to our earnings forecast pending the finalization of the PDP agreement. 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 RM1.3 billion and iii) higher earnings contribution from concession division.
- **Valuation & recommendation.** We value Gamuda at RM5.87, pegged 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 KVMRT 3 project and iii) aggressive landbanking expansion.

Table 1: Peers comparison (Calenderised)

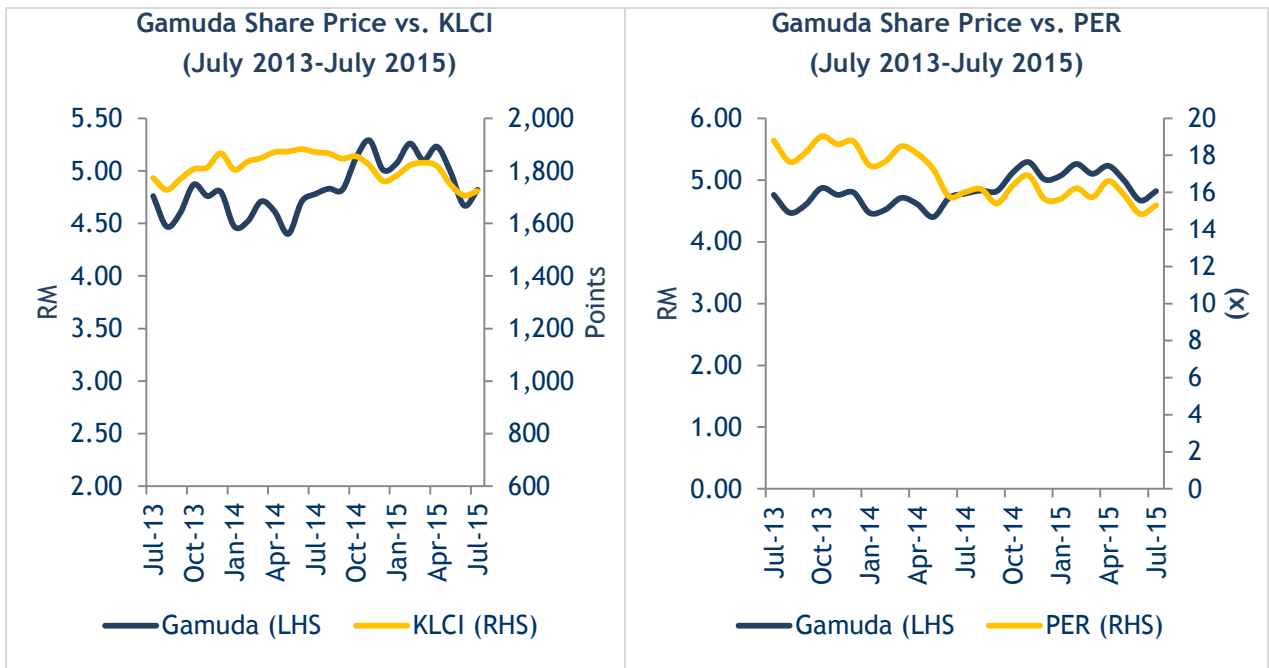
Company	FYE	Price (RM)	EPS (sen)		P/E (X)		P/B (X)		ROE (%)	DY (%)	TP (RM)	Call
			FY15	FY16	FY15	FY16	FY15	FY16				
IJM CORP	Mar	6.18	40	46	17.0	14.6	1.3	1.2	6	2	8.14	Buy
GAMUDA	Jul	4.30	31	30	15.4	15.7	1.9	1.8	13	3	5.87	Buy
WCT	Dec	1.19	12	14	11.7	10.1	0.7	0.6	5	2	1.54	Buy
SCGB	Dec	1.11	10	10	11.3	12.2	3.7	3.1	NA	NA	1.40	Buy
BENALEC	Jun	0.58	2	5	17.0	12.6	0.8	0.7	-2	0	NR	NR
CREST BUILDER	Dec	1.01	7	8	15.3	12.4	NA	NA	6	4	NR	NR
EVERSENDAL	Dec	0.81	10	11	10.3	8.9	0.8	0.8	5	1	NR	NR
KIMLUN	Dec	1.13	15	16	8.7	8.1	0.9	0.8	10	3	NR	NR
MRCB	Dec	0.96	5	7	21.0	14.9	1.1	1.1	19	2	NR	NR
AZRB	Dec	0.60	5	7	12.7	9.1	NA	NA	4	3	NR	NR
YTL CORP	Jun	1.49	14	13	13.8	12.4	1.1	1.1	8	6	NR	NR
Average					14.0	11.9	1.4	1.3	8	3		

Source: Bloomberg, M&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	1,074
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	15.4	13.4
P/BV (x)	1.8	2.0	2.1	1.9	1.8
DPS (sen)	16	12	12	12	12
Dividend Yield	3%	2%	2%	2%	2%

Source: Bursa Malaysia, M&A Securities



Source: Bloomberg, M&A Securities

M&A Securities

STOCK RECOMMENDATIONS

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

SECTOR RECOMMENDATIONS

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

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