GAMUDA

(GAM MK EQUITY, GAMU.KL)

HOLD (MAINTAINED)	Price: RM4.51 Target Price (% return): RM4.10 (-7%) 52-week High/Low: RM5.76/RM3.70	**Construction** Rationale for report: Company Update

Order Up, Again

Gamuda's latest RM3.6bil DC awards support our forecasts but do not change our investment view. Based on an estimated 8% PBT margin, the projects could contribute RM286mil over its duration. The awards lift FY27 YTD wins to RM7.3bil and the outstanding order book to RM59.6bil. However, DC accounts for only 16% of the order book, limiting its impact on Group earnings and blended margins. Cost exposure and rising gearing remain key concerns. Maintain HOLD with an unchanged TP of RM4.10.

- **Maintain HOLD, TP RM4.10.** The awards fall within our FY27 replenishment assumption of RM20bil, with YTD wins reaching 37% of our target. While this supports earnings visibility, around 60% of the order book remains fixed price and exposed to elevated costs. Net gearing of 73% could also rise as property launches accelerate, increasing finance costs and weighing on earnings conversion.
- **Awards provide modest Group level impact.** The two hyperscale DC contracts, worth RM1.8bil each, covering site infrastructure, core & shell works and MEP fit out. Based on an 8% PBT margin, we estimate combined PBT of RM286mil through 2028. However, with DC accounting for only 16% of the outstanding order book, the awards should have limited impact on Gamuda's blended construction margin.
- **Potential DC award pipeline narrowed.** TNB's signed-but-yet-to-commence pipeline fell from 10 projects totalling 2GW in 1Q26 to three projects totalling 490 MW in 2Q26, indicating that the pool of potential awards has shrunk significantly. Meanwhile, total signed ESA capacity rose only marginally from 8.3GW to 8.35GW, pointing to limited additions and suggesting that new approvals remain slow. This could constrain the pace of future DC contract awards, with power availability and grid capacity serving as firm prerequisites for hyperscale developments.
- **Australia remains a longer-term reference point.** Australia is introducing tighter expectations for DC developers, including additional renewable power, grid infrastructure funding and more sustainable water usage. However, these measures are still being implemented, while there is no clear indication that Malaysia will adopt comparable requirements. Even if similar policies are introduced, related opportunities across renewable generation, BESS and water infrastructure would likely take time to materialise. We therefore see no immediate impact on Gamuda's earnings outlook.

YE to Jul	FY25	FY26F	FY27F	FY28F
Revenue (RM mil)	15,970.2	17,438.2	22,718.2	29,521.1
Core net profit (RM mil)	1,003.2	1,001.1	1,262.8	1,670.9
FD Core EPS (sen)	16.6	16.5	20.9	27.6
FD Core EPS growth (%)	10.0	(0.2)	26.1	32.3
DPS (sen)	10.0	10.0	10.0	10.0
PE (x)	27.2	27.3	21.6	16.3
EV/EBITDA (x)	29.2	28.1	22.4	17.9
Div yield (%)	2.2	2.2	2.2	2.2
ROE (%)	8.6	8.2	9.8	11.9
Net Gearing (%)	56.5	74.6	75.2	73.9

Source: Gamuda, AmInvestment Bank Bhd.

Analyst (s)

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Key Changes

Target Price:	⇔
EPS:	⇔

Stock and Financial Data

Shares Outstanding (million)	6,054.7
Market Cap (RMmil)	27,306.7
Book Value (RM/Share)	2.00
P/BV (x)	2.3
ROE (%)	8.6
Net Gearing (%)	56.5
Free Float	71.2
Avg Daily Value (RMmil)	50.6

Major Shareholders

Employees Provident Fund Board	(20.8%)
Vanguard Group Inc	(4.0%)
Generasi Setia M Sdn Bhd	(4.0%)

Price performance	3mth	6mth	12mth
Absolute(%)	7.4	7.6	(18.9)
Relative(%)	4.7	7.1	(26.0)

Source: Gamuda, AmInvestment Bank Bhd.

Price Chart

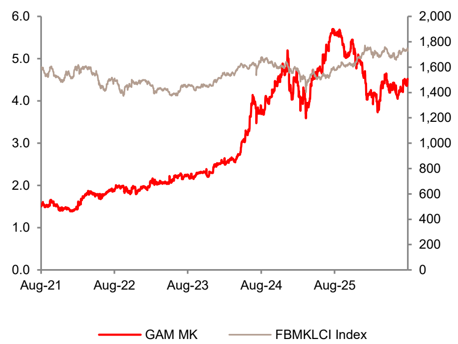
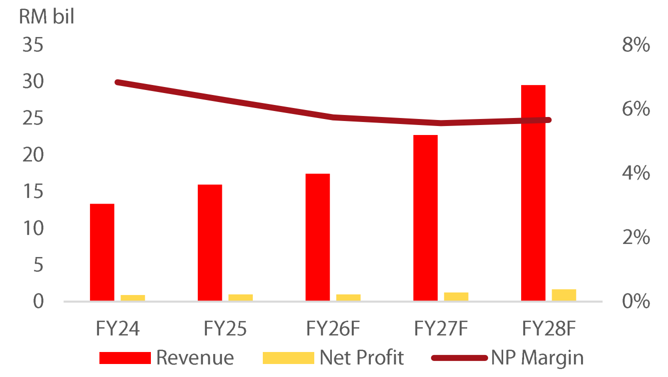
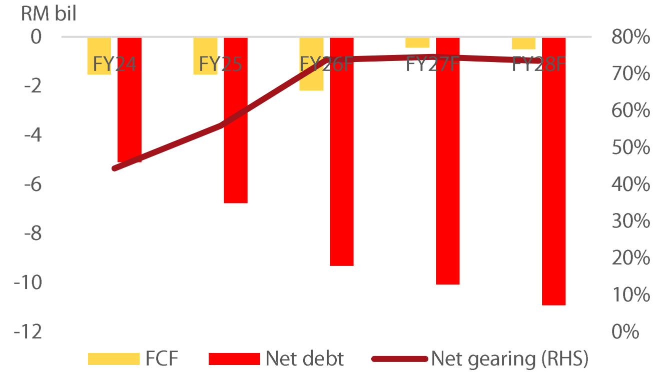


EXHIBIT 1. Group Revenue, Net Profit (RM bil) and NP Margin



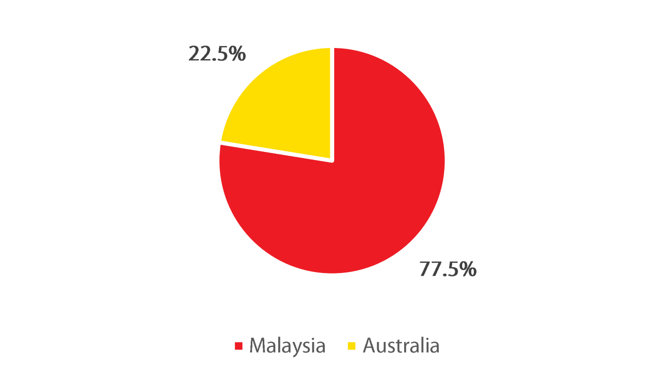
Source: Company, AmInvestment Bank Bhd.

EXHIBIT 2. Group FCF, Net Debt (RM bil) and Net Gearing



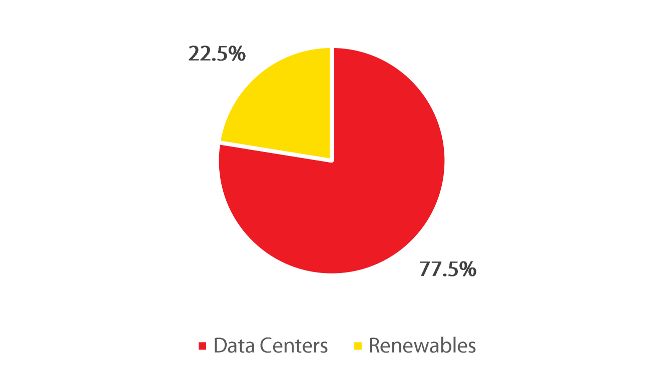
Source: Company, AmInvestment Bank Bhd.

EXHIBIT 3. RM7.3bil YTD Order Book Replenishment by Country



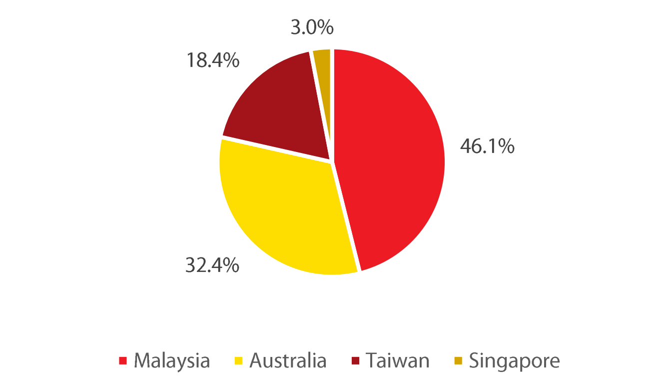
Source: Company, AmInvestment Bank Bhd.

EXHIBIT 4. RM7.3bil YTD Order Book Replenishment by Sector



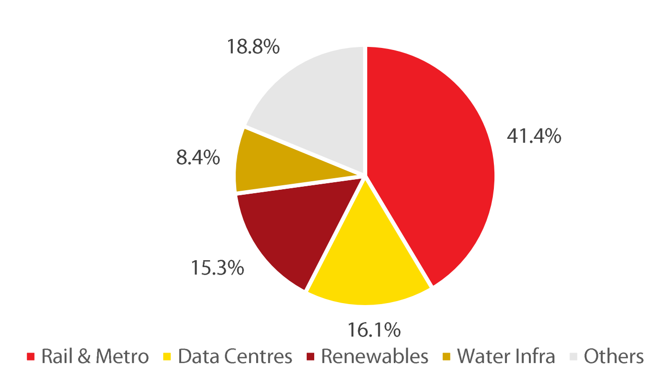
Source: Company, AmInvestment Bank Bhd.

EXHIBIT 5. RM59.6bil Outstanding Order Book by Country



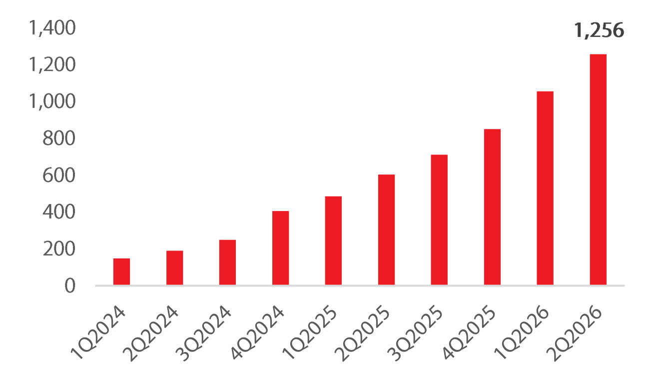
Source: Company, AmInvestment Bank Bhd.

EXHIBIT 6. RM59.6bil Outstanding Order Book by Sector



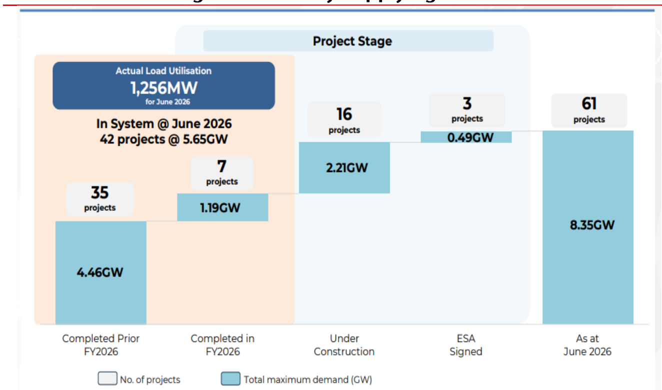
Source: Company, AmInvestment Bank Bhd.

EXHIBIT 7. Data Centre Load Utilisation (MW)



Source: Tenaga Nasional Berhad, AmInvestment Bank Bhd.

EXHIBIT 8. TNB Signed Electricity Supply Agreement



Source: Tenaga Nasional Berhad .

EXHIBIT 9. Valuation

Segment	FY27F PAT (RM mil)	Target P/E	Total (RM mil)
Construction:	890.8	23	20,478.2
Property:			9,867.7
Concessions			1,393.9
Net cash/(debt)			-6,773.1
SOP Value			24,966.8
Number of shares			6,054.7
ESG Premium			0%
Target Price (RM)			**4.10**

Source: AmInvestment Bank Bhd.

Company Profile

Regional Growth Platform to Support Operations

Gamuda is a regional infrastructure and property development group with operations spanning Malaysia, Australia, Taiwan, Singapore and Vietnam. Its construction division undertakes large-scale rail, road, tunnelling, water and data centre projects, supported by an outstanding order book of RM59.6bil that provides strong multi-year revenue visibility. Malaysia and Australia collectively account for 79% of the construction backlog, while the group's overseas expansion has reduced its dependence on the timing of domestic infrastructure awards.

The property division is entering an accelerated growth phase, with planned FY27 launches totalling RM10bil in GDV. The pipeline comprises RM4.7bil of projects in Vietnam, RM4.0bil in Singapore and RM1.3bil in Malaysia. While the diversified launch pipeline broadens Gamuda's earnings base, the simultaneous rollout of several large developments is likely to increase upfront land, construction and working capital requirements.

Investment Thesis and Catalysts

Record higher order book underpin earnings visibility

Gamuda's investment case is anchored by its RM59.6bil construction order book, which provides strong multi-year earnings visibility and supports continued growth as recently secured projects ramp up. However, we believe the quality of this growth is increasingly constrained by elevated input costs, a high proportion of fixed-price contracts and weaker cash conversion. With net gearing at 73% following several years of negative FCF, we see limited scope of further valuation re-rating until stronger earnings translate into improved cash generation.

Key upside catalysts include better-than-expected margin resilience, faster project execution and a sustained normalisation in fuel and logistics costs, which could life earnings conversion from the existing backlog. A meaningful improvement in FCF and balance sheet deleveraging would also strengthen the case for a higher valuation multiple, while further sizeable contract wins could extend the Group's already strong earnings visibility.

Valuation Methodology

Maintain HOLD with unchanged TP of RM4.10

We value Gamuda at a SOTP-derived target price of RM4.10. Our target price implies 20x FY27F earnings, +1SD to the group's five-year historical average. We believe this valuation appropriately reflects Gamuda's strong order book visibility, regional growth prospects, balanced against heightened margin, leverage and cash flow risk. We maintain our HOLD rating on the stock.

Risk Factors

Construction cost and margin risk. Prolonged fuel and logistics cost inflation could pressure margins, particularly as an c.60% of its order book is fixed-price contracts and most projects remain at an early stage of execution.

Balance sheet and funding risk. Persistent negative FCF and net gearing of 73% reduce Gamuda's financial headroom. Additional borrowings may be required to fund construction working capital and its RM10bil property pipeline, raising financing costs.

Property execution and demand risk. Weaker sales, launch delays or slower collections across the Group's property portfolio could lengthen the cash conversion cycle and increase funding needs.

Financial Summary

Income Statement (RMmil)

YE to Jul	FY24	FY25	FY26F	FY27F	FY28F
Revenue	13,346.7	15,970.2	17,438.2	22,718.2	29,521.1
EBITDA	828.5	1,166.8	1,302.8	1,668.5	2,134.2
Depreciation/Amortisation	(165.1)	(194.4)	(191.8)	(249.9)	(324.7)
Operating income (EBIT)	663.4	972.4	1,110.9	1,418.6	1,809.5
Other income & associates	453.9	349.2	445.5	532.5	687.8
Net interest	(19.2)	(40.7)	(222.9)	(267.8)	(286.2)
Exceptional items	-	-	-	-	-
Pretax profit	**1,098.1**	**1,281.0**	**1,333.6**	**1,683.4**	**2,211.1**
Taxation	(155.1)	(256.6)	(306.8)	(388.1)	(497.4)
Minorities/pref dividends	(30.9)	(21.1)	(25.7)	(32.4)	(42.8)
Net profit	**912.1**	**1,003.2**	**1,001.1**	**1,262.8**	**1,670.9**
Core net profit	912.1	1,003.2	1,001.1	1,262.8	1,670.9

Balance Sheet (RMmil)

YE to Jul	FY24	FY25	FY26F	FY27F	FY28F
Fixed assets	2,427.8	2,328.9	3,880.9	5,562.0	7,303.8
Intangible assets	1,038.7	1,724.1	1,724.1	1,724.1	1,724.1
Other long-term assets	6,299.6	7,160.1	7,270.4	7,565.6	8,098.8
Total non-current assets	**9,766.1**	**11,213.1**	**12,875.4**	**14,851.7**	**17,126.7**
Cash & equivalent	2,700.3	3,357.1	2,857.1	2,941.3	2,940.1
Stock	612.6	771.1	815.5	1,064.0	1,384.5
Trade debtors	7,816.9	9,845.3	12,614.3	15,385.5	18,898.7
Other current assets	5,761.9	5,082.5	5,082.5	5,082.5	5,082.5
Total current assets	**16,891.7**	**19,056.0**	**21,369.4**	**24,473.3**	**28,305.7**
Trade creditors	6,217.7	6,767.6	7,962.3	10,879.4	14,259.1
Short-term borrowings	1,242.0	2,906.4	2,906.4	2,906.4	2,906.4
Other current liabilities	435.1	605.0	847.4	1,268.2	1,742.5
Total current liabilities	**7,894.8**	**10,279.1**	**11,716.1**	**15,054.0**	**18,908.0**
Long-term borrowings	6,564.6	7,223.8	9,265.2	10,103.3	10,959.6
Other long-term liabilities	676.3	648.3	648.3	648.3	648.3
Total long-term liabilities	**7,240.9**	**7,872.1**	**9,913.4**	**10,751.5**	**11,607.9**
Shareholders' funds	**11,365.1**	**11,987.4**	**12,484.7**	**13,389.0**	**14,786.0**
Minority interests	156.9	130.5	130.5	130.5	130.5
BV/share (RM)	1.90	2.00	2.08	2.23	2.46

Cash Flow (RMmil)

YE to Jul	FY24	FY25	FY26F	FY27F	FY28F
Pretax profit	1,098.1	1,281.0	1,333.6	1,683.4	2,211.1
Depreciation/Amortisation	165.1	194.4	191.8	249.9	324.7
Net change in working capital	(544.1)	(1,070.4)	(1,376.3)	318.1	20.3
Others	(578.1)	(483.5)	(584.7)	(762.8)	(990.4)
Cash flow from operations	**141.0**	**(78.5)**	**(435.6)**	**1,488.6**	**1,565.7**
Capital expenditure	(1,677.3)	(1,451.3)	(1,743.8)	(1,931.0)	(2,066.5)
Net investments & sale of fixed assets	(78.5)	(19.1)	-	-	-
Others	838.1	238.2	500.0	500.0	500.0
Cash flow from investing	**(917.7)**	**(1,232.2)**	**(1,243.8)**	**(1,431.0)**	**(1,566.5)**
Debt raised/(repaid)	846.3	2,495.9	2,041.4	838.1	856.4
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	(74.1)	(153.8)	(605.7)	(606.2)	(605.7)
Others	(195.0)	(202.1)	(168.6)	(91.0)	(102.8)
Cash flow from financing	**577.2**	**2,140.0**	**1,267.1**	**140.9**	**147.9**
Net cash flow	**(199.5)**	**829.2**	**(412.3)**	**198.5**	**147.1**
Net cash/(debt) b/f	**2,933.5**	**2,688.3**	**3,357.1**	**2,857.1**	**2,941.3**
Net cash/(debt) c/f	**2,700.3**	**3,357.1**	**2,857.1**	**2,941.3**	**2,940.1**

Key Ratios

YE to Jul	FY24	FY25	FY26F	FY27F	FY28F
Revenue growth (%)	62.4	19.7	9.2	30.3	29.9
EBITDA growth (%)	1.7	40.8	11.6	28.1	27.9
Pretax margin (%)	8.2	8.0	7.6	7.4	7.5
Net profit margin (%)	6.8	6.3	5.7	5.6	5.7
Interest cover (x)	34.5	23.9	5.0	5.3	6.3
Effective tax rate (%)	14.1	20.0	23.0	23.1	22.5
Dividend payout (%)	48.6	57.3	60.5	48.0	36.3
Debtors turnover (days)	107	202	235	225	212
Stock turnover (days)	8	16	17	15	15
Creditors turnover (days)	85	148	154	151	155

Source: Company, AmInvestment Bank Bhd.

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