

AmResearch sees Gamuda's earnings improving

ANALYSTS are pricing in higher net profit estimates for Gamuda Bhd in current financial year ending July 2010, backed by the builder's expanding order book and construction margins, and improving real estate business.

This is despite less impressive FY09 earnings released by the firm this week. In a note, AmResearch said it was projecting a 56% annual rise in Gamuda's net profit to RM302 million in FY10, largely helped by the company's existing construction jobs of some RM8 billion.

The fact that Gamuda has been pre-qualified for four projects in the Middle East valued at between RM3 billion and RM4 billion, has prompted AmResearch to price in a larger book estimates for the builder at RM1.25 billion and RM1.3 billion in FY10 and FY11, respectively. This is a significant contrast to the less than RM500 million Gamuda had in FY09.

"Gamuda expects project visibil-

ity to improve moving into FY10," said AmResearch which maintained its "buy" call on the stock with a fair value of RM4.06.

"Gamuda expects recovery in construction margins to flow through to FY10 as prices of building materials have normalised. There are nascent signs of a recovery in Gamuda's property activities," added the research firm, which anticipates Gamuda's construction margins to rise to 5.6%-8% between FY10 and FY11 from the 1.8% seen in FY09.

Gamuda's net profit in 4QFY09 ended July fell 38.3% to RM43.29 million from RM70.2 million a year earlier due to poorer performance across its business divisions. Revenue, however, rose 10.7% to RM942.24 million.

Full-year net profit declined by an annual pace of 40.4% to RM193.69 million although revenue was up 13.8% to RM2.73 billion.

In quarterly terms, 4Q net profit

dipped 6.5% from RM46.3 million in the preceding 3Q while revenue grew 62.6% from RM579.37 million.

AmResearch said Gamuda's latest set of financials were within its expectations, at 1% below the research house's forecast but 6% lower than consensus estimates.

Gamuda's existing construction portfolio in Malaysia includes the electrified double-tracking project and Damansara-Puchong highway. Across the globe, the builder's track record includes the Kaohsiung Metropolitan Mass Rapid Transit System in Taiwan and the New Doha International Airport in Qatar.

The company has six real estate projects in Malaysia — Kota Kemuning, Bandar Botanic, Valencia, Horizon Hills, Jade Hills and Madge Mansions. Abroad, Gamuda is the developer of the Yen So Park in Hanoi, Vietnam.

Gamuda fell six sen to close at RM3.17 yesterday.