RAM RATINGS

Media Release

RAM Ratings raises outlook on Gamuda debt issues to positive, affirms AA_3/P1 ratings

RAM Ratings has revised from stable to positive the outlook on the long-term ratings of debt programmes under Gamuda Berhad (Gamuda or the Group) and its subsidiaries, while concurrently affirming the programmes' ratings.

Issuer	Facility	Rating/Outlook
Gamuda Berhad	RM5.0 bil Islamic Medium-Term Notes Programme (2015/2045)	AA_3/Positive
	RM800 mil Islamic Medium-Term Notes Programme (2013/2038)	AA_3/Positive
	RM2.0 bil Islamic Commercial Papers Programme (2022/2029)	P1
Bandar Serai Development Sdn Bhd	RM1.0 bil Islamic Medium-Term Notes Programme (2014/2044)	AA_3(s)/Positive
Gamuda Land (T12) Sdn Bhd	RM2.0 bil Islamic Medium-Term Notes Programme (2020/2050)*	AA_3(s)/Positive
	RM500 mil Islamic Commercial Papers Programme (2020/2027)* ** Combined limit of RM2.0 bil*	P1(s)

Note: The debt facilities of the two subsidiaries are irrevocably and unconditionally guaranteed by the Group.

The outlook revision reflects Gamuda's advancing business profile and diversified earnings, supported by the Group's strong competitive position, technical prowess and execution track record. Its expanding scale and track record in multiple countries elevate Gamuda significantly above local peers, making it a significant regional contender. While it continues to face substantial execution and market risks, marked progress in key construction jobs and quick-turnaround projects (QTPs) alleviate our concerns. The expanding order book necessitates significant debt funding, resulting in Gamuda's elevated gearing and weaker debt coverage levels for the ratings. However, we believe the financial risks are moderated by Gamuda's strong ability to complete key construction jobs and property projects as well as healthy liquidity position.

Standing at RM36 bil as at end-January 2025 (end-July 2024: RM24.8 bil), Gamuda's outstanding construction order book continue to grow rapidly. This together with unbilled property sales of RM7.2 bil as at the same date (end-July 2024: RM7.7 bil) provides strong revenue and earnings visibility for the medium term. Over the next

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two years, Gamuda expects to secure up to RM30 bil in new contracts, which are likely to increase its order book size to above RM40 bil. The expansion is assisted by the Group's new core business plan which includes digital infrastructure, specifically data centres, and projects from DT Infrastructure; the latter's acquisition is significant to Gamuda's regionalisation strategy. The Group's geographically diversified businesses also afford a measure of earnings stability. Looking ahead, overseas operations are envisaged to make up about two-thirds of its bottom line.

Significant progress in construction jobs in Australia and sustained development in local property launches propelled Gamuda's top line in FY Jul 2024 to RM13.35 bil, up 62.4%. For 1H FY Jul 2025, revenue rose 31.0% RM8.038 bil on the back of stronger progress in local construction contracts and overseas property developments. Pre-tax profit, as expected, was slightly higher at RM1.10 bil in fiscal 2024 and RM529.95 mil in 1H fiscal 2025, reflecting the completion of higher-margin local rail contracts and Celadon City development in Vietnam, while awards of substantial domestic projects such as the Penang LRT and Upper Padas Hydroelectric Dam projects were delayed. On the back of a still-growing order book and accelerating QTPs, especially in Vietnam, Gamuda's revenue and earnings will be significantly boosted in the next few years.

Gamuda's debt protection is moderate, with RM8.58 bil of debts and RM3.91 bil of cash as at end-January 2025 translating into respective gearing and net gearing of 0.71 times and 0.39 times. These metrics are projected to peak at a respective 0.80 times and 0.55 times by end-July 2025 before easing towards 0.70 times and 0.50 times by end-July 2027, in tandem with completion of large property projects. Meanwhile, funds from operations debt coverage in fiscal 2025 is expected to weaken slightly from fiscal 2024's 0.10 times before improving to about 0.15 times in fiscal 2027.

The ratings are tampered by Gamuda's susceptibility to execution and demand risks as well as volatility from an order book-driven business. Its fast-paced growth heightens execution risks, which could potentially expose the Group to unfamiliar risks and may render resources insufficient. Gamuda's order book is also lumpy and dominated by a few large contracts, although the Group has had good success securing new jobs for future pipeline.

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