Gamuda (GAM MK)

Earnings Under Construction; Vulnerabilities Offer Opportunities

BUY (Maintained)

Share Price	RM4.22
Target Price	RM5.25
Upside	24.4%

Analyst(s)
Jack Goh
jackgoh@uobkh.com
(03) 2147 1943
Jack Lai
jacklai@uobkh.com
(03) 2147 1983

Highlights

- Gamuda is well positioned to deliver 25-30% earnings growth in FY27-28, backed by a compounding orderbook and deepening exposure in key markets.
- Its current record-high orderbook requires more time to be digested into exponential earnings delivery in FY27-28, as 90% of the outstanding orderbook has yet to reach peak execution (75% are in early stages).
- Valuations appear attractive with limited downside following reduced foreign shareholdings. Maintain BUY and target of RM5.25.

Analysis

- **Orderbook growth laying the foundation for FY27-29 growth.** Gamuda has secured RM25.1b in orders in FY26 thus far, lifting the outstanding orderbook to a record-high RM52.3b. Assuming a RM4b quarterly orderbook burn rate, Gamuda has to secure another RM8b-13b to meet management's orderbook guidance of RM50b-55b by end-26, which will likely be fulfilled by several tender outcomes that are pending finalisation.
- **Earnings to pick up in 4QFY26, likely to achieve consensus' RM1.05b forecasts for FY26.** We expect the construction segment to ramp up progress billings in 4QFY26. For the property segment, we also expect a lumpy sales recognition in 4QFY26 although FY26 sales target has been revised downwards to RM4b (from RM5.5b) due to a delay in the Hanoi project's approval. 9MFY26 property sales were only RM2.1b, indicating that roughly RM1.9b sales will be recognised in the upcoming 4Q results.
- **Share price vulnerability and valuations' discount propelled by steep foreign equity outflow; decent positioning opportunities**. Gamuda's share price has retraced 14% ytd, with foreign shareholdings having declined to 23.7% (from 26.2% at end-25 and 30.9% at end-24). This potentially reflects: a) profit taking after reporting impressive 2024-25 returns (115%); b) strengthening of MYR/USD to RM4.10 (+6% since Feb 26's low of RM3.88); and c) investors de-risking from the construction sector amidst the upcoming 16th General Election. Valuations have also rationalised to 18x 2027F PE (+0.5SD above mean) vs 22-23x PE in 2025, offering limited downside and decent positioning opportunities.

Key Financials

Year to 31 Jul (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	13,346.7	15,970.2	17,300.8	21,411.5	27,096.6
EBITDA	1,107.8	1,536.0	1,723.9	2,147.1	2,631.1
Operating profit	945.2	1,337.2	1,530.8	1,954.7	2,433.7
Net profit (rep./act.)	912.1	1,003.2	1,047.0	1,363.5	1,704.4
Net profit (adj.)	884.1	981.4	1,047.0	1,363.5	1,704.4
EPS	31.9	17.7	18.9	23.0	28.7
PE (x)	13.3	24.0	22.5	18.5	14.8
P/B (x)	1.0	2.0	1.9	2.0	1.9
EV/EBITDA (x)	12.8	10.3	9.2	7.9	6.9
Dividend yield (%)	3.8	2.4	2.8	3.5	4.7
Net margin (%)	6.8	6.3	6.0	6.4	6.3
Net debt/(cash) to equity(%)	45.8	57.2	55.4	61.4	66.6
Interest cover (x)	6.4	8.6	7.0	10.0	10.9
ROE (%)	9.4	10.0	10.2	13.0	15.9
Consensus net profit	n.a	n.a	1,071.5	1,364.4	1,767.7
UOBKH/Consensus (x)	n.a	n.a	1.0	1.0	1.0

Source: Gamuda Berhad, Bloomberg, UOB Kay Hian

Stock Data

GICS sector	Industrials
Bloomberg ticker:	GAM MK
Shares issued (m):	5,964.3
Market cap (RM$m):	25,348.3
Market cap (US$m):	6,156.2
3-mth avg daily t'over (US$m):	16.4

Price Performance (%)

52-week high/low: RM5.7/RM3.7

1mth	3mth	6mth	1yr	YTD
(4.3)	(3.9)	(7.3)	(19.6)	(14.7)

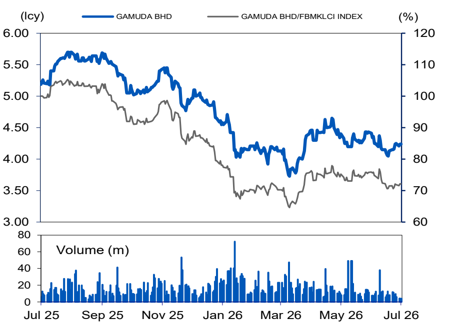
Major Shareholders

	%
Employees Provident Fund Board	20.86
Vanguard Group	3.96
Generasi Setia M Sdn Bhd	3.90

Balance Sheet Metrics

FY26 NAV/Share (RM)	2.2
FY26 Net Debt/Share (RM)	1.2

Price Chart



Source: Bloomberg

Company Description

Gamuda is a civil engineering construction company with exposure to property development and water concessions.

- **Secured deal for NPWSS project, a water concession with sustainable recurring revenue, ...** Gamuda officially signed the Letter of Appointment for the Northern Perak Water Supply Scheme (NPWSS) project last week. Gamuda is forming a 50:50 JV with Perbadanan Kemajuan Negeri Perak (PKNPk) to undertake the project, which has a 40-year term and targeted to start by 2032. NPWSS is designed to transfer 1,500m litres/day (MLD) of raw water with 300-500 MLD raw water sold to Penang. Based on the bulk supply charges of RM1.1507-1.9178 per cubic metre, the charges are around RM210m per year, while Gamuda's recurring revenue is about RM105m annually (50% JV share).
- **...with potential EPCC works to be awarded later.** We understand that there will also be an engineering, procurement, construction, and commissioning (EPCC) contract for NPWSS which will be formally awarded later. We preliminary estimate that Gamuda is well positioned to secure this EPCC contract with a value of RM4b-5b (given group's track record and expertise in water treatment plants, reticulation and tunnels - Skim Bekalan Air Fasa 3 Sungai Selangor and Stormwater Management and Road Tunnel).
- **Crystallisation of strong earnings growth in FY27, aligning with S-curve methodology for Gamuda Engineering...** Assessing Gamuda Engineering's existing project pipelines, over 75% of the current record-high construction orderbook of RM52.3b is in early-stage execution (>90% yet to reach peak execution). We expect these projects to begin charting accelerated progress billings only in FY27-28, which are already well mirrored in our earnings growth forecast of 25-30%. Our FY26 orderbook replenishment assumptions of RM20b-25b (~RM12b ytd) are likely achievable, as we anticipate key projects including: a) Penang-Perak Water Infrastructure (~RM4b); b) Negeri Sembilan DCs (RM2b-3b each; potentially one more); c) Northland Corridor highway in New Zealand (~A$4b tender); d) Sunshine Coast Railway in Brisbane (A$1.0b-1.5b); and e) drawdown from Taiwan's Xizhi-Donghu MRT (~NT$60b/RM8b). Locally, Gamuda may also secure the tunnelling packages for MRT3 (lowest bidder for CMC 303 tunnelling before a re-tender) following the completion of landbank acquisition by 4Q26.
- **...and strong Gamuda Land sales target.** Moreover, management also guided an enhanced sales target of RM7b for Gamuda Land in FY27 (FY26: RM4b), largely augmented by better contributions from Vietnam's QTPs (Springville, Eaton Park, Artisan Park, Elysian, Gamuda City Hai Phon) and Singapore's Chencharu project. Overall, Vietnam and Singapore projects are expected to contribute about 75% of FY27's property sales.

Valuation/Recommendation

- **Maintain BUY with an unchanged SOTP-based target price of RM5.25**, implying 22x FY27F PE (+1.5SD above mean).

Earnings Revision/Risk

- **None.**

Orderbook (3QFY26)

Projects	Value RMb	Progress %
Malaysia:		
Penang Mutiara Line (60% share)	5.6	10
Silicon Island Phase 1	4.1	21
Rasau WTP Phase 1	1.0	53
Data Center Projects	3.9	33
Ulu Padas Hydro Dam (75% share)	1.9	24
Ulu Padas Water Supply (75% share)	4.0	4
Others	1.3	27
Australia:		
GEA SMW Stations (100% share)	6.9	6
GEA various Projects	0.9	93
DTI Signaling (46%)	2.0	8
DTI Marinus Link (50%)	1.3	4
DTI Renewable Energy (100%)	5.6	24
DTI various projects	1.0	92
Taiwan:		
Tao Yuan underground (60% share)	0.9	22
Kaoshiung MRT YC01 (88% share)	2.7	5
Kaohsiung MRT RLC02 (70% share)	2.2	0
Xizhi Donghu MRT (75% share)	2.6	17
Marine Structure (70% share)	2.2	11
Others	0.4	69
Singapore:		
Defu station (60% share)	0.4	64
West Coast Station (100% share)	1.4	20
Total Orderbook	52.3	

Source: Gamuda, UOB Kay Hian

Segmental Forecasts

Revenue (RMb)	FY26F	FY27F	FY28F
Engineering & Construction	13.0	15.6	18.9
Property Dev & Club	4.2	5.7	8.1
Water Concession	0.1	0.1	0.1
Total	17.30	21.41	27.10
EBIT (RMb)			
Engineering & Construction	0.93	1.20	1.47
Property Dev & Club	0.52	0.67	0.88
Water Concession	0.08	0.08	0.08
Total	1.53	1.95	2.43

Source: Gamuda, UOB Kay Hian

SOTP Valuations

	RMm	Remarks
Construction	25,578	25x FY27 PE
Property	10,645	10% discount to RNAV
Water concession	1,750	
Less Net Debt	(6,870)	
Total SOTP value	31,103	
Diluted no. of shares (m)	5,930	
Target Price (RM)	5.25	

Source: Gamuda, UOB Kay Hian

Environmental, Social, Governance (ESG) Updates

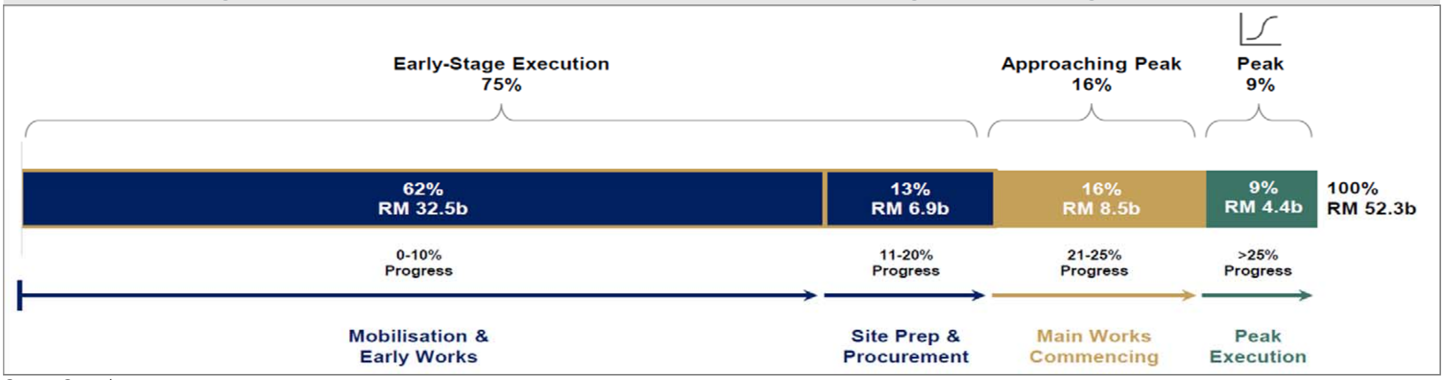
Environmental
- Commits to reducing greenhouse gas emission intensity by 30%/45% in 2025/30.

Social
- Well-diversified workforce in terms of gender: female (43%) and male (57%).

Governance
- Independent directors make up 57% of its board.

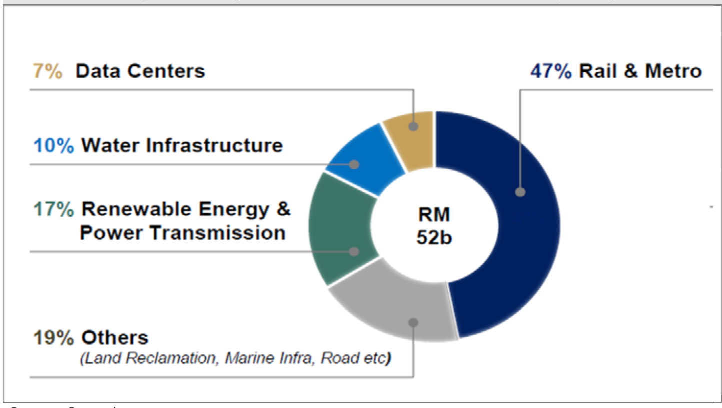
Source: Gamuda, UOB Kay Hian

90% Of Outstanding Orderbook Has Yet To Reach Peak Execution, Underpinning Future Earnings Growth



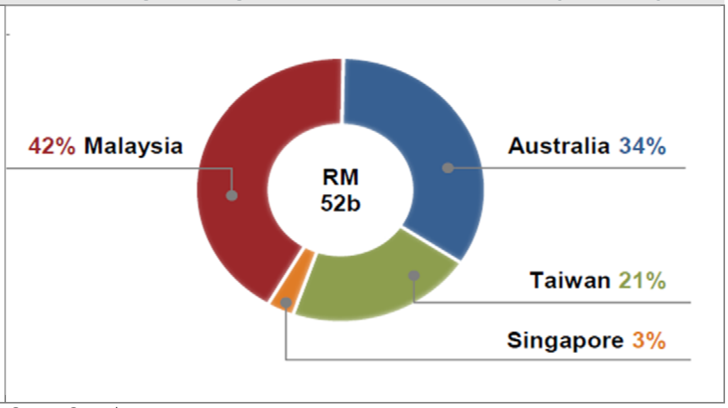
Source: Gamuda

Gamuda Engineering's Orderbook Breakdown By Segment



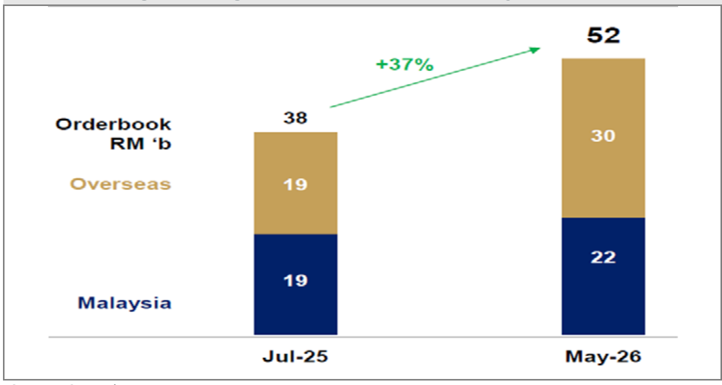
Source: Gamuda

Gamuda Engineering's Orderbook Breakdown By Country



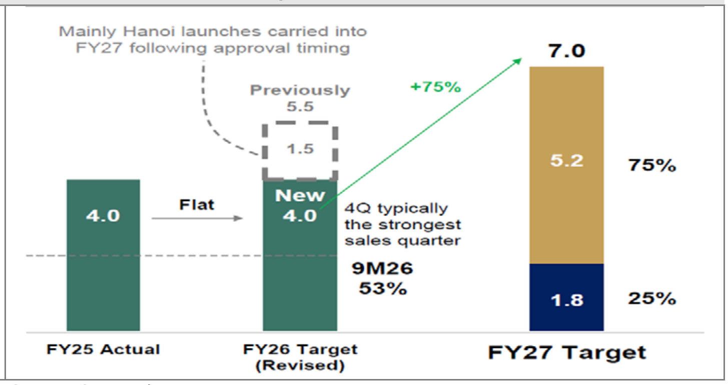
Source: Gamuda

Gamuda Engineering's Orderbook (as of May 26)



Source: Gamuda

Gamuda Land's Property Sales



Source: UOB Kay Hian

Gamuda Land's Vietnam Projects' Projected New Sales

PROJECTS	Area unsold (acres)	Remaining GDV (RM'm)	PROJECTED NEW SALES (RM'm)				
			FY22A	FY23A	FY24A	FY25A	FY26F
1) Gamuda City (Hanoi)	232	11,790	145	580	670	0	970
2) Celadon City (HCMC)	0	134	635	170	90	80	40
3) Artisan Park, Binh Duong (UG5.6)	0	270	0	320	20	60	270
4) Elysian, HCMC (HN2.8)	0	270	0	440	440	10	270
5) Eaton Park, HCMC (MCT3.7)	2	1,994	0	0	970	2,200	1,090
6) Springville, Dong Nai (DX18.2)	45	1,774	0	0	0	270	180
7) The Meadow, HCMC (GP5.0)	8	188	0	0	140	80	30
8) Hai Phong, Hanoi	3	986	0	0	0	0	280
TOTAL (VIETNAM)	**289**	**17,406**	**780**	**1,510**	**2,320**	**2,700**	**3,130**
y-o-y change			***-31%***	***+95%***	***+53%***	***+16%***	***+16%***

Source: Gamuda

Profit & Loss

Year to 31 Jul (RMm)	2025	2026F	2027F	2028F
Net turnover	15,970	17,301	21,411	27,097
EBITDA	1,536	1,724	2,147	2,631
Deprec. & amort.	199	193	192	197
EBIT	1,337	1,531	1,955	2,434
Associate contributions	145	83	86	89
Net interest income/(expense)	(179)	(247)	(216)	(242)
Pre-tax profit	1,304	1,366	1,825	2,281
Tax	(257)	(273)	(401)	(502)
Minorities	(44)	(46)	(60)	(75)
Net profit	1,003	1,047	1,364	1,704
Net profit (adj.)	981	1,047	1,364	1,704

Balance Sheet

Year to 31 Jul (RMm)	2025	2026F	2027F	2028F
Fixed assets	6,441	7,990	9,038	10,085
Other LT assets	4,873	4,943	5,012	5,081
Cash/ST investment	3,260	4,037	3,956	3,957
Other current assets	16,549	16,241	18,747	22,137
Total assets	31,123	33,212	36,752	41,259
ST debt	2,493	2,178	2,369	2,573
Other current liabilities	8,212	9,056	11,058	13,883
LT debt	7,637	8,714	9,476	10,290
Other LT liabilities	628	681	733	805
Shareholders' equity	12,000	12,383	12,857	13,375
Minority interest	153	199	259	333
Total liabilities & equity	31,123	33,212	36,752	41,259

Cash Flow

Year to 31 Jul (RMm)	2025	2026F	2027F	2028F
Operating	(81)	2,410	1,078	1,394
Pre-tax profit	1,304	1,366	1,825	2,281
Tax	(257)	(273)	(401)	(502)
Deprec. & amort.	159	193	192	197
Associates	(145)	(83)	(86)	(89)
Working capital changes	(1,141)	1,206	(452)	(494)
Other operating cashflows	0	0	0	0
Investing	(1,255)	(1,721)	(1,223)	(1,225)
Capex (growth)	(1,291)	(221)	(223)	(225)
Proceeds from sale of assets	20	0	0	0
Others	16	(1,500)	(1,000)	(1,000)
Financing	1,838	88	64	(168)
Dividend payments	(154)	(664)	(890)	(1,186)
Issue of shares	195	0	0	0
Proceeds from borrowings	2,337	752	953	1,018
Others/interest paid	(540)	0	0	0
Net cash inflow (outflow)	502	777	(81)	1
Beginning cash & cash equivalent	2,596	3,260	4,037	3,956
Changes due to forex impact	(85)	0	0	0
Ending cash & cash equivalent	3,013	4,037	3,956	3,957

Key Metrics

Year to 31 Jul (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	9.6	10.0	10.0	9.7
Pre-tax margin	8.2	7.9	8.5	8.4
Net margin	6.3	6.0	6.4	6.3
ROA	4.2	4.2	5.1	5.8
ROE	10.0	10.2	13.0	15.9
Growth				
Turnover	19.7	8.3	23.8	26.6
EBITDA	38.6	12.2	24.5	22.5
Pre-tax profit	18.8	4.8	33.6	24.9
Net profit	10.0	4.4	30.3	24.9
Net profit (adj.)	11.0	6.7	30.2	25.0
EPS	(44.5)	6.8	21.7	24.8
Leverage				
Debt to total capital	83.4	86.6	90.3	93.8
Debt to equity	84.4	88.0	92.1	96.2
Net debt/(cash) to equity	57.2	55.4	61.4	66.6
Interest cover	8.6	7.0	10.0	10.9

IMPORTANT NOTICE - DISCLOSURES AND DISCLAIMERS

This report is provided subject to various disclosures and disclaimers (the "Disclosures / Disclaimers") which form an integral part of this report and are available at the following link: https://research-api.uobkayhian.com/assets/disclaimer/df64a6ea-7980-447c-ae9e-fd19b93257dc or by scanning the QR code below:

The Disclosures / Disclaimers contain important information, including without limitation, (a) exclusions of liability, (b) confidentiality obligations, (c) restrictions on publication, circulation, reproduction, distribution and use of the report, (d) potential conflicts of interest, and (e) disclosures and requirements specific to recipients in the United States and other applicable jurisdictions.

Specifically, this report is intended for general circulation and informational purposes only and does not take into account the specific investment objectives, financial situation, or particular needs of any individual person. It is not intended to constitute personal investment advice or a recommendation to buy or sell any investment product or security. You should independently evaluate the information and, where necessary, seek advice from a qualified financial adviser regarding the suitability of any investment, taking into account your specific objectives, financial situation and needs, before making any investment decision. Analyst certifications required under applicable regulations, including SEC Regulation AC (where relevant), are included in this report.

Recipients of this report must carefully read, review and understand the full Disclosures / Disclaimers before using or relying on any information in this report. By accessing, receiving or using this report, you acknowledge and confirm that you have read, understood, accepted and agreed to be bound by the Disclosures / Disclaimers (as may be amended or updated from time to time) in full."