

Headline	Gamuda eyes Klang Valley data centre jobs		
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Gamuda eyes Klang Valley data centre jobs

Company's IBS plants provide edge for such contracts

CONSTRUCTION

PETALING JAYA: Gamuda Bhd, which has two industrial building system (IBS) factories, is eyeing data centre jobs within the Klang Valley, analysts say.

Currently, Gamuda's IBS jobs mostly revolve around residential jobs plus the data-centre space, according to RHB Research, which recently visited the construction group's IBS plant located in Banting, Selangor. Its other IBS plant is in Sepang, Selangor.

"We came away feeling upbeat on the prospects the group has for its IBS products. We view its IBS capabilities may position the group to capture data centre opportunities within the Klang Valley with Tenaga Nasional Bhd's Green Lane Pathway initiative to facilitate smoother and faster setup of data centres in the country," the research firm said in a report.

According to RHB Research, Gamuda is currently eyeing some data centre jobs within the Klang Valley. "In the event data centre jobs become more sizeable, we believe the group can fully utilise both its IBS factories to accommodate these orders."

Malaysia is one of the fastest-growing data center markets in the Asia-Pacific region, with significant development happening in Johor and Kuala Lumpur.

RHB Research estimates Gamuda's pre-cast orderbook to be around RM300mil as

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RHB Research

of its financial year ended July 31, 2023 (FY23). However, IBS job orders are modest, at only 1.5% of the order book as of end-FY23.

Gamuda's plants in Banting and Sepang have a total maximum combined production capacity of about 10,000 residential units per year. Efficiency wise, its IBS capabilities enable a reduction in construction periods by about 50% and 20% for high rise and landed buildings, respectively, said RHB Research.

Of the two, the Banting plant is larger with a capital expenditure (capex) of RM400mil, while the Sepang plant has a capex of RM100mil.

Citing data from the Construction Industry Development Board (CIDB), the research firm said the AIMS Data Centre awarded Gamuda with a RM170mil job to

construct a data centre in Cyberjaya in February 2023. The completion target for the project was end-2023.

"While no exact details were mentioned by CIDB, we believe that the data centre could be the eight megawatt AIMS Cyberjaya Block 2 data centre for which Gamuda utilised its 'Next-Gen Digital IBS' solutions," the research house added.

In terms of profitability, RHB Research said such projects could fetch profit before tax margins between 10% and 12%

While making no changes to its earnings estimates, the research firm has raised the company's target price-to-earnings ratio to 15 times from 14 times for the Malaysia construction arm in light of potential prospects from data centres.

"We are also lowering our discount to revised net asset value to 50% (from 60%) for Gamuda's property segment considering the Johor Baru-Singapore Rapid Transit System Link and the potential JB Light Rail Transit projects that may provide good visibility for Horizon Hills township development in Iskandar Puteri amid improvement in cross-border traffic."

RHB Research has a new higher target price of RM6.46 (from RM5.66) for the company, which takes into account a 6% environmental, social, and governance (ESG) premium based on a revised ESG score of 3.3 from 3.2 as the company's IBS plants use green cement and are equipped with concrete recycling systems.