

09 February 2026

Gamuda

Near-term Reset, Long-term Value

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Following site visits to the Penang LRT and Silicon Island projects, we have moderated our near-term outlook. A reality check revealed that our earnings forecasts were aggressive; margin recovery will be slower than expected as high-margin Malaysian projects remain in the early S-curve stage, while lower-margin Australian works are at advanced stages. Consequently, we have trimmed construction EBIT margins by 1.5-1.3 percentage points and lowered FY26F property sales due to delays in the Hanoi project. We cut FY26/FY27 earnings forecasts by 23%/29%, and TP to RM5.30. We view the recent share price sell-down as a buying opportunity as the earnings reset represents a shift in timing rather than a loss of value. Long-term fundamentals remain intact. **OUTPERFORM** maintained. We also believe concerns regarding the exchangeable bonds issued on GAMUDA is overblown, after details emerged that indicates at least 57% upside from here before bondholders would be entitled to an exchange.

Recent site visits in Penang. We recently conducted site visits for the CMC1 Package of the Penang LRT Mutiara Line and the Silicon Island reclamation project.

- **Penang LRT (CMC1):** Works are currently in the initial stages, with bored piling having commenced in Aug last year. The package comprises over 40 sub-packages, including piling, road widening, and drainage installation. Currently, the project is at 9% progress. Key milestones include the start of station works in Aug this year, with a Certificate of Practical Completion (CPC) expected by May 2031. Testing and commissioning are slated for Jun 2031, ahead of full project completion in Dec 2031.
- **Silicon Island:** Phase 1 reclamation is underway, with 280 acres of the planned 1,260 acres completed. Reclamation began in Sep 2023 and is expected to span seven years. Construction for the Green Tech Park begins this year, with the first factory operational by 2028. Development of the GBS Software Campus, State Administrative Centre, and retail lots will start in 2027; retail is expected to open in 2029, with the remainder completed by 2030. Residential developments will begin in 2028, with move-ins expected in 2031, just prior to the LRT's commencement in early 2032.

Reality check: earnings prospects. A reality check of project timelines suggests our current earnings forecasts are overly optimistic, given that the majority of current projects are still in the early stages of the S-curve cycle. Consequently, revenue recognition and profit margins remain low. Furthermore, FY26 property sales are expected to fall short of the RM5.5b guidance due to delays in the Hanoi project launch, which awaits final regulatory approval between Jul and Sep this year.

Orderbook and margin pressure. Since July 2024, GAMUDA has secured RM31.4b in new contracts for the past two financial years of FY24-FY25 (see Page 3), bringing the total order book to RM45.9b as of Dec 2025. Of this, RM21.8b consists of long-term contracts extending to 2030 and beyond. However, as of Oct 2025, none of the Malaysian projects have reached the mid-to-final stages of construction, with most remaining below 20% completion. (see Page 3) While Australian projects are at advanced stages, which typically carries a 5% pre-tax margin, compared to the 8% historically seen in Malaysia. This shift in

OUTPERFORM ↔

Price: **RM4.10**
Target Price: **RM5.30** ↓

Share Price Performance



KLCI	1,732.83
YTD KLCI chg	3.1%
YTD stock price chg	-17.7%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	GAM MK
Market Cap (RM m)	24,309.8
Shares Outstanding	5,929.2
52-week range (H)	5.80
52-week range (L)	3.48
3-mth avg. daily vol.	20,276,070
Free Float	85%
Beta	1.2

Major Shareholders

Employees Provident Fund	19.0%
Vanguard Group Inc	3.7%
Generasi Setia M Sdn Bhd	3.7%

Summary Earnings Table

FY Jul (RM m)	2025A	2026F	2027F
Turnover	15,970	17,500	23,000
EBIT	1,337	1,365	1,849
PBT	1,304	1,309	1,820
Net Profit	1,003	1,057	1,388
Core Net Profit	1,003	1,057	1,388
Consensus	-	1,261	1,626
Earnings Revision (%)	-	-23.3	-28.9
Core EPS (sen)	16.9	17.8	23.4
Core EPS Growth (%)	10.0	5.3	31.3
NDPS (sen)	10.0	10.0	10.0
BVPS (RM)	2.02	2.15	2.28
NTA/share (RM)	1.73	1.85	1.96
PER (x)	30.6	23.0	17.5
PBV (x)	2.56	1.91	1.79
P/NTA (x)	2.99	2.22	2.09
Net Gearing (x)	0.56	0.70	0.56
Net Div. Yield (%)	1.9	2.4	2.4

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in project mix, coupled with the early-stage status of domestic works, suggests that margin recovery will be slower than anticipated. Consequently, our construction EBIT margin assumptions of 7.5%/7.8% for FY26/FY27 now appear over-optimistic.

Outlook. Having surpassed its end-2025 order book target of RM40b-RM45b, the next milestone is an RM50b outstanding order book by end-2026. GAMUDA expects the tender outcome of two Pearl Computing's data centres in Springhill in 2026. It also has a strong chance of securing another project in Taiwan in 2HCY25. In Australia and New Zealand, GAMUDA has been shortlisted for a project in Brisbane and the Northland Corridor Highway, respectively. Domestically, the Ulu Padas water supply project is expected to be finalised soon. GAMUDA is also bidding for the Penang LRT Package 3 (turnkey system and rolling stock contracts).

Forecasts. In light of slower revenue recognition from Malaysian construction works and the delayed Hanoi property launch, we have adjusted our assumptions:

- Construction: Lowered Malaysia revenue assumptions to RM13b-RM18b (from RM15b-RM22b) purely due to S-curve effect as we have not changed our job win assumptions of RM22b-RM27b, resulting in reduced overall EBIT margins to 6.0%–6.5% (from 7.5%–7.8%).
- Property: Reduced FY26F property revenue to RM4.5b (from RM4.9b), while maintaining the FY27 target at RM5.0b.

As such, we have cut our FY26–FY27 net profit forecasts by 23%/29% to RM1.06b/RM1.39b from RM1.38b/RM1.95b previously.

Valuations. Following our earnings revision, updated issued shares and a roll-over of valuation base year to FY27 from CY26, our SoP-based TP is reduced to RM5.30 (see Page 3) from RM6.13 with its construction business valued at an unchanged 22x CY26F PER, which in line with other large-cap contractors such as **IJM (OP; TP: RM3.40)** and **SUNCON (OP; TP: RM6.50)**. The TP includes a 5% premium given a 4-star ESG rating as appraised by us (see Pages 7).

Share price heavily sold-down. YTD, the share price has tumbled 17%, underperforming the FBMKLCI's 3% gain. This sell-down is largely attributed to market concerns regarding exchangeable bonds (see following paragraph) and potential earnings cuts. However, we believe this price correction, coupled with the earnings reset, presents an attractive buying opportunity. The downward revision reflects a shift in the timing of revenue recognition rather than a loss of earnings; income is being deferred to later years as projects progress further along the S-curve. Consequently, the long-term fundamental value of the orderbook remains intact.

Understanding exchangeable bonds

GAMUDA – concern on exchangeable bonds is overdone as strike price for bonds to convert is 57% higher than last close. In our view, contributing to recent weakness of share price dipping below RM5 would also be the news around mid-Jan of the USD300m (c.RM1.2b) exchangeable bonds by PNB (via Lunas Capital II Ltd) ([link](#)). To be clear, these bonds, exchangeable for shares of GAMUDA at RM4.95, are not issued by GAMUDA but by the shareholders PNB. With the nominal value of these bonds, of around 4% of Gamuda's market cap, this in our view has triggered some concern, given that bond holders could exchange for the shares, and thereafter convert the stocks received to be sold to the market for a profit. The anticipation of some disposal of Gamuda shares causes an overhang.

And with the prospectus of the vehicle now publicly available ([link](#)), we were comforted to find that the strike price comes up to RM6.44 (for details, please refer to page 63 of offering circular which stipulates that during the initial exchange period i.e. from 12 Mar 2026 to 31 Oct 2030), bondholder may only be entitled for the exchange if VWAP for the share is greater than or equal to 130% of exchange price which is RM4.95, at RM6.44 – this is the missing piece of crucial information which means there is at least 57% upside from closing price (RM4.10) to RM6.44 before the bond holders are eligible for conversion. The levels above RM6.44 may warrant some monitoring (as bond holders may convert). In practise, these exchangeable bonds could also be held by hedge funds, active risk management by them to neutralize volatility of their exchangeable bond fair valuation could also involve some selling/trading of GAMUDA's shares earlier. However, given the 57% upside to the strike price (out of the money), our view is that this hedging risk is not a significant risk for now. In addition, a clause in the offering circular (page 62) details that PNB may also opt for cash settlement in lieu of shares, which in our view could reduce market impact on GAMUDA's shares.

Investment case. We continue to like GAMUDA for: (i) its strong positioning in upcoming data centre tenders, (ii) its ability to secure overseas projects, (iii) its robust earnings visibility underpinned by a record outstanding order book of RM45.9b, and (iv) its inroads into the renewable energy space. Maintain **OUTPERFORM**.

Risks to our call include: (i) delay in the roll-out of key public infrastructure projects in Malaysia, which may delay margin recovery (ii) rising input costs and labour shortage, (iii) risks associated with operations in overseas markets such as the change in government policies towards foreign businesses and forex, and (iv) liquidated ascertained damages (LAD) from cost overrun and delays.

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GAMUDA's Contract Wins for FY24-FY25 (Since Jul 2024)			
Date	Contract	Contract Value (RM)	Contract Period
Sep 2024	Boulder Creek Wind Farm (AU)	702	2024-2027
Oct 2024	Xizhi Donghu MRT (TW)	3,231	2024-2031
Oct 2024	Upper Padas Hydro Dam (MY)	2,286	2024-2030
Nov 2024	BCEI Data Centre (MY)	451	2024-2026
Dec 2024	Goulburn River Solar Farm (AU)	1,800	2025-2026
Dec 2024	* DTI Additional Package (AU)	1,000	N/A
Jan 2025	Penang LRT Package 1 (MY)	4,990	2025-2031
Mar 2025	Taiwan 345kV Underground Transmission Line (TW)	279	2025-2028
May 2025	Pearl Computing Data Centre Enabling Works (MY)	1,009	2025-2028
Jun 2025	Taiwan Marine Structure (TW)	2,604	2025-2028
Aug 2025	Sarawak Coastal Highway (MY)	500	2025-2029
Aug 2025	Quantum Alpha Data Centre (MY)	2,138	2025-2027
Sep 2025	BESS for Goulburn River Solar Farm (AU)	400	N/A
Oct 2025	Richmond Road Update (AU)	468	2025-2027
Dec 2025	Sydney Water (AU)	200	2026-2028
Dec 2025	Marinus Link BOW Package (AU)	1,347	2026-2030
Dec 2025	Sydney Metro – Stations Package West (AU)	7,320	2026-2031
Dec 2025	Carmody's Hill Wind Farm (AU)	718	2026-2028
		31,442	

Source: Kenanga Research, Company

GAMUDA's Outstanding Construction Order Book (As of Oct 2025)			
Project	Stake (%)	Outstanding Value (RM b)	Completion (%)
Malaysia			
Penang Mutiara Line	60	5.8	9
Silicon Island - Phase 1	100	4.5	15
Rasau WTP - Phase 1	100	1.1	45
Data Centre Projects	100	2.9	30
Upper Padas Hydro Dam	75	2.1	13
Enabling Works for DC Campus	100	0.7	29
Sarawak Coastal Highway	65	0.7	1
Taiwan			
Tao Yuan Underground	60	1.0	19
Kaohsiung MRT	88	2.8	3
Xizhi Donghu MRT	75	2.7	13
Marine Structure	70	2.5	0
Others	100	0.4	66
Singapore			
Defu Station	60	0.4	55
West Coast Station	100	1.5	13
Australia			
Sydney Metro West	100	0.3	97
Coffs Harbour Bypass	50	0.8	66
M1 Extension	40	0.2	84
Sydney Water	50	0.2	0
DTI	100	5.9	68
		7.4	
Total		36.6	

Source: Kenanga Research, Company

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GAMUDA's Sum-of-Parts Valuation		
Segment	Value (RM m)	Valuation Basis
Construction	21,879.0	22x FY27F PER
Property	8,110.6	40% discount to RNAV
Gamuda Waters (80%-owned)	292.3	FCFF @ 10% discount rate
Upper Padas Hydropower (45%-owned)	661.4	FCFF @ 7% discount rate
Kerian Water Concession (50%-owned)	882.6	FCFF @ 7.2% discount rate
Net Debt	-1,898.1	Estimated FY27F
	<u>29,927.8</u>	
Issued share (m)	5,929.0	
SOP/share (RM)	5.05	
Add: 5% premium for 4-star ESG rating (RM)	0.25	
Target Price (RM)	<u>RM5.30</u>	

Source: Kenanga Research

RNAV of GAMUDA's Property Development Projects				
Project	Stake (%)	Remaining Area (acres)	Outstanding GDV (RM m)	NPV of Profit (RM m) (effective)
Malaysia				
1. Horizon Hill	50	137	1,437	29.6
2. Gamuda Gardens	100	567	8,413	346.5
3. Gardens Park	100	472	3,590	147.8
4. twentyfive.7	100	83	2,183	89.9
5. Gamuda Cove	100	819	20,192	831.5
6. Others	100	45	2,047	84.3
Vietnam				
1. Gamuda City, Hanoi	100	232	11,790	647.4
2. Celadon City, HCMC	100	0	134	19.0
3. Artisan Park, HCMC	100	0	270	32.2
4. Elysian, HCMC	100	0	270	32.2
5. Eaton Park, HCMC	100	2	1,994	307.9
6. Springville, HCMC	100	45	1,774	251.3
7. The Meadow, MCMC	100	8	188	31.6
8. Hai Phong	100	3	986	139.7
Other Overseas				
1. 661 Chapel St, Melbourne	100	0	46	8.4
2. The Canopy on Normany, Melbourne	100	0	323	49.9
3. Fareham, St Kilda, Melbourne	100	0	204	28.9
4. Aldgate, London	90	0.1	137	14.7
5. West Hampstead Central, London	85	0	24	3.7
6. 75 London Wall, London	75	1.5	4,633	310.8
7. Woolwich, UK	87.75	0.2	585	45.9
8. Woolwich 2, UK	90	0.1	232	18.7
9. City Wharf, UK	80	1.4	482	46.0
10. Chencharu, Singapore	50	7.3	6,800	331.5
		2,416	68,734	3,849.5
Unbilled Sales (as of Jul 25)	100		8,000	779.9
Property Shareholders Fund				8,888.2
Total RNAV (RM m)				13,517.6
Discount to RNAV (%)				40%
Discounted RNAV				8,110.6

Source: Kenanga Research, Company

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Income Statement						Financial Data & Ratios					
FY Jul (RM m)	2023A	2024A	2025A	2026F	2027F	FY Jul	2023A	2024A	2025A	2026F	2027F
Revenue	8220	13347	15970	17500	23000	Growth (%)					
EBITDA	1088	1108	1536	1564	2059	Revenue	67.7	62.4	19.7	9.6	31.4
Depreciation	-119	-163	-199	-199	-210	EBITDA	13.0	1.8	38.6	1.9	31.6
EBIT	970	945	1337	1365	1849	Operating Income	34.2	-2.5	41.5	2.1	35.4
Interest Expense	-88	-173	-179	-216	-204	Pre-tax Income	124.3	-50.7	18.8	0.4	39.1
Associate	6	11	14	16	17	Net Income	128.0	-50.4	10.0	5.3	31.3
JV	227	315	131	144	158	Core Net Income	7.5	6.2	10.0	5.3	31.3
Exceptional	1112	0	0	0	0	Profitability (%)					
PBT	2226	1097	1304	1309	1820	EBITDA Margin	13.2	8.3	9.6	8.9	9.0
Taxation	-221	-155	-257	-196	-328	Operating Margin	11.8	7.1	8.4	7.8	8.0
Minority Interest	-167	-30	-44	-56	-104	PBT Margin	27.1	8.2	8.2	7.5	7.9
Net Profit	1838	912	1003	1057	1388	Net Margin	22.4	6.8	6.3	6.0	6.0
Core Net Profit	859	912	1003	1057	1388	Core Net Margin	10.4	6.8	6.3	6.0	6.0
Balance Sheet						Effective Tax Rate	9.9	14.1	19.7	15.0	18.0
FY Jul (RM m)	2023A	2024A	2025A	2026F	2027F	ROE	3.9	3.6	3.4	3.9	4.8
Fixed Assets	1655	1620	1561	1662	1752	ROA	17.8	8.2	8.6	8.8	10.6
Associates	161	257	282	296	311	DuPont Analysis					
JV	1229	1633	1920	2016	2117	Net margin (%)	10.4	6.8	6.3	6.0	6.0
Intangibles	719	1039	1724	1810	1901	Assets Turnover (x)	0.3	0.5	0.5	0.5	0.7
Other FA	4884	5217	5827	6118	6424	Leverage Factor (x)	2.2	2.3	2.6	2.6	2.4
Inventories	717	613	771	1310	1147	ROE (%)	8.0	8.0	8.4	8.3	10.2
Receivables	2923	3119	3992	2877	3151	Leverage					
Other CA	8394	10460	11695	15051	14291	Debt/Asset (x)	0.29	0.29	0.33	0.34	0.28
Cash	3169	2700	3352	2339	1515	Debt/Equity (x)	0.64	0.69	0.84	0.89	0.68
Total Assets	23852	26658	31123	33479	32609	Net Debt/(Cash)	-3754	-5106	-6778	-8946	-7633
Payables	3771	4939	6695	7030	7381	Net Debt/Equity (x)	0.35	0.45	0.56	0.70	0.56
ST Borrowings	1410	1242	2493	4529	1274	Valuations					
Other ST Liability	1689	1713	1517	1593	1672	Core EPS (sen)	32.3	32.3	16.9	17.8	23.4
LT Borrowings	5514	6565	7637	6757	7874	NDPS (sen)	50.0	16.0	10.0	10.0	10.0
Other LT Liability	541	676	628	659	692	BV/share (RM)	4.05	4.03	2.02	2.15	2.28
Minority Int.	135	157	153	161	169	NTA/share (RM)	3.78	3.66	1.73	1.85	1.96
Net Assets	10791	11365	12000	12751	13546	Core PER (x)	13.3	24.3	30.6	23.0	17.5
Share Capital	4078	4508	5160	5160	5160	Net Div. Yield (%)	11.6	2.0	1.9	2.4	2.4
Reserves	6713	6857	6840	7592	8387	PBV (x)	1.06	1.95	2.56	1.91	1.79
Equity	10791	11365	12000	12751	13546	P/NTA (x)	1.14	2.15	2.99	2.22	2.09
Cashflow Statement						EV/EBITDA (x)	14.0	24.6	24.4	21.3	15.5
FY Jul (RM m)	2023A	2024A	2025A	2026F	2027F						
Operating CF	-143	-84	235	-1275	2206						
Investing CF	-233	-929	-1255	-300	-300						
Financing CF	771	577	1757	562	-2730						
Change In Cash	396	-435	737	-1013	-824						
Free CF	-375	-1013	-1020	-1575	1906						

Source: Kenanga Research

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
GAMUDA	OP	4.10	5.30	29.3%	24,309.8	Y	07/2026	17.8	23.4	5.3%	31.3%	23.0	17.5	1.9	8.5%	10.0	2.4%
IJM	OP	2.73	3.40	24.5%	9,569.1	Y	03/2026	14.4	15.9	11.8%	10.1%	18.9	17.2	0.9	5.1%	8.0	2.9%
KERJAYA	OP	2.68	3.05	13.8%	3,369.7	Y	12/2025	16.7	18.9	29.8%	13.2%	16.0	14.2	2.8	17.8%	12.0	4.5%
KIMLUN	OP	1.25	1.50	20.0%	485.9	Y	12/2025	21.8	20.3	70.1%	-6.8%	5.7	6.1	0.6	10.3%	2.0	1.6%
SUNCON	OP	5.96	6.50	9.1%	7,878.7	Y	12/2025	27.0	28.1	115.4%	3.9%	22.0	21.2	12.1	46.2%	48.0	8.1%
WCT	OP	0.570	1.25	119.3%	888.6	Y	12/2025	5.0	5.6	67.4%	12.7%	11.4	10.1	0.2	2.1%	0.5	0.9%
SECTOR AGGREGATE					46,501.7					27.3%	18.7%	20.3	17.1	1.6	7.8%		3.4%

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	★	
	Corporate Social Responsibility	★	★	★	★	
	Management/Workforce Diversity	★	★	★	★	
	Accessibility & Transparency	★	★	★	☆	
	Corruption-Free Pledge	★	★	★	☆	
	Carbon-Neutral Initiatives	★	★	★	★	☆
SPECIFIC	Migrant Worker Welfare	★	★	★	★	
	Waste Disposal/Pollution Control	★	★	★	★	
	Work Site Safety	★	★	★	★	
	Environmentally Friendly Construction Technology	★	★	★	☆	
	Supply Chain Auditing	★	★	★	★	
	Energy Efficiency	★	★	★	★	
	OVERALL	★	★	★	★	

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM : A particular stock’s Expected Total Return is MORE than 10%
 MARKET PERFORM : A particular stock’s Expected Total Return is WITHIN the range of -5% to 10%
 UNDERPERFORM : A particular stock’s Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector’s Expected Total Return is MORE than 10%
 NEUTRAL : A particular sector’s Expected Total Return is WITHIN the range of -5% to 10%
 UNDERWEIGHT : A particular sector’s Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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