CONSTRUCTION

GAMUDA

(GAM MK EQUITY, GAMU.KL)

10 Jul 2025

AI and cloud new growth pillar

AmInvestment Bank

Company Report

BUY

(Maintained)

Liew Jin Sheng
liew.jin-sheng@ambankgroup.com
+603 2036 1687

Rationale for report: Company Update

Price	**RM4.89**
Fair Value	**RM5.50**
52-week High/Low	RM5.38/RM3.47

Key Changes

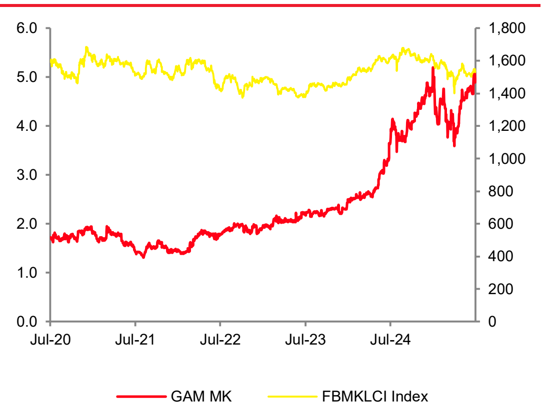
Fair value	⇔
EPS	⇔

YE to Jul	**FY24**	**FY25F**	**FY26F**	**FY27F**
Revenue (RM mil)	13,346.7	15,541.1	21,726.5	26,823.9
Core net profit (RM mil)	912.1	1,054.3	1,408.0	1,691.6
FD Core EPS (sen)	32.3	17.5	23.4	28.1
FD Core EPS growth (%)	6.0	(45.8)	33.5	20.1
Consensus Net Profit (RM mil)	-	1,002.0	1,385.0	1,658.0
DPS (sen)	16.3	8.5	11.4	13.7
PE (x)	15.1	27.9	20.9	17.4
EV/EBITDA (x)	30.8	20.5	15.3	12.6
Div yield (%)	3.3	1.7	2.3	2.8
ROE (%)	8.2	8.9	10.9	11.9
Net Gearing (%)	44.9	42.6	31.0	19.6

Stock and Financial Data

Shares Outstanding (million)	5,957.9
Market Cap (RMmil)	29,134.1
Book Value (RM/Share)	-
P/BV (x)	-
ROE (%)	8.2
Net Gearing (%)	44.9
Major Shareholders	EPF (14.0%)
	Amanah Saham Nasional (4.1%)
	Generasi Setia M Sdn Bhd (4.0%)
Free Float	86.3
Avg Daily Value (RMmil)	106.2

Price performance	**3mth**	**6mth**	**12mth**
Absolute (%)	29.7	(5.8)	34.9
Relative (%)	22.4	(0.6)	42.0



Investment Highlights

We met with Gamuda's Group Chief Digital Officer and visited the Gamuda Innovation Hub. We came away feeling positive about its new venture. Gamuda has built internal expertise and integrated technology into its existing business verticals to improve efficiencies. On top of that, Gamuda is rapidly expanding its presence in the cloud and AI space through two major strategic initiatives, namely the JV with Dnex and minority investment in Cloud Space. These initiatives could potentially create a new core business - cloud and AI service - alongside its current business pillars namely, engineering, construction and property. We maintain BUY on Gamuda with unchanged SOTP-based TP of RM5.50, implies CY26 PER of 21.5x.

- **BUY on Gamuda with TP of RM5.50.** Our new SOTP-based TP of RM5.50 implies CY26 PER of 21.5x, which is equivalent to +2SD to its 10-year average. The premium is justified by continued growth in orderbook, supported by strong job flow from public infrastructure work, data centre construction and overseas jobs in Australia and Taiwan.

- **Integrating technology in the existing business verticals.** Over the years, Gamuda has built proprietary digital applications and embedded them into its key business segments. We believe this gives Gamuda an edge over other construction players in the market. Gamuda Engineering has adopted Gamuda Digital Operating System with the objective to improve tender win rates, boost construction efficiency and enhance margins, while Gamuda Land has integrated to improve customer experience and sharpen marketing effectiveness. During the visit, Gamuda did showcase some of the proprietary applications such as Bot Unify (internal generative AI), augmented reality (to visualise the construction site), tunnel insight (global TBM IoT live monitoring) and GL Connect (generative AI offers tailored recommendation to house buyers).

- **Building a third business pillar.** In addition to its two core business pillars, Gamuda is rapidly expanding its footprint in the cloud and AI space through two major strategic initiatives i.e. JV with Dagang Nexchange Berhad (Dnex) and minority investment in Cloud Space. The group is eyeing both public and private cloud markets in Malaysia, with Google Distributed Cloud (GDC) air-gapped services giving it a competitive edge. GDC services cover hardware procurement, AI solutions, app development, client support, data migration, and infrastructure maintenance. The total addressable market for AI cloud in Malaysia is estimated at RM40bil. These initiatives could contribute meaningfully from FY26 onwards, potentially offering upside to our forecasts and TP, as no contributions are currently factored in.

Company profile

Established in 1976, Gamuda is Malaysia's largest listed construction company. The group's topline contribution consists of: (a) construction service (79% of FY24 revenue) and property development (21%). Gamuda has a strong track record of involvement in public infrastructure works particularly through direct negotiations e.g. KVMRT. The group has exposure in both domestic and oversea markets, with the most recent foray in Australia since 2020.

Gamuda was listed on the main market of Bursa Malaysia in 1992.

Investment thesis and catalysts

Best proxy to the Malaysia public infrastructure space. Gamuda has long been hailed as the Malaysian construction champion with a strong and established track record in public infrastructure works particularly for rail projects in Malaysia. The Group is also the only player with tunneling capabilities.

Beneficiary of the data centre theme. Data centre projects have seen a significant surge over the past year. Gamuda is one of the few players currently in direct negotiations with hyperscaler client given its ability to deliver projects on time.

Overseas orderbook expansion. Over the past five years, Gamuda has been growing its overseas share of orderbook in order to hedge against a more cautious domestic scene. The Group has exposure in Australia, Taiwan and Singapore.

Valuation methodology

Our SOTP-based TP of RM5.50 implies a CY26 PER of 21.5x, which comes at >+2SD to its 10 year average of 12x.

Risk factors

Key downside risks to our call:-

i) Delay in project rollouts;
ii) Rising building material costs; and
iii) Project cost overrun.

EXHIBIT 1: SOTP VALUATION

Segment	Basis	Valuation (RM bil)
Construction & Engineering	20x PER to CY26 net profit	20.9
Property Development	RNAV	17.9
Investment Properties	1x P/B	0.6
Water Concession	DCF of FCFE at 6% Ke	0.2
Holdng co net cash/(debt)		-4.5
	SOP Value	35.1
	Number of Shares (bil)	6.0
	SOP/Share	5.88
	Conglo Discounts (10%)	(0.59)
	ESG Premium/(Discount)	3.0
	Target Price	**5.50**

Source: AmInvestment Bank

EXHIBIT 2: ESG SCORE

	Environmental assessment	Parameters	Weightage	Rating					Rationale
1	Water usage	Water withdrawal	25%	*	*	*			Total water withdrawal has increased from 1.7mil m3 to 1.87mil m3.
2	Energy usage	Renewable energy consumption (mWh)	25%	*	*	*			43% of energy sourced from renewables in FY24, up from 22% in FY23.
3	Minimise waste generation	Recycled waste (tonnes)	25%	*	*	*	*	*	95% of waste produced from developments, construction sites and assets were successfully diverted from the landfill.
4	Greenhouse Gas (GHG) emissions	tCO2e emitted	25%	*	*	*	*		Scope 1 and 2 emission has reduced by 32% from 2022 baseline vs 23% in 2023.
	Weighted score for evironmental assessment		**100%**	*	*	*	*		
	Social assessment								
1	Health, safety & well-being	Number of fatalities & injuries	25%	*	*	*			Annual zero lost time incidents.
2	Women in workforce	% of total workforce	25%	*	*	*	*		35% of workforce as of FY24 vs 38% in FY23. But the number of women in workforce rose from 1,588 to 2,089.
3	Employee turnover	% turnover rate	25%	*	*	*			Employee turnover rate remained healthy at 17% in FY24 vs 12% in FY23.
4	CSR programmes	RM	25%	*	*	*			Total community investments of RM15mil benefitted 7,704 people.
	Weighted score for social assessment		**100%**	*	*	*			
	Governance assessment								
1	Board age diversity	% under 60 years old	25%	*	*	*			14%
2	Board women representation	% of total board directors	25%	*	*	*	*	*	4 women on board or 57%.
4	Independent board directors	% of total board directors	25%	*	*	*	*		57%.
5	Remuneration to directors	% of total staff costs	25%	*	*	*	*		RM17.4mil for director remuneration in FY24, or 3.5% of staff cost.
	Weighted score for governance assessment		**100%**	*	*	*	*		
	Combined Score by respective Segments								
	Environmental score		30%	*	*	*	*		
	Social score		30%	*	*	*			
	Governance score		40%	*	*	*	*		
	Overall ESG Score		**100%**	*	*	*	*		

Source: Company, AmInvestment Bank

EXHIBIT 3: FINANCIAL DATA

Income Statement (RMmil, YE 31 Jul)	**FY23**	**FY24**	**FY25F**	**FY26F**	**FY27F**
Revenue	8,220.4	13,346.7	15,541.1	21,726.5	26,823.9
EBITDA	1,023.0	1,111.0	1,679.7	2,172.1	2,538.7
Depreciation/Amortisation	(120.2)	(165.1)	(127.3)	(140.3)	(153.3)
Operating income (EBIT)	902.7	945.9	1,552.5	2,031.8	2,385.4
Other income & associates	233.4	325.6	98.6	94.1	81.0
Net interest	(78.4)	(173.4)	(216.8)	(210.6)	(165.1)
Exceptional items	-	-	-	-	-
Pretax profit	**1,057.8**	**1,098.1**	**1,434.2**	**1,915.3**	**2,301.2**
Taxation	(221.1)	(155.1)	(344.2)	(459.7)	(552.3)
Minorities/pref dividends	(22.0)	(30.9)	(35.7)	(47.7)	(57.3)
Net profit	**814.7**	**912.1**	**1,054.3**	**1,408.0**	**1,691.6**
Core net profit	814.7	912.1	1,054.3	1,408.0	1,691.6

Balance Sheet (RMmil, YE 31 Jul)	**FY23**	**FY24**	**FY25F**	**FY26F**	**FY27F**
Fixed assets	5,946.1	6,012.9	6,435.6	6,845.3	7,242.0
Intangible assets	497.6	1,038.7	1,038.7	1,038.7	1,038.7
Other long-term assets	2,117.4	2,691.8	2,691.8	2,691.8	2,691.8
Total non-current assets	**8,561.1**	**9,743.4**	**10,166.1**	**10,575.9**	**10,972.6**
Cash & equivalent	3,169.5	2,698.9	2,014.8	2,346.1	2,850.6
Stock	717.2	612.2	1,099.7	1,558.7	1,937.5
Trade debtors	2,942.1	3,281.2	5,254.4	7,345.7	9,069.1
Other current assets	8,394.4	10,185.5	10,185.5	10,185.5	10,185.5
Total current assets	**15,223.2**	**16,777.8**	**18,554.4**	**21,436.0**	**24,042.8**
Trade creditors	3,713.0	4,806.3	6,646.7	9,421.2	11,711.1
Short-term borrowings	1,409.7	1,003.3	844.9	686.6	528.3
Other current liabilities	1,689.4	1,722.5	1,722.5	1,722.5	1,722.5
Total current liabilities	**6,812.0**	**7,532.1**	**9,214.0**	**11,830.2**	**13,961.8**
Long-term borrowings	5,514.0	6,803.3	6,403.3	5,853.3	5,253.3
Other long-term liabilities	531.7	664.4	664.4	664.4	664.4
Total long-term liabilities	**6,045.7**	**7,467.6**	**7,067.6**	**6,517.6**	**5,917.6**
Shareholders' funds	**10,791.1**	**11,365.2**	**12,282.6**	**13,507.7**	**14,979.6**
Minority interests	135.5	156.2	156.2	156.2	156.2
BV/share (RM)	-	-	-	-	-

Cash Flow (RMmil, YE 31 Jul)	**FY23**	**FY24**	**FY25F**	**FY26F**	**FY27F**
Pretax profit	1,057.8	1,098.1	1,434.2	1,915.3	2,301.2
Depreciation/Amortisation	120.2	165.1	127.3	140.3	153.3
Net change in working capital	(165.7)	(261.7)	(620.4)	224.2	187.7
Others	(607.9)	(850.6)	(344.2)	(459.7)	(552.3)
Cash flow from operations	**404.4**	**150.9**	**596.9**	**1,820.2**	**2,089.9**
Capital expenditure	(3,376.3)	(1,871.2)	(550.0)	(550.0)	(550.0)
Net investments & sale of fixed assets	2,310.8	(229.4)	-	-	-
Others	832.7	839.0	-	-	-
Cash flow from investing	**(232.8)**	**(1,261.7)**	**(550.0)**	**(550.0)**	**(550.0)**
Debt raised/(repaid)	2,113.4	846.3	(558.3)	(708.3)	(758.3)
Equity raised/(repaid)	98.3	146.3	-	-	-
Dividends paid	(1,442.7)	(100.7)	(172.6)	(230.5)	(277.0)
Others	2.2	17.8	-	-	-
Cash flow from financing	**771.2**	**909.8**	**(731.0)**	**(938.9)**	**(1,035.3)**
Net cash flow	**942.8**	**(200.9)**	**(684.1)**	**331.3**	**504.5**
Net cash/(debt) b/f	**1,908.4**	**2,830.6**	**2,698.9**	**2,014.8**	**2,346.1**
Net cash/(debt) c/f	**2,830.6**	**2,596.0**	**2,014.8**	**2,346.1**	**2,850.6**

Key Ratios (YE 31 Jul)	**FY23**	**FY24**	**FY25F**	**FY26F**	**FY27F**
Revenue growth (%)	67.7	62.4	16.4	39.8	23.5
EBITDA growth (%)	37.2	8.6	51.2	29.3	16.9
Pretax margin (%)	12.9	8.2	9.2	8.8	8.6
Net profit margin (%)	9.9	6.8	6.8	6.5	6.3
Interest cover (x)	11.5	5.5	7.2	9.6	14.4
Effective tax rate (%)	20.9	14.1	24.0	24.0	24.0
Dividend payout (%)	160.8	48.6	48.2	48.2	48.2
Debtors turnover (days)	119	85	100	106	112
Stock turnover (days)	30	18	20	22	24
Creditors turnover (days)	142	116	134	135	144

Source: Company, AmInvestment Bank Bhd estimates

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