

Gamuda acquires Jalan Pudu land for RM105m

▶ GAMUDA BHD				
	2009	2010F	2011F	2012F
REVENUE (RM mil)	2,727.3	2,978.7	3,582.5	3,855.4
NET PROFIT (RM mil)	193.7	293.6	359.7	396.8
EPS (sen)	9.6	14.4	17.5	19.3
P/E (x)	34.9	23.4	19.2	17.4

▶ **Recommendation:**

Hold

Target Price: RM3.50

By ECMLibra Investment Research (July 19)

Property Developments

A NEWS report said that Gamuda Bhd's wholly-owned property development arm, Gamuda Land, has acquired a plot of land in Jalan Pudu for a mixed commercial development with an estimated gross development value (GDV) of RM600 million.

The acquisition of the 2.94-acre parcel of commercial freehold land located at the intersection of Jalan Pudu and Jalan Robertson was for RM105 million or RM820 per

sq ft from Wearne Brothers Properties Pte Ltd.

The development is expected to take three years, with initial launch tentatively scheduled for early FY12.

Assuming a pre-tax margin of 20% and a sales period corresponding to the development period, the project contributes about RM90 million in after-tax earnings over the development period.

We expect our earnings estimate for FY12 to be boosted by just 0.5% as the project will still be in start-up stage.

Although the construction division remains the biggest earnings contributor, the property division will see the strongest pre-tax earnings

growth over the next two years at CAGR of 67%.

This is underpinned by its large scale ventures in Vietnam which will begin contributing in FY11.

With a combined GDV of RM16 billion, the projects in Vietnam are expected to overshadow Malaysian property projects combined together. Therefore, we leave earnings estimates unchanged for now.

Maintain 'Hold'

We maintain our 'Hold' call as we believe Gamuda is fairly valued at current valuations. Our target price is unchanged at RM3.50 based on FY11 EPS pegged to a historical average PE of 20x.