

HLIB Research

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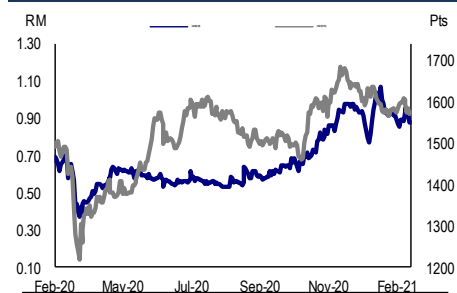
BUY (Maintain)

Target Price: RM1.32
Previously: RM1.37
Current Price: RM0.865

Capital upside	52.6%
Dividend yield	3.0%
Expected total return	55.6%

Sector coverage: Construction

Company description: GDB provides construction services specialising in high rise residential, mixed and commercial developments solutions.

Share price


Historical return (%)	1M	3M	12M
Absolute	-17.8	12.1	26.6
Relative	-17.8	10.8	18.1

Stock information

Bloomberg ticker	GDB MK
Bursa code	0198
Issued shares (m)	625
Market capitalisation (RM m)	541
3-mth average volume ('000)	4223
SC Shariah compliant	Yes
F4GBM Index member	No
ESG rating	NA

Major shareholders

Cheah Ham Cheia	48.9%
Alexander Lo	21.1%
HL Asset	4.0%

Earnings summary

FYE (Dec)	FY20	FY21f	FY22f
PATMI - core (RM m)	25.7	58.3	62.4
EPS - core (sen)	4.1	9.3	10.0
P/E (x)	21.0	9.3	8.7

GDB Holdings

Strong topline

GDB's FY20 earnings of RM26m (-12% YoY) were slightly below ours and consensus expectations mainly due to lower margins resulting from stricter SOPs. 4QFY20 reflected higher productivity loss for its Sabah project due to Covid-19. Operations have since normalised with MCO2.0 impact guided to be marginal. Outstanding order book of RM2.1bn translates into a healthy 5.7x cover. Trim FY21 forecasts by -4%. Maintain BUY with lower TP of RM1.32 pegged to an unchanged 13x P/E multiple ex-cash. We believe this is justified given GDB's sizable orderbook and high ROEs.

Slight miss. GDB reported 4QFY20 results with revenue of RM128.1m (34% QoQ, 18% YoY) and core earnings of RM8.5m (14% QoQ, 7% YoY). This brings FY20 core earnings to RM25.7m accounting for 93% of our full year forecast (consensus: 90%) falling marginally below expectations. While revenue was a beat (109%), the slight earnings shortfall came from lower-than expected margin from stricter SOP compliance during the CMCO.

Dividends. DPS of 1.0 sen going ex on 12 March 2021 was declared during the quarter (FY20: 2.0 sen; FY19: 2.0 sen).

QoQ. Core earnings increased by 14% riding on the increase in revenue (+34%). Nonetheless, margins were lower due to stricter Covid-19 compliance. We believe the most significant impact in 4QFY20 was surge in cases in Sabah resulting in significant productivity loss for its Hyatt centric hotel project which likely contributed to lower margins. However, we gather that operations has since normalised in Sabah.

YoY. Core earnings grew by 7% during the quarter driven by increase in topline of 18% on the back of its increasing orderbook. This was partially offset by weaker margins during the quarter as 4QFY19 was boosted by profit recognition of completed projects while 4QFY20 also saw stricter Covid-19 SOP compliance. Aiding the revenue growth was its 8 Conlay project (RM1.25bn) which started in late Nov-2020.

YTD. GDB's core earnings fell by 12% despite topline growing by 12% resulting from various forms of MCO which carried roughly 2.5 months of inactivity. Nonetheless, operations have since recovered with MCO2.0 impact guided to be marginal. Notably, GDB's strong orderbook growth has resulted in topline growing in spite of shorter operational days in 2020.

Orderbook. GDB's latest orderbook stands at RM2.1bn translating to a sizable 5.7x cover on FY20 revenue to be executed over the next 2-3 years. Management is targeting RM500m job wins for 2021 likely to materialise in 2HFY21 comprising of 2 building jobs. We have pencilled in RM400m for 2021 to err on the conservative side.

Forecast. Trim FY21 earnings downwards by -4.0% as we recalibrate margin assumptions.

Maintain BUY, TP: RM1.32. Maintain BUY with lower TP of RM1.32 (from RM1.37) post earnings adjustment. Our TP is based on FY21 EPS of 9.7sen pegged to an ex-cash PE multiple of 13.0x. We believe this is justified given GDB's high orderbook cover as well as boasting near sector leading ROEs. Key risks include execution, rising material prices and Covid-19 setbacks.

Figure #1 Quarterly results comparison

FYE Dec (RM m)	4QFY19	3QFY20	4QFY20	QoQ (%)	YoY (%)	FY19	FY20	YoY (%)
Revenue	108.8	95.9	128.1	33.6	17.7	322.8	362.8	12.4
EBIT	10.3	10.1	11.3	11.7	9.2	37.8	33.8	(10.6)
Finance cost	(0.1)	-	-	nm	(100.0)	(0.1)	-	(100.0)
PBT	10.2	10.1	11.3	11.7	10.0	37.7	33.8	(10.4)
PAT	7.7	7.2	8.2	13.2	7.0	28.8	24.5	(14.9)
Core PATMI	8.0	7.5	8.5	14.2	7.1	29.1	25.7	(11.8)
Reported PATMI	8.0	7.5	8.5	14.2	7.1	29.1	25.7	(11.8)
Core EPS (sen)	1.3	1.2	1.4	14.2	7.1	4.7	4.1	(11.8)
EBIT margin (%)	9.5	10.5	8.8			11.7	9.3	
PBT margin (%)	9.4	10.5	8.8			11.7	9.3	
PATMI margin (%)	7.3	7.8	6.7			9.0	7.1	

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Figure #2 Financial forecast summary

FYE Dec (RM m)	FY18	FY19	FY20	FY21f	FY22f
Revenue	274.6	322.8	332.5	797.0	816.5
EBIT	36.9	37.8	35.1	75.4	80.8
PBT	36.9	37.7	35.1	75.4	80.8
PAT	27.9	28.8	26.7	57.3	61.4
PATMI – Core	28.6	29.1	27.7	58.3	62.4
PATMI – Reported	27.9	29.1	27.7	58.3	62.4
Core EPS (sen)	4.5	4.7	4.1	9.3	10.0
P/E (x)	19.4	18.6	21.0	9.3	8.7
EV/EBITDA (x)	11.4	11.5	11.9	5.8	5.4
DPS (sen)	2.0	2.0	2.0	3.0	3.5
Yield (%)	2.3%	2.3%	2.3%	3.5%	4.0%
BVPS (RM/share)	0.2	0.2	0.2	0.3	0.3
P/B (x)	5.2	4.4	3.9	3.1	2.5
ROE (%)	26.8%	23.6%	18.7%	33.6%	29.3%
Net Gearing (%)	CASH	CASH	CASH	CASH	CASH

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Stock rating definitions

BUY	Expected absolute return of +10% or more over the next 12-months.
HOLD	Expected absolute return of -10% to +15% over the next 12-months.
SELL	Expected absolute return of -10% or less over the next 12-months.
UNDER REVIEW	Rating on the stock is temporarily under review which may or may not result to a change from the previous rating.
NOT RATED	Stock is not or no longer within regular coverage.

Sector rating definitions

OVERWEIGHT	Sector expected to outperform the market over the next -12 months.
NEUTRAL	Sector expected to perform in-line with the market over the next -12 months.
UNDERWEIGHT	Sector expected to underperform the market over the next -12 months.