

20 January 2025

Construction & Engineering | Construction

Gamuda (GAM MK)

Buy (Maintained)

Still Deserves To Stay On The Radar; Stay BUY

Target Price (Return): MYR5.83 (+38%)
 Price (Market Cap): MYR4.24 (USD5,358m)
 ESG score: 3.4 (out of 4)
 Avg Daily Turnover (MYR/USD) 104m/23.3m

- **Maintain BUY and MYR5.83 TP, 38% upside with c.2% FY25F (Jul) yield.** The latest move by the US government to restrict the export of artificial intelligence (AI) chips to countries like Malaysia is expected to have a limited impact on Gamuda, in our view. GAM's major data centre (DC) clients have their primary headquarters in Tier-1 countries such as the US, and can apply for Universal Validated End User (UVEU) status, enabling larger quantities of AI chips to be brought into Tier-2 countries like Malaysia. Hence, we believe that the latest sell-down on GAM is overdone.
- **Looking ahead,** we expect GAM to secure a MYR15-20bn project from the 389-acre parcel of land in Negeri Sembilan. We also do not rule out GAM's involvement in the upcoming phases of DCs in Elmina Business Park, with potentially another c.250MW to be added on to the c.80MW currently being constructed for the first phase. GAM now only has c.6% of its total orderbook coming from DCs spread over three jobs (or 25% of its Malaysia orderbook) while overseas jobs (with no DCs) account for 66%.
- **Upcoming job likely to be from client from Tier-1 countries.** While the client for the DC development for the land in Negeri Sembilan has yet to be announced – we view that the entity would be from any Tier-1 country (or ultimately headquartered there). This is premised on the fact that current DC clients mostly (if not all) have headquarters in Tier-1 countries – so we envisage the same to apply for potential clients related to DC job tenders.
- **In the worst-case scenario** where the new DC jobs (estimated to be worth at least MYR15bn) have clients from Tier-1 countries but are unable to obtain the UVEU status – GAM's potential wins overseas would likely more than offset the risk of losing DC jobs. For instance, a win rate of 20% on its AUD25bn worth of renewable energy tenders in Australia over the next two years is enough to yield AUD5bn (or c.MYR15bn) worth of jobs. For railway related jobs, GAM was shortlisted for c.AUD4bn worth of jobs in Australia and is awaiting the award of a c.MYR8bn contract in Taiwan within the next three years (Figure 1). These jobs would total up to c.MYR35bn – over double the lower end of DC job values (of MYR15bn) expected to be won.
- **Assuming the non-DC job wins fully materialise** and more than offset any total loss from expected DC jobs – the only major risk we flag is the inability of boosting its NPM, as DC jobs tend to have higher profitability.
- **No changes to earnings estimates.** Hence, our SOP-derived TP of MYR5.83 (which bakes in an 8% ESG premium) remains put. We deem that a blended target P/E of 23.5x for its domestic and overseas construction arm is reasonable, in view of its diverse job portfolio. GAM is trading at a FY26F P/E of 16.7x, which is very near to the 16x observed during the 2017 construction upcycle (and had no DC and overseas factor at that time) – which we view is unjustified, based on the GAM's robust prospects as highlighted above. A key downside risk: Slower-than-expected job replenishment trends.

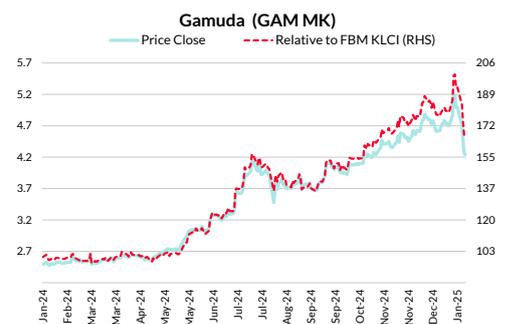
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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(10.6)	(11.8)	3.8	2.8	71.3
Relative	(6.0)	(9.9)	8.4	6.9	66.2
52-wk Price low/high (MYR)				2.48	–5.20



Source: Bloomberg

Overall ESG Score: 3.4 (out of 4)

E: EXCELLENT

Gamuda is actively conducting various simulations, projections, and baseline studies on its greenhouse gas (GHG) emissions. It continues to fine-tune its measurements and monitors processes to capture more scientific information, including its Scope 1 and 2 GHG emissions. Gamuda Park is the umbrella programme encompassing its efforts in biodiversity and nature conservation.

S: EXCELLENT

Gamuda is leading the construction industry standard with the establishment of the KVMRT Safety Training Centre. It is the first Malaysia-based subcontractor to win the Lendlease Safety Award for acing the global minimum requirement.

G: EXCELLENT

57% of Gamuda's board is independent, with full disclosures on director remunerations – this includes salaries and bonuses on a named basis. Gamuda has an in-house investor relations team and holds regular investor meetings, embodying good transparency and disclosure practices.

Forecasts and Valuation	Jul-23	Jul-24	Jul-25F	Jul-26F	Jul-27F
Total turnover (MYRm)	8,268	13,347	15,942	18,623	20,882
Recurring net profit (MYRm)	860	912	1,080	1,443	1,602
Recurring net profit growth (%)	6.7	6.0	18.4	33.6	11.0
Recurring P/E (x)	28.04	26.44	22.33	16.71	15.06
P/B (x)	2.2	2.1	2.0	1.9	1.7
P/CF (x)	59.54	159.50	na	52.71	22.57
Dividend Yield (%)	5.9	1.9	2.4	2.4	2.4
EV/EBITDA (x)	25.40	24.30	17.19	13.54	12.41
Return on average equity (%)	7.9	8.2	9.3	11.7	12.1

Source: Company data, RHB

See important disclosures at the end of this report

Financial Exhibits

Asia	Financial summary (MYR)	Jul-23	Jul-24	Jul-25F	Jul-26F	Jul-27F
Malaysia	Recurring EPS	0.15	0.16	0.19	0.25	0.28
Construction & Engineering	DPS	0.25	0.08	0.10	0.10	0.10
Gamuda	BVPS	1.90	2.00	2.09	2.24	2.42
GAM MK	Return on average equity (%)	7.9	8.2	9.3	11.7	12.1
Buy						
	Valuation metrics	Jul-23	Jul-24	Jul-25F	Jul-26F	Jul-27F
Valuation basis	Recurring P/E (x)	28.04	26.44	22.33	16.71	15.06
We value the group based on its SOP, derived from a combination of P/E, DCF, and RNAV valuation methodologies.	P/B (x)	2.2	2.1	2.0	1.9	1.7
	FCF Yield (%)	(1.6)	(4.1)	(1.7)	0.7	3.2
	Dividend Yield (%)	5.9	1.9	2.4	2.4	2.4
	EV/EBITDA (x)	25.40	24.30	17.19	13.54	12.41
	EV/EBIT (x)	28.78	28.48	19.87	15.25	13.96
Key drivers	Income statement (MYRm)	Jul-23	Jul-24	Jul-25F	Jul-26F	Jul-27F
Gamuda's earnings are underpinned by construction orders and property sales.	Total turnover	8,268	13,347	15,942	18,623	20,882
	Gross profit	1,697	945	2,223	3,487	4,186
	EBITDA	1,023	1,108	1,572	1,991	2,109
	Depreciation and amortisation	(120)	(163)	(212)	(223)	(235)
	Operating profit	903	945	1,360	1,769	1,874
	Net interest	(78)	(173)	(216)	(245)	(247)
	Pre-tax profit	1,058	1,097	1,416	1,875	2,047
	Taxation	(221)	(155)	(311)	(412)	(430)
	Reported net profit	815	912	1,080	1,443	1,602
	Recurring net profit	860	912	1,080	1,443	1,602
Key risks	Cash flow (MYRm)	Jul-23	Jul-24	Jul-25F	Jul-26F	Jul-27F
A slower-than-expected orderbook replenishment.	Change in working capital	(166)	(262)	(1,171)	(867)	(291)
	Cash flow from operations	405	151	(115)	458	1,069
	Capex	(793)	(1,132)	(300)	(300)	(299)
	Cash flow from investing activities	(233)	(1,262)	(201)	(202)	(202)
	Dividends paid	(1,443)	(101)	(569)	(569)	(569)
	Cash flow from financing activities	771	910	(184)	(311)	(663)
	Cash at beginning of period	2,794	3,169	2,699	2,556	2,427
	Net change in cash	943	(201)	(500)	(56)	204
	Ending balance cash	3,717	2,969	2,199	2,501	2,633
Company Profile	Balance sheet (MYRm)	Jul-23	Jul-24	Jul-25F	Jul-26F	Jul-27F
Gamuda is an investment holding and civil engineering construction company. Through its subsidiaries, it provides earthwork construction, manufactures and supplies road surfacing materials, and operates a quarry and road-laying projects.	Total cash and equivalents	3,169	2,699	2,556	2,427	2,967
	Tangible fixed assets	5,322	5,444	4,829	4,734	4,629
	Total investments	2,021	2,460	2,732	3,080	3,500
	Total assets	23,867	26,521	29,591	31,373	33,383
	Short-term debt	1,410	1,003	1,103	1,153	1,203
	Total long-term debt	5,514	6,803	6,903	7,003	7,103
	Total liabilities	12,941	15,000	17,534	18,423	19,384
	Total equity	10,927	11,521	12,057	12,950	13,999
	Total liabilities & equity	23,867	26,521	29,591	31,373	33,383
	Key metrics	Jul-23	Jul-24	Jul-25F	Jul-26F	Jul-27F
	Revenue growth (%)	60.7	61.4	19.4	16.8	12.1
	Recurrent EPS growth (%)	6.7	6.0	18.4	33.6	11.0
	Gross margin (%)	20.5	7.1	13.9	18.7	20.0
	Operating EBITDA margin (%)	12.4	8.3	9.9	10.7	10.1
	Net profit margin (%)	9.9	6.8	6.8	7.7	7.7
	Dividend payout ratio (%)	174.5	49.9	52.7	39.4	35.5
	Capex/sales (%)	9.6	8.5	1.9	1.6	1.4

Source: Company data, RHB

Figure 1: GAM's YTD FY25 job wins

Project	Contract Value
EPCC contract Ulu Padas Hydroelectric Dam in Sabah	MYR2.3bn
Boulder Creek Onshore Windfarm in Queensland	MYR0.7bn
DC in Cyberjaya for BCEL Malaysia related to foundation, civil and structural and architectural works	MYR0.5bn
Xizhi Donghu Mass Rapid Transit in Taipei, Taiwan	MYR3.2bn
EPCC contract for Goulburn River Solar Farm project in New South Wales, Australia	MYR1.8bn
Penang LRT Segment 1 (Silicon Island – Komtar) civil works	MYR5.0bn
Small DT Infrastructure jobs	MYR0.3bn
Total	MYR13.8bn

Source: Company data, Various media

Figure 2: Potential upcoming jobs for GAM (no restricted to FY25)

Project	Estimated Contract Value
Water supply scheme for the Ulu Padas hydroelectric dam	Around MYR3bn
Shortlisted for some renewable energy (RE) projects in Australia related to pumped hydro, wind farms, battery energy storage system and solar.	AUD25bn worth of projects in the pipeline to be known within these two years, with an assumed win rate of 20%, which translates to AUD15bn
GAM is now able to handle eight data centre (DC) builds concurrently, with three DC jobs currently on hand (around 100MW in capacity). This means GAM may have the space to accommodate five more new DC jobs. Assuming each new DC job is worth MYR2-3bn, total new wins from the DC space could be valued at MYR10bn-15bn.	Between MYR10bn and MYR15bn
Shortlisted for the Sydney Metro West Stations Package – likely to be awarded in 1Q25	Between AUD1bn and AUD1.5bn
Shortlisted for Suburban Rail Loop East Works Package G (Linewide) – outcome to be known in 2025	Around MYR9bn for GAM's share
Total jobs expected to win by end-2025 July	MYR21bn

Source: Company data, Various media

Figure 3: Gamuda's SOP valuation

Construction:			FY26F PATMI (MYRm)	Target P/E (x)	Total (MYRm)
Value for overseas construction (bulk from Australia)			595.0	22	13,090
Value for Malaysia construction			450.0	25	11,250
Concessions:-			DCF (MYRm)	Stake (%)	
Gamuda Water (O&M concession for SSP 3)			545	80	436
Property:-	Remaining area (acres)	WACC (%)	Remaining GDV (MYRm)	Ownership (%)	NPV of profit (MYRm)
Malaysia	2,134	8	37,894	various	2,959.0
Overseas	232	8	13,475	various	425.0
QTP:	66				
Artisan Park	na	8	280	various	125.0
Elysian	na	8	700	various	146.0
Eaton Park	9.1	8	4,220	various	698.8
Others (including Springville and The Meadow and others in London and Melbourne)	>50	8	5,820	various	2,882.4
Sub Total - NPV of future profit					7,236.2
Property development BV					7,345.6
RNAV of property development					14,581.8
- 35% discount					-5,103.6
Value for property unit					9,478.2
Investment properties			Carrying value (MYRm)	Stake (%)	
			691.5	100	692.0
ERS Energy			Equity Value (MYRm)	Stake (%)	
			667.0	30	200.0
Holding company's net cash/ (debt)					(4,445.5)
SOP value					30,700.7
Intrinsic value per share					5.40
8% ESG premium					0.43
TP					5.83

Emissions And ESG

Trend analysis

In FY24, GAM's total emissions increased to 466,529 tCO₂e (FY23: 158,150 tCO₂e), as the number of its ongoing jobs in hand expanded.

Emissions (tCO ₂ e)	Jul-22	Jul-23	Jul-24
Scope 1	8,428	7,245	31,224
Scope 2	18,147	20,897	36,699
Scope 3	5,709	130,008	398,606
Total emissions	32,284	158,150	466,529

Source: Company data, RHB

Latest ESG-Related Developments

- Expansion of its emissions traceability:** In FY23, GAM began collecting its Scope 3 emission data from suppliers and disclosing data from eight out of the 15 emission categories according to the GHG Protocol. This was on top of implementing carbon traceability using cloud-based ESG software.

ESG Rating History



Source: RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2025-01-13	Buy	5.8	4.8
2024-12-31	Buy	5.8	4.7
2024-12-16	Buy	11.7	4.8
2024-12-13	Buy	11.7	4.9
2024-12-11	Buy	11.7	4.8
2024-12-10	Buy	11.7	4.7
2024-11-06	Buy	10.5	4.5
2024-11-01	Buy	10.5	4.2
2024-10-28	Buy	10.5	4.2
2024-10-22	Buy	9.8	4.3
2024-09-29	Buy	9.8	4.1
2024-09-27	Buy	9.8	4.1
2024-09-08	Buy	9.7	3.7
2024-07-19	Buy	9.7	4.1
2024-07-15	Buy	9.7	4.0

Source: RHB, Bloomberg

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Trading Buy:	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
Neutral:	Share price may fall within the range of +/- 10% over the next 12 months
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Sell:	Share price may fall by more than 10% over the next 12 months
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Analyst	Company
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