

## Gamuda Berhad

(5398 | GAM MK) Main | Construction

### Major Data Centre Win

#### KEY INVESTMENT HIGHLIGHTS

- **RM1.74b data hyperscale data centre job secured in Elmina Business Park; divided into construction and MEP contracts**
- **Key to Gamuda's speed in data centre construction is its next generation IBS**
- **Order book remains strong at about RM25b, earnings visibility up to FY27/28**
- **Maintain BUY with an upgraded TP of RM6.83**

**RM1.74b data centre job.** Gamuda Bhd has secured a major RM1.74b hyperscale data centre job at the Elmina Business Park in Selangor. The project is split into two packages – one for construction and the other for the mechanical, electrical, and plumbing (MEP) fit-out work – both of which were awarded to Gamuda Engineering Sdn Bhd, a wholly-owned subsidiary of the group.

**Package one.** The first package comes with a contract sum of RM815m, awarded by Sime Darby Property Sdn Bhd for the construction, completion, testing and commissioning of a hyperscale business centre, including associated ancillary facilities. Construction works begin today (27<sup>th</sup> May) and is expected to be completed in 21 months by 27<sup>th</sup> February 2026. Gamuda secured the job through an open tender where it competed with 12 other contractors.

**Package two.** The second package was awarded by Pearl Computing Malaysia Sdn Bhd for the MEP works, with a contract sum of RM928.6m. Works for this package will only commence on 1<sup>st</sup> July 2025 and is expected to be completed in 14 months by 9<sup>th</sup> September 2026.

**Details on the project.** It is interesting to note that Gamuda's bid of RM815m was the highest among the bids submitted. According to a separate Bursa filing by Sime Darby Property, the value of the submitted bids ranged from RM800m to RM815m. It appointed Gamuda Engineering on the back of the highest combined score from the final technical and commercial evaluation, based on its technical expertise and capability to complete the job.

**Details on the developers.** Sime Darby Property partnered Pearl Computing Malaysia to develop the hyperscale data centre on a 49-acre site in the Elmina Business Park. Following the completion of the construction in 2026, both parties will enter a 20-year lease valued up to RM2.0b, with options to renew for two additional five-year terms. Pearl Computing Malaysia is a wholly owned subsidiary of Raiden APAC Pte Ltd, a Singapore-based company that is part of a multinational technology corporation headquartered in the United States.

**Stamping its name as the go to DC builder.** We learnt that Gamuda carved its name in the data centre construction space following the recent completion of AIMS Cyberjaya Block 2 in only eight months, way ahead of the initially planned period of 13 months. Among the key reasons was

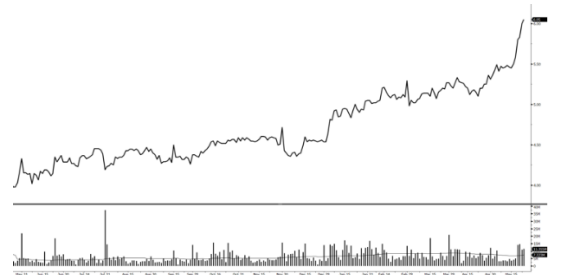
**Maintain BUY**

**Revised Target Price: RM6.83**  
(Previously RM5.98)

#### RETURN STATISTICS

Price @ 24 <sup>th</sup> May 2023 (RM)	6.05
Expected share price return (%)	+12.9
Expected dividend yield (%)	1.8
Expected total return (%)	+14.7

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	16.3	12.9
3 months	14.8	13.7
12 months	46.5	27.5

#### INVESTMENT STATISTICS

FYE July	2024E	2025F	2026F
Revenue	13,498.1	14,173.0	14,598.2
Operating Profit	1,214.8	1,346.4	1,445.6
Profit Before Tax	1,349.8	1,471.9	1,568.3
Core Net Profit	1,085.6	1,182.1	1,258.2
Core EPS	39.2	42.7	45.5
DPS (sen)	12.0	12.0	12.0
Dividend Yield	2.0%	2.0%	2.0%

#### KEY STATISTICS

FBM KLCI	1,619.40
Issue shares (m)	2662.74
Estimated free float (%)	57.62
Market Capitalisation (RM'm)	16,758.06
52-wk price range	RM4.07-RM6.08
3-mth average daily volume (m)	7.23
3-mth average daily value (RM'm)	38.10
Top Shareholders (%)	
Amanah Saham Nasional Bhd	13.69
Employees Provident Fund Board	9.29
Generasi Setia M Sdn bhd	4.12

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through Gamuda's next-generation industrial building system (IBS). Despite the norm that data centres are low margin construction jobs, we gather that data centre owners are willing to pay a premium for speed in building and certainty of delivery, and this allows the group to command a better margin on data centre jobs. We expect the PBT margins to be in the range of 10%.

**AIMS Cyberjaya Block 3.** According to a news report recently, Gamuda will be commencing with the construction of AIMS Cyberjaya Block 3 this month, the additional work it has secured following the completion of Block 2. This adds another RM300m into Gamuda's bulging order book. This new job is expected to be completed by 2QCY25. AIMS Group is the data centre arm of TIME Dotcom.

**Order books remain strong.** We estimate that Gamuda's unbilled construction order book now stands at c.RM25b following the new job wins. The group's Australian projects still make up the bulk of the order book at over 40%. Data centre jobs currently comprise about 8% of the outstanding order book. Management is confident of its job replenishment target of RM25b in two years i.e. FY24 and FY25. It has secured RM6.84b of new jobs so far, or 27.4% of the two-year target. Recall that projects on Gamuda's radar include the tunneling package for the Suburban Rail Loop in Victoria, of which we expect the contract size to be about AUD2.2b (~RM6.75b). Gamuda and its partner John Holland are among the two consortiums shortlisted for the project, which is likely to be awarded by Jul-24. Meanwhile, it is also prequalifying for the Penang International Airport (PIA). Yet to be included in the order book is the Ulu Padas Hydroelectric Dam project in Sabah which may add another RM2.0b to the group's orderbook as tariffs are still being negotiated and Segment 1 of the Mutiara LRT line in Penang, which may come up to about RM8b, also under negotiation. There is a strong chance that Gamuda could exceed its RM25b replenishment target.

**Earnings estimates.** We maintain our earnings forecast as the new wins were within the replenishment expectations.

**Target price.** We are upgrading our **TP** from RM5.98 to **RM6.83**, as we peg the group's FY25F EPS of 42.7 sen to a PER of 16x, which is about +1SD above its six-year historical mean.

**Maintain BUY.** We continue to like Gamuda for its exposure and it being a front runner of crucial infrastructure projects in the country; being what we deem a premium data centre builder and its strong overseas expansion plan, especially in Australia. Its bulging order book provides strong earnings visibility at least over the next three financial years and its potential to secure even more jobs moving forward. The group's balance sheet also remains healthy with a net gearing of 28.6%, well below its self-imposed limit of 70%. All factors considered; we are maintaining our **BUY** recommendation on **Gamuda**. 

## FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	5,089.5	8,233.6	13,498.1	14,173.0	14,598.2
Operating profit	685.3	922.8	1,214.8	1,346.4	1,445.6
Finance costs	(93.8)	(88.4)	-90.0	-94.5	-97.3
Profit before tax	1,008.2	1,067.6	1,349.8	1,471.9	1,568.3
Tax	(168.9)	(230.9)	-297.0	-323.8	-345.0
Net profit	806.2	860.1	1,085.6	1,182.1	1,258.2
Core net profit	805.8	860.8	1,085.6	1,182.1	1,258.2

Balance Sheet (RM'm)	2022A	2023A	2024E	2025F	2026F
Property, plant and equipment	1,095.5	1,701.7	1,735.7	1,787.8	1,841.4
Land held for property development	3,507.9	3,769.1	3,721.5	3,833.2	3,834.2
<b>Non-current assets</b>	<b>7,119.3</b>	<b>8,674.3</b>	<b>8,660.7</b>	<b>8,824.5</b>	<b>8,824.5</b>
Cash	2,794.3	3,169.5	2,875.3	3,019.1	3,020.1
Trade debtors	2,478.1	2,904.5	5,125.1	5,347.9	5,132.8
<b>Current assets</b>	<b>11,068.2</b>	<b>15,227.5</b>	<b>17,434.5</b>	<b>17,821.1</b>	<b>17,607.0</b>
Trade creditors	2,677.1	3,810.6	5,206.1	5,469.5	5,383.3
Short-term debt	1,535.3	1,409.7	1,238.5	1,244.3	1,244.3
<b>Current liabilities</b>	<b>5,887.2</b>	<b>6,958.6</b>	<b>8,182.8</b>	<b>8,452.0</b>	<b>8,365.8</b>
Long-term debt	3,244.7	5,514.0	3,550.9	3,618.0	3,437.1
<b>Non-current liabilities</b>	<b>3,677.0</b>	<b>5,985.4</b>	<b>4,022.3</b>	<b>4,089.4</b>	<b>3,908.5</b>
Share capital	3,723.2	4,078.1	4,223.0	4,223.0	4,223.0
Retained earnings	6,177.6	6,744.3	7,479.3	8,297.0	9,209.8
<b>Equity</b>	<b>10,249.9</b>	<b>10,957.8</b>	<b>13,890.1</b>	<b>14,104.2</b>	<b>14,157.2</b>

Cash Flow (RM'm)	2022A	2023A	2024E	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
<b>Operating cash flow</b>	<b>444.2</b>	<b>(588.9)</b>	<b>(274.3)</b>	<b>(276.5)</b>	<b>(90.3)</b>
Capital expenditure	(523.0)	(2,296.8)	(200.0)	(200.0)	(200.0)
<b>Investing cash flow</b>	<b>498.7</b>	<b>837.3</b>	<b>250.0</b>	<b>250.0</b>	<b>250.0</b>
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)
<b>Financing cash flow</b>	<b>623.3</b>	<b>942.8</b>	<b>(589.4)</b>	<b>(604.6)</b>	<b>(578.1)</b>
<b>Net cash flow</b>	<b>1,301.3</b>	<b>1,908.4</b>	<b>2,830.6</b>	<b>4,479.8</b>	<b>(418.4)</b>
<b>Beginning cash flow</b>	<b>1,984.7</b>	<b>2,830.6</b>	<b>2,241.2</b>	<b>3,875.2</b>	<b>4,480.8</b>
<b>Ending cash flow</b>	<b>1,008.2</b>	<b>1,067.6</b>	<b>1,563.4</b>	<b>1,589.2</b>	<b>4,062.4</b>

Profitability Margins	2022A	2023A	2024E	2025F	2026F
Operating profit margin	13.5%	11.2%	14.3%	13.9%	14.0%
PBT margin	19.8%	13.0%	13.5%	13.1%	13.8%
PAT margin	15.8%	10.4%	9.4%	9.4%	9.8%
Core PAT margin	15.8%	10.5%	9.4%	9.4%	9.8%

Source: Bloomberg, MIDFR

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### 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 <i>rise</i> 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 <i>fall</i> 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