

27 January 2025

Construction & Engineering | Construction

Gamuda (GAM MK)

Buy (Maintained)

Another Potential Pumped-Up Deal In The Pipeline

Target Price (Return): MYR5.83 (+39%)
 Price (Market Cap): MYR4.19 (USD5,455m)
 ESG score: 3.4 (out of 4)
 Avg Daily Turnover (MYR/USD) 110m/24.7m

- **Still BUY and SOP-based MYR5.83 TP, 39% upside and c.2% FY26F (Jul) yield.** Gamuda, in a JV with Ferrovial signed an Early Contractor Involvement (ECI) agreement with Capricornia Energy Hub (CEH) for the Capricornia Pumped Hydroelectric Storage System (CPHES) in Central Queensland, Australia. CEH is owned by Copenhagen Infrastructure Partners, one of the world's largest clean energy investors. This is GAM's second ECI for a pumped hydro project – the first being the Oven Mountain Pumped Hydro announced in Nov 2024.
- **Project details.** According to the [Queensland Government](#), the CPHES project has an investment value of AUD2.9bn with a c.750MW pump and a generation facility capable of delivering power continuously for 16 hours and a water transfer volume of 18 gigalitres. We expect PBT margin for the EPCC works of the CPHES project to be between 10% and 20% – higher than the general PBT margin of other infrastructure works (rail and highways).
- **ECI award an important milestone.** The size of ECI works are estimated to be not more than 2% of the total contract value of the CPHES project. Assuming that the EPCC contract is almost similar to the investment value of AUD2.9bn, the ECI package could be c.AUD58m (or AUD29m based on GAM's 50% share). As an early contractor, GAM with Ferrovial will work closely with the client to develop an EPC contract which is cost effective for the CPHES project.
- **Also, GAM's and Ferrovial's role as an early contractor** gives the JV a higher success rate to be the EPCC contractor for the CPHES project – whereby EPCC works are targeted to commence in CY26. Recall that GAM's subsidiary, DT Infrastructure secured an ECI package for an onshore windfarm project in Queensland in Mar 2024 before being awarded the civil works package in Sep 2024.
- **No changes to earnings forecasts** since the estimated ECI works are within our MYR25bn FY25F job replenishment assumption (YTD-FY25 wins are at c.MYR14bn). Hence, our SOP-derived TP of MYR5.83 (which bakes in an 8% ESG premium) remains. We reaffirm our view that GAM remains undervalued, trading at 16.5x FY26F P/E, very close to the 15-16x P/E range seen during the 2017 upcycle when the outstanding orderbook was just c.MYR7.4bn vs c.MYR37bn.
- **Long term catalysts in Australia** include faster-than-expected announcement of wins related to shortlisted contracts or ECIs not just related to renewable energy but also to railway that could be worth between AUD7bn and AUD8bn in total (Figure 1).
- **Key risks:** slower-than-expected job replenishment.

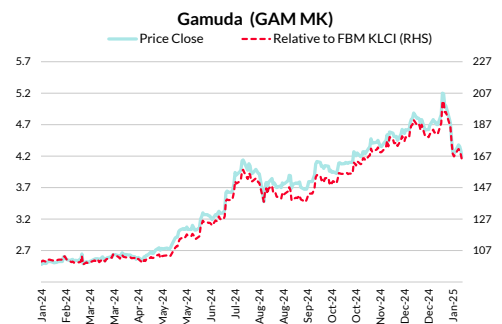
Analyst

Adam Bin Mohamed Rahim
 +603 2302 8101
adam.mohamed.rahim@rhbgroup.com



Share Performance (%)

| | YTD | 1m | 3m | 6m | 12m |
|----------------------------|--------|-------|-------|------|-------|
| Absolute | (11.6) | (9.3) | (0.4) | 3.6 | 69.0 |
| Relative | (7.4) | (7.5) | 3.2 | 6.5 | 64.4 |
| 52-wk Price low/high (MYR) | | | | 2.49 | –5.20 |



Source: Bloomberg

| 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) | 27.71 | 26.13 | 22.07 | 16.52 | 14.88 |
| P/B (x) | 2.2 | 2.1 | 2.0 | 1.9 | 1.7 |
| P/CF (x) | 58.84 | 157.62 | na | 52.09 | 22.30 |
| Dividend Yield (%) | 6.0 | 1.9 | 2.4 | 2.4 | 2.4 |
| EV/EBITDA (x) | 25.12 | 24.04 | 17.01 | 13.40 | 12.27 |
| Return on average equity (%) | 7.9 | 8.2 | 9.3 | 11.7 | 12.1 |

Source: Company data, RHB

Overall ESG Score: 3.4 (out of 4)

E: EXCELLENT

GAM 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

GAM 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 GAM'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.

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) | 27.71 | 26.13 | 22.07 | 16.52 | 14.88 |
| 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 (%) | 6.0 | 1.9 | 2.4 | 2.4 | 2.4 |
| | EV/EBITDA (x) | 25.12 | 24.04 | 17.01 | 13.40 | 12.27 |
| | EV/EBIT (x) | 28.47 | 28.18 | 19.66 | 15.09 | 13.81 |
| 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: Jobs shortlisted or under ECI in Australia for Gamuda

| Project | Estimated Contract Value |
|---|---|
| ECI for Capricornia Energy Hub Pumped Hydroelectric System (begin construction in CY26) | Estimated at c.AUD1.5bn for GAM's share |
| ECI for Oven Mountain Pumped Hydro in New South Wales via 50:50 Gamuda and Ferrovial JV (begin construction in late CY25) | Estimated at AUD0.9bn for GAM's share |
| Shortlisted for the Hunter Transmission Project via a Gamuda and Seymour Whyte JV | Between AUR0.5bn and AUD1bn for GAM's share |
| Shortlisted for the Sydney Metro West Stations Package – likely to be awarded in 1QCY25 | Estimated between AUD1bn and AUD1.5bn |
| Shortlisted for Suburban Rail Loop East Works Package G (Linewide) – outcome to be known in CY25 | Around AUD3bn for GAM's share |
| Total jobs under ECI/shortlisted in Australia | Between AUD7bn and AUD8bn |

Source: RHB, Company data, Various media

Figure 2: 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 (%) | | | |
| ERS Energy | 691.5 | 100 | | | 692.0 |
| | Equity Value (MYRm) | Stake (%) | | | |
| ERS Energy | 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 |

Source: RHB

Emissions And ESG

Trend analysis

In FY24, total emissions increased to 466,529 tonnes of CO2e (FY23: 158,150 tonnes of CO2e) which was in tandem with more ongoing jobs on hand.

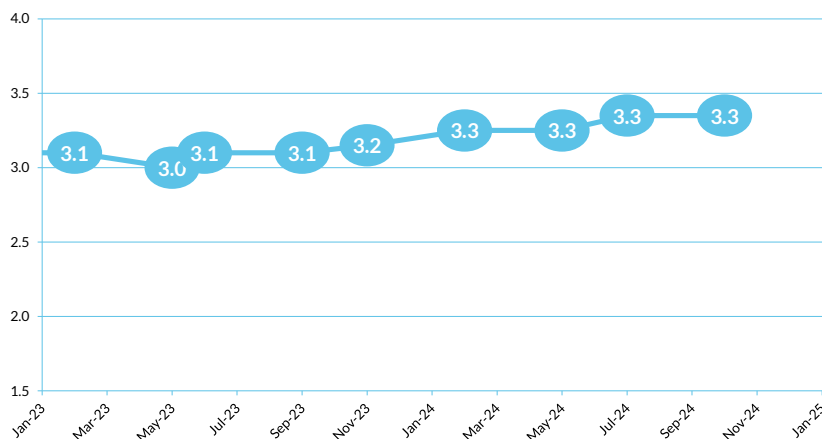
| Emissions (tCO2e) | Jul-22 | Jul-23 | Jul-24 |
|-------------------|--------|---------|---------|
| Scope 1 | 8,428 | 7,245 | 31,224 |
| Scope 2 | 18,147 | 20,897 | 36,699 |
| Scope 3 | 5,709 | 130,008 | 398,606 |
| Total emissions | 32,284 | 158,150 | 466,529 |

Source: Company data, RHB

Latest ESG-Related Developments

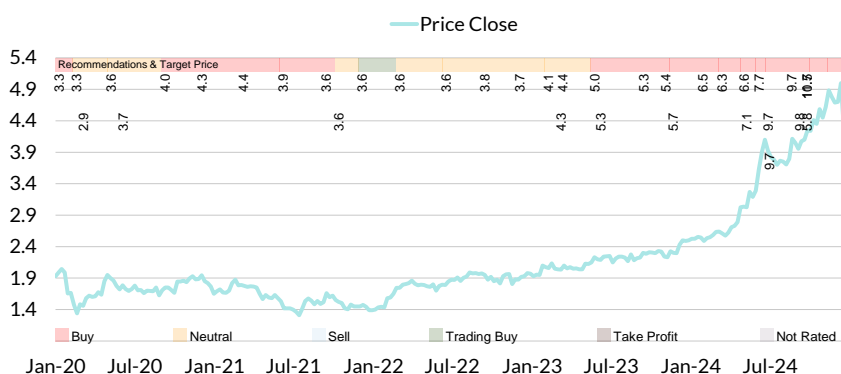
- **Expansion of its emissions traceability:** In FY23, the company began collecting its Scope 3 emissions data from suppliers and disclosing data from eight out of the 15 emission categories according to the GHG Protocol in addition to implementing carbon traceability using cloud-based ESG software.

ESG Rating History



Source: RHB

Recommendation Chart



Source: RHB, Bloomberg

| Date | Recommendation | Target Price | Price |
|------------|----------------|--------------|-------|
| 2025-01-20 | Buy | 5.8 | 4.3 |
| 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 |

Source: RHB, Bloomberg

RHB Guide to Investment Ratings

| | |
|---------------------|--|
| Buy: | Share price may exceed 10% over the next 12 months |
| 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 |
| Take Profit: | Target price has been attained. Look to accumulate at lower levels |
| Sell: | Share price may fall by more than 10% over the next 12 months |
| Not Rated: | Stock is not within regular research coverage |

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KUALA LUMPUR

RHB Investment Bank Bhd
Level 3A, Tower One, RHB Centre
Jalan Tun Razak
Kuala Lumpur 50400
Malaysia
Tel : +603 2302 8100
Fax : +603 2302 8134

JAKARTA

PT RHB Sekuritas Indonesia
Revenue Tower, 11th Floor, District 8 - SCBD
Jl. Jendral Sudirman Kav 52-53
Jakarta 12190
Indonesia
Tel : +6221 5093 9888
Fax : +6221 5093 9777

SINGAPORE

RHB Bank Berhad (Singapore branch)
90 Cecil Street
#04-00 RHB Bank Building
Singapore 069531
Fax: +65 6509 0470