Gamuda

Breakthrough Win in Victoria

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OUTPERFORM ↔

Price: **RM4.84**

Target Price: **RM5.30** ↔

Gamuda Australia has achieved a key milestone by securing its maiden project in Victoria, an AUD790m EPC contract to construct Stage 1 of the Mortlake Energy Hub (300MW hybrid RE facility). Secured under "Contractor-Led Design and Procurement" terms with 80% of procurement costs already locked in, cost exposure is well-managed, offering strong profit margin visibility (PBT margin: ~5%). This win elevates FY27 YTD job replenishment to RM12.5b, driving Gamuda's outstanding order book to a record RM61.2b and comfortably surpassing its end-2026 target of RM50b well ahead of schedule. Maintain OUTPERFORM with a Target Price of RM5.30.

Secured EPC contract for RE facility in Victoria. Yesterday, GAMUDA announced that its wholly owned Australian unit, Gamuda Engineering Pty Ltd (GEA), was awarded an EPC contract worth AUD790m (c.RM2.28b) by MEH SubCo Pty Ltd for the delivery of the Mortlake Energy Hub (Stage 1). Over a two-year contract period, completion is targeted by January 2029. The scope entails constructing a 300MW hybrid RE facility, comprising 435MWp solar and a 1,449MWh BESS, that will connect to the existing 500kV network via the Mortlake Terminal Station. Separately, an O&M contract worth AUD45m (c.RM130m) is expected to be signed within one month.

Record order book of RM61.2b. We are positive on this contract win, as it represents a key breakthrough project for GEA in Victoria. The contract was awarded under "Contractor Led Design and Procurement" terms, where design is already at an 80% maturity stage and 80% of procurement costs are locked in, significantly mitigating exposure to cost inflation. Consequently, this fixed-price EPC contract carries high earnings certainty, with an expected PBT margin of 5%. Preliminary work on Stage 2 of the Mortlake Energy Hub (similar in size, capacity, and project value to Stage 1) is already underway and slated to proceed within a year. Securing Stage 1 gives GEA a strong head starts over potential competitors for the Stage 2 tender. This win boosts GAMUDA's FY27 YTD order book replenishment to RM12.5b, expanding its outstanding order book to a record RM61.2b. This keeps GAMUDA comfortably on track to exceed its RM50b target by end-2026.

Outlook. GAMUDA remains the frontrunner for upcoming tenders at the Springhill data centre campus, having successfully swept all four contracts awarded since April. On the domestic front, another notable project in the pipeline is the Northern Perak water project. Regionally, there is a high probability of securing another project in Taiwan by 2HCY26, and it has also been shortlisted for infrastructure projects in Brisbane and the Northland Corridor Highway in New Zealand.

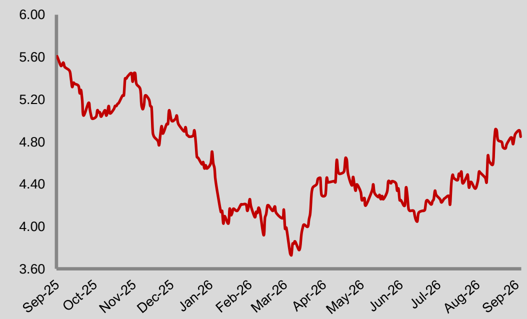
Forecasts. Maintained, with unchanged construction job win assumption of RM22b and RM27b, and property sales targets of RM4b and RM5b for FY26 and FY27, respectively.

Valuations. We maintain our SoP-based TP of RM5.30 (see Page 2) with its construction business valued at an unchanged 22x CY27 PER, which in line with other large-cap contractors such as **IJM (OP; TP: RM3.35)** and **SUNCON (OP; TP: RM9.70).** The TP includes a 5% premium given a 4-star ESG rating as appraised by us (see Pages 6).

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 RM61.2b, 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)

Share Price Performance



KLCI	1,656.91
YTD KLCI chg	-1.4%
YTD stock price chg	-2.6%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	GAM MK
Market Cap (RM m)	29,341.6
Shares Outstanding	6,049.8
52-week range (H)	5.63
52-week range (L)	3.70
3-mth avg. daily vol.	13,688,089
Free Float	86%
Beta	1.1

Major Shareholders

Employees Provident	22.3%
Public Mutual Bhd	5.8%
Vanguard Group Inc/T	4.9%

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		1,040	1,355
Earnings Revision (%)		-	-
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	27.5	21.0
PBV (x)	2.56	2.28	2.15
P/NTA (x)	2.99	2.66	2.50
Net Gearing (x)	0.56	0.70	0.56
Net Div. Yield (%)	1.9	2.0	2.0

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.

GAMUDA's Sum-of-Parts Valuation

Segment	Value (RM m)	Valuation Basis
Construction	21,879.0	22x CY27 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
	29,927.8	
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)	**RM5.30**	

Source: Kenanga Research

Income Statement

FY Jul (RM m)	2023A	2024A	2025A	2026F	2027F
Revenue	8220	13347	15970	17500	23000
EBITDA	1088	1108	1536	1564	2059
Depreciation	-119	-163	-199	-199	-210
EBIT	970	945	1337	1365	1849
Interest Expense	-88	-173	-179	-216	-204
Associate	6	11	14	16	17
JV	227	315	131	144	158
Exceptional	1112	0	0	0	0
PBT	2226	1097	1304	1309	1820
Taxation	-221	-155	-257	-196	-328
Minority Interest	-167	-30	-44	-56	-104
Net Profit	1838	912	1003	1057	1388
Core Net Profit	859	912	1003	1057	1388

Balance Sheet

FY Jul (RM m)	2023A	2024A	2025A	2026F	2027F
Fixed Assets	1655	1620	1561	1662	1752
Associates	161	257	282	296	311
JV	1229	1633	1920	2016	2117
Intangibles	719	1039	1724	1810	1901
Other FA	4884	5217	5827	6118	6424
Inventories	717	613	771	1310	1147
Receivables	2923	3119	3992	2877	3151
Other CA	8394	10460	11695	15051	14291
Cash	3169	2700	3352	2339	1515
Total Assets	23852	26658	31123	33479	32609
Payables	3771	4939	6695	7030	7381
ST Borrowings	1410	1242	2493	4529	1274
Other ST Liability	1689	1713	1517	1593	1672
LT Borrowings	5514	6565	7637	6757	7874
Other LT Liability	541	676	628	659	692
Minority Int.	135	157	153	161	169
Net Assets	**10791**	**11365**	**12000**	**12751**	**13546**
Share Capital	4078	4508	5160	5160	5160
Reserves	6713	6857	6840	7592	8387
Equity	**10791**	**11365**	**12000**	**12751**	**13546**

Cashflow Statement

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

Financial Data & Ratios

FY Jul	2023A	2024A	2025A	2026F	2027F
Growth (%)					
Revenue	67.7	62.4	19.7	9.6	31.4
EBITDA	13.0	1.8	38.6	1.9	31.6
Operating Income	34.2	-2.5	41.5	2.1	35.4
Pre-tax Income	124.3	-50.7	18.8	0.4	39.1
Net Income	128.0	-50.4	10.0	5.3	31.3
Core Net Income	7.5	6.2	10.0	5.3	31.3
Profitability (%)					
EBITDA Margin	13.2	8.3	9.6	8.9	9.0
Operating Margin	11.8	7.1	8.4	7.8	8.0
PBT Margin	27.1	8.2	8.2	7.5	7.9
Net Margin	22.4	6.8	6.3	6.0	6.0
Core Net Margin	10.4	6.8	6.3	6.0	6.0
Effective Tax Rate	9.9	14.1	19.7	15.0	18.0
ROE	3.9	3.6	3.4	3.9	4.8
ROA	17.8	8.2	8.6	8.8	10.6
DuPont Analysis					
Net margin (%)	10.4	6.8	6.3	6.0	6.0
Assets Turnover (x)	0.3	0.5	0.5	0.5	0.7
Leverage Factor (x)	2.2	2.3	2.6	2.6	2.4
ROE (%)	8.0	8.0	8.4	8.3	10.2
Leverage					
Debt/Asset (x)	0.29	0.29	0.33	0.34	0.28
Debt/Equity (x)	0.64	0.69	0.84	0.89	0.68
Net Debt/(Cash)	-3754	-5106	-6778	-8946	-7633
Net Debt/Equity (x)	0.35	0.45	0.56	0.70	0.56
Valuations					
Core EPS (sen)	32.3	32.3	16.9	17.8	23.4
NDPS (sen)	50.0	16.0	10.0	10.0	10.0
BV/share (RM)	4.05	4.03	2.02	2.15	2.28
NTA/share (RM)	3.78	3.66	1.73	1.85	1.96
Core PER (x)	13.3	24.3	30.6	27.5	21.0
Net Div. Yield (%)	11.6	2.0	1.9	2.0	2.0
PBV (x)	1.06	1.95	2.56	2.28	2.15
P/NTA (x)	1.14	2.15	2.99	2.66	2.50
EV/EBITDA (x)	14.0	24.6	24.4	24.3	17.8

Source: Kenanga Research

Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen) 1-Yr. Fwd.	Core EPS (sen) 2-Yr. Fwd.	Core EPS Growth 1-Yr. Fwd.	Core EPS Growth 2-Yr. Fwd.	PER (x) - Core Earnings 1-Yr. Fwd.	PER (x) - Core Earnings 2-Yr. Fwd.	PBV (x) 1-Yr. Fwd.	ROE 1-Yr. Fwd.	Net. Div. (sen) 1-Yr. Fwd.	Net Div Yld 1-Yr. Fwd.
Stocks Under Coverage																	
GAMUDA	OP	4.91	5.30	7.9%	29,704.6	Y	07/2026	17.8	23.4	5.3%	31.3%	27.5	21.0	2.3	8.5%	10.0	2.0%
IJM	OP	3.01	3.35	11.3%	10,979.2	Y	03/2027	13.5	14.3	53.9%	5.3%	22.2	21.1	1.0	4.7%	18.0	6.0%
KERJAYA	OP	3.61	3.80	5.3%	4,527.5	Y	12/2026	21.9	25.7	20.9%	17.4%	16.5	14.1	3.4	21.6%	14.0	3.9%
KIMLUN	OP	0.880	1.50	70.5%	342.1	Y	12/2026	21.8	20.3	70.1%	-6.8%	4.0	4.3	0.4	10.3%	2.0	2.3%
SUNCON	OP	7.81	9.70	24.2%	10,405.4	Y	12/2026	32.0	42.0	0.3%	31.4%	24.4	18.6	17.7	61.9%	47.2	6.0%
SECTOR AGGREGATE					**55,958.7**					**15.3%**	**22.8%**	**24.0**	**19.6**	**2.1**	**8.9%**		**4.0%**

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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