Gamuda Berhad

***Maintain* BUY**

(5398 | GAM MK) Main | Construction

Gradually Improving Quarters Expected

***Unchanged* Target Price: RM10.68**

KEY INVESTMENT HIGHLIGHTS

- **1QFY25 core net profit grew +2.9%yoy to RM199.8m; slightly below expectations but stronger quarters expected**
- **Construction revenue grew +37.9%yoy to RM3.09b; net profit grew +20.0%yoy to RM141.5m**
- **Strong order book at RM30.0b; potentially grow to RM40b-RM45b by end-CY25**
- **Maintain BUY with an unchanged TP of RM10.68**

Slightly missed expectations. Gamuda Bhd recorded a core net profit of RM199.8m (+2.9%yoy) in 1QFY25, despite a stronger revenue of RM4.14b (+47.5%yoy). Sequentially, the core earnings declined -26.4%qoq, attributable to a slight delay in recovery of construction margins from delayed domestic awards, outstanding variation orders (VOs) and an earnings void left by Celadon City in Vietnam. While the result came in at 15.4% of our and 16.7% of consensus full year estimates, we deem it as within given the expectations of stronger quarters ahead.

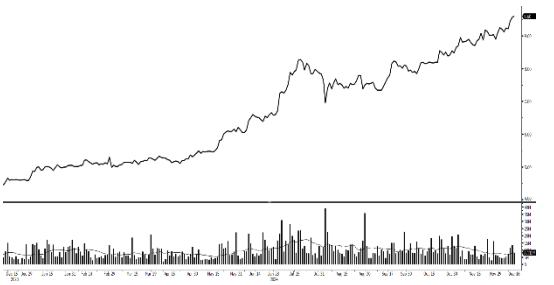
Construction margins to pick up. Construction revenue grew +37.9%yoy to RM3.09b, driven mainly by overseas projects while the segment's net profit grew +20.0%yoy to RM141.5m. Sequentially, there was an improvement in net profit margins, rising to 4.6% during the quarter (4QFY24: 4.0%). We expect margins to gradually improve with more domestic projects in the mix with the commencement of several high-margin local projects and stronger progress from ongoing jobs. In Penang for example, Gamuda has reclaimed 70 acres of land for Silicon Island and the progress is expected to improve with the addition of two new dredgers, doubling the current fleet to four.

RM40b to RM45b order book by end 2025. As at Oct-24, Gamuda's outstanding order book stood at RM30.0b, with Australia making up the bulk of it at 33.0% or RM9.9b. Management reiterated their order book target of RM30b to RM35b by end CY2024 and RM40b to RM45b by end CY2025. Note that this is after taking into account an expected burn rate of RM12b-RM13b annually. Upcoming project awards that are expected to provide an extra boost to Gamuda's already bulging order book include the Penang LRT, a water supply scheme in Sabah, and the potential conversion of several renewable energy early contractor involvement (ECI) into EPCC contracts in Australia. Meanwhile, management also guided that prospects remain strong in Australia's RE space, with a tender book of AUD25b over two years. Gamuda is already involved in at least six to seven single source developments and are in the process of securing a few more.

Temporary transition in property, RM6b target intact. Gamuda's property division recorded a revenue of RM1.10b (+81.9%yoy) during the quarter but its net profit dipped -17.0%yoy to RM63.9m, mainly due to the completion of Celadon City in Vietnam. The group's newer quick

RETURN STATISTICS	
Price @ 12th Dec 2024 (RM)	9.60
Expected share price return (%)	+11.3
Expected dividend yield (%)	+2.1
Expected total return (%)	**+13.4**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	7.9	8.5
3 months	18.8	32.9
12 months	116.2	95.4

INVESTMENT STATISTICS

FYE July	2024A	2025F	2026F
Revenue	13,346.7	16,872.6	19,403.5
Operating Profit	945.2	1,552.3	1,804.5
Profit Before Tax	1,097.4	1,647.6	1,917.3
Core Net Profit	907.3	1,298.6	1,468.0
Core EPS	32.8	46.1	52.1
DPS (sen)	16	20	20
Dividend Yield	1.9%	2.1%	2.1%

KEY STATISTICS	
FBM KLCI	1,602.08
Issue shares (m)	2775.30
Estimated free float (%)	71.13
Market Capitalisation (RM'm)	27,235.88
52-wk price range	RM4.38 - RM9.65
3-mth average daily volume (m)	9.69
3-mth average daily value (RM'm)	81.83
Top Shareholders (%)	
Amanah Saham Nasional Bhd	13.36
Employees Provident Fund Board	7.25
Generasi Setia M Sdn Bhd	4.05

Analyst
Royce Tan Seng Hooi
royce.tan@midf.com.my
03-2173 8461

turnaround projects (QTPs) are expected to pick up and fill the earnings gap from Celadon City. Recent launches in Vietnam include the Eaton Park Phase 2, where 590 units were sold out in a weekend, with a total sales value of about RM1b. Management also recently secured a new deal in Hai Phong with a GDV of RM1b. Management also expects more reservations from its Malaysia properties to be converted into confirmed sales in the coming quarters.

Differentiated DC delivery. Gamuda is bringing a new offering to the table for data centres with an integrated offering of "Bundled Land + Water + Power (RE)" that is able to provide even better speed to market, coupled with its Digital IBS capabilities. Management is optimistic on the pipeline of data centre projects and have been expanding its capacities to cater for the stronger demand. It has recently expanded both its Digital IBS facilities, and the group now has eight DC teams ready for up to eight simultaneous DC construction.

Digital infrastructure. As announced on Wednesday, Gamuda is venturing into the digital infrastructure business. Its wholly owned subsidiary Gamuda Technologies Sdn Bhd has forged a strategic partnership with DNeX Solutions Sdn Bhd to form a 50:50 JV that will deliver Google Distributed Cloud air-gapped services (GDC services) to the government and private clients. This is able to provide governments, financial service institutions and security-sensitive organisations access to Google's technology on physical hardware, including Google's latest on-premises AI capabilities and the ability to support secure data and AI workloads. Management has identified an addressable market of RM36b across all verticals.

Earnings estimates and TP. We maintain our FY25E/FY26F projections, and our **TP** of **RM10.68**, derived by pegging Gamuda's FY26F EPS of 52.1 sen to a PER of 20.5x, based on +2SD above its long-term mean, which we believe is justifiable given its growing prospects in the construction space with an all-time high outstanding orderbook of RM31.4b and its upcoming inclusion into the FBM KLCI starting 23rd December.

Maintain BUY. We expect an improvement in margins, especially from construction, when more local projects come into the mix. Gamuda remains our favourite for the construction sector, backed by its successful overseas expansion plan; its consistency in clinching sizeable jobs and it being a front runner for most mega projects in Malaysia. We are also sanguine on the group's venture into the digital infrastructure space, which addresses an untapped market. The stronger pipeline of data centre projects also bodes well for Gamuda, with its new integrated offering. All in, we are maintaining our **BUY** recommendation on **Gamuda**.

GAMUDA BHD: 1QFY25 RESULTS SUMMARY

All in RM'm unless stated otherwise	Quarterly Results				
Income Statement	**1QFY25**	**4QFY24**	**1QFY24**	**QoQ**	**YoY**
Revenue	4,136.1	4,721.2	2,804.7	**-12.4%**	**47.5%**
Profit from operations	306.8	463.4	243.2	**-33.8%**	**26.1%**
Finance costs	(60.6)	(79.2)	(37.5)	**23.5%**	**-61.7%**
Share of profit of associated companies	1.4	(0.3)	2.0	**574.3%**	**-27.5%**
Share of profit of joint ventures	11.5	(34.8)	32.1	**133.2%**	**-64.0%**
Profit before tax	259.1	349.1	239.7	**-25.8%**	**8.1%**
Tax expense	(39.0)	(67.4)	(37.9)	**42.1%**	**-3.0%**
Profit from continuing operations	220.1	281.8	201.9	**-21.9%**	**9.0%**
Minority interest	14.7	9.3	6.8	**58.6%**	**115.6%**
Reported net profit	205.4	272.5	195.0	**-24.6%**	**5.3%**
Core net profit	199.8	271.6	194.3	**-26.4%**	**2.9%**

Source: Company, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024A	2025F	2026F
Revenue	5,089.5	8,233.6	13,346.7	16,872.6	19,403.5
Operating profit	685.3	922.8	945.2	1,552.3	1,804.5
Finance costs	(93.8)	(88.4)	(173.4)	(124.7)	(137.2)
Profit before tax	1,008.2	1,067.6	1,097.4	1,647.6	1,917.3
Tax	(168.9)	(230.9)	(155.1)	(378.9)	(479.3)
Net profit	806.2	860.1	912.1	1,298.6	1,468.0
Core net profit	805.8	860.8	907.3	1,298.6	1,468.0

Balance Sheet (RM'm)	2022A	2023A	2024A	2025F	2026F
Property, plant and equipment	1,095.5	1,701.7	1,613.9	1,662.3	1,712.1
Land held for property development	3,507.9	3,769.1	3,830.2	3,833.2	3,834.2
Non-current assets	**7,119.3**	**8,674.3**	**9,743.4**	**9,794.8**	**9,794.8**
Cash	2,794.3	3,169.5	2,698.9	3,019.1	3,020.1
Trade debtors	2,478.1	2,904.5	3,281.2	6,236.1	5,132.8
Current assets	**11,068.2**	**15,227.5**	**16,777.8**	**19,784.1**	**18,681.7**
Trade creditors	2,677.1	3,810.6	4,806.3	6,377.9	5,383.3
Short-term debt	1,535.3	1,409.7	1,003.3	1,381.1	1,381.1
Current liabilities	**5,887.2**	**6,958.6**	**7,532.1**	**9,481.4**	**8,486.8**
Long-term debt	3,244.7	5,514.0	6,803.3	4,015.9	3,815.1
Non-current liabilities	**3,677.0**	**5,985.4**	**7,467.6**	**4,680.2**	**4,479.4**
Share capital	3,723.2	4,078.1	4,529.9	4,223.0	4,223.0
Retained earnings	6,177.6	6,744.3	6,835.4	7,570.0	8,264.2
Equity	**10,249.9**	**10,957.8**	**11,521.5**	**15,417.3**	**15,510.3**

Cash Flow (RM'm)	2022A	2023A	2024A	2025F	2026F
PBT	1,008.2	1,067.6	1,349.8	1,471.9	1,568.3
Depreciation & amortisation	240.9	386.3	295.0	312.5	405.1
Changes in working capital	519.2	646.9	1,052.8	1,033.1	1,126.7
Operating cash flow	**444.2**	**(588.9)**	**(274.3)**	**(276.5)**	**(90.3)**
Capital expenditure	(523.0)	(2,296.8)	(200.0)	(200.0)	(200.0)
Investing cash flow	**498.7**	**837.3**	**250.0**	**250.0**	**250.0**
Debt raised/(repaid)	(239.6)	2,053.6	(259.1)	(272.1)	(272.1)
Dividends paid	**(319.6)**	**694.4**	**(565.1)**	**(578.1)**	(306.0)
Financing cash flow	**623.3**	**942.8**	**(589.4)**	**(604.6)**	**(578.1)**
Net cash flow	**1,301.3**	**1,908.4**	**2,830.6**	**4,479.8**	**(418.4)**
Beginning cash flow	**1,984.7**	**2,830.6**	**2,241.2**	**3,875.2**	**4,480.8**
Ending cash flow	**1,008.2**	**1,067.6**	**1,563.4**	**1,589.2**	**4,062.4**

Profitability Margins	2022A	2023A	2024A	2025F	2026F
Operating profit margin	13.5%	11.2%	7.1%	9.2%	9.3%
PBT margin	19.8%	13.0%	8.2%	9.8%	9.9%
PAT margin	15.8%	10.4%	6.8%	7.7%	7.6%
Core PAT margin	15.8%	10.5%	6.8%	7.7%	7.6%

Source: Bloomberg, MIDFR

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077 (23878 – X)).
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878 – X)) for distribution to and use by its clients to the extent permitted by applicable law or regulation.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that MIDF Investment believes are reliable at the time of publication. All information, opinions and estimates contained in this report are subject to change at any time without notice. Any update to this report will be solely at the discretion of MIDF Investment.

MIDF Investment makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. MIDF Investment and its affiliates and related BNM and each of their respective directors, officers, employees, connected parties, associates and agents (collectively, "Representatives") shall not be liable for any direct, indirect or consequential loess, loss of profits and/or damages arising from the use or reliance by anyone upon this report and/or further communications given in relation to this report.

This report is not, and should not at any time be construed as, an offer, invitation or solicitation to buy or sell any securities, investments or financial instruments. The price or value of such securities, investments or financial instruments may rise or fall. Further, the analyses contained herein are based on numerous assumptions. This report does not take into account the specific investment objectives, the financial situation, risk profile and the particular needs of any person who may receive or read this report. You should therefore independently evaluate the information contained in this report and seek financial, legal and other advice regarding the appropriateness of any transaction in securities, investments or financial instruments mentioned or the strategies discussed or recommended in this report.

The Representatives may have interest in any of the securities, investments or financial instruments and may provide services or products to any company and affiliates of such BNM mentioned herein and may benefit from the information herein.

This document may not be reproduced, copied, distributed or republished in whole or in part in any form or for any purpose without MIDF Investment's prior written consent. This report is not directed or intended for distribution to or use by any person or entity where such distribution or use would be contrary to any applicable law or regulation in any jurisdiction concerning the person or entity.

MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology