

Gamuda all set for a strong year ahead

▶ GAMUDA BHD				
	2010	2011F	2012F	2013F
REVENUE (RM mil)	2,455.1	3,330.5	3,853.2	4,337.7
NET PROFIT (RM mil)	280.7	361.8	417.8	466.8
EPS (sen)	13.7	17.6	20.3	22.7
PER (x)	27.7	21.6	18.7	16.7

▶ **Recommendation: Buy**

Target Price: RM4.41

By ECMLibra Investment Research (Sept 29)

Within Expectations

FULL-YEAR FY2010 net profit came in at RM280.7m, making up 95.6% and 96.6% of house and consensus estimates respectively.

As expected, no dividends were declared for the quarter. Therefore, full year net dividends remain at nine sen per share, translating into a net dividend yield of 2.4%.

Lower Revenues

Although 12MFY10 revenue was down 10% YoY, net profits surged by 45%.

While the construction segment recorded lower revenues due to the completion of certain projects such as the Sitra Bridges in Bahrain, pre-tax margins have expanded significantly, from 1.8% in FY09 to 4.5% in FY10.

We expect margin expansion in its construction segment to continue into FY11 as the projects gain momentum.

Outstanding construction order book is about RM6bn, including the RM1.8bn Nam Theun 1 project, which is pending finalisation.

The property segment had achieved record sales in FY10, clocking RM820m in new sales. Unbilled sales stand at RM560m.

Upgrade to 'Buy'

We revise our earnings estimates by 0.6% to 5.3% over FY11 to FY13 to reflect changes in our construction order book replenishment assumptions as well as update cumulative completion on existing projects.

With improving contract news flow in the coming quarters and significant maiden contributions from the Vietnam property ventures to propel FY11 earnings that will trump the recent FY08 high of RM325.1m, we peg a revised 25x PE (1 standard deviation above the 12-year average) to FY11 EPS from 20x previously, arriving at a target price of RM4.41 from RM3.50.