

HLIB Research

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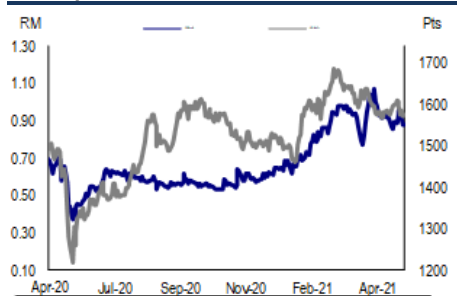
BUY (Maintain)

Target Price: RM1.13
Previously: RM1.32
Current Price: RM0.88

Capital upside	28.4%
Dividend yield	3.4%
Expected total return	31.8%

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	-6.0	-4.4	47.9
Relative	-4.4	-2.9	35.1

Stock information

Bloomberg ticker	GDB MK
Bursa code	0198
Issued shares (m)	625
Market capitalisation (RM m)	540
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%

Earnings summary

	FY20	FY21f	FY22f
FYE (Dec)			
PATMI - core (RM m)	25.7	49.9	66.8
EPS - core (sen)	4.1	8.0	10.7
P/E (x)	21.4	11.0	8.2

GDB Holdings

Hit by shutdowns

GDB's 1Q21 earnings of RM9.5m (12% QoQ, 67% YoY) were below ours and consensus expectations mainly due to 14-17 days suspension at two project sites as Covid-19 cases were detected. Both projects constitutes c.24% of orderbook. Orderbook stands at RM1.9bn translating to a sizable 5.3x cover. Management maintains their FY21 RM500m job target to materialise in 2HFY21. Cut FY21 forecasts by -14% but raise FY22 earnings by 7%. Maintain BUY with lower TP of RM1.13 pegged to an unchanged 13x P/E multiple ex-cash. We believe this is justified given GDB's sizable orderbook and high ROEs.

Missed expectations. GDB reported 1QFY21 results with revenue of RM111.1m (-13% QoQ, 11% YoY) and core earnings of RM9.5m (+12% QoQ, +67% YoY). Performance came in below expectations at 16% of our and consensus full year forecasts. Note that earnings are adjusted for RM0.7m of investment losses.

Deviations. The disappointment was topline driven with revenue for the quarter making up only 14% of our FY21 forecasts we believe due to: (1) interruption from imposition of MCO2.0; requiring workers quarantine and testing and (2) closure of two sites for 14-17 days; positive cases were detected.

Dividends. No DPS was declared. Dividends are normally declared in 2Q and 4Q.

QoQ. Despite decline in revenue (-13%), core earnings were higher by 12% aided by finalisation of accounts for completed projects and contribution from its 8 Conlay project. Topline was lower having completed its Aira project in 4Q20. We gather that positive Covid-19 cases were detected among workers for their Perla and Park Regent projects resulting in a 14-17 day shutdown. Both projects we estimate to be c.24% of outstanding orderbook. Additionally, GDB's operations were also temporarily interrupted by imposition of MCO2.0 which required testing and quarantine.

YoY. Core earnings grew by 67% lifted by stronger revenue (+11%) due to higher value of works from advance construction stages, contribution from 8 Conlay and low base effect with strict lockdown imposed on 18 March 2020.

Outlook. GDB's orderbook stands at RM1.9bn translating to a sizable 5.3x cover on FY20 revenue to be executed over the next 2-3 years. Management maintains their FY21 RM500m job target to materialise in 2HFY21 while we have pencilled in a more conservative RM400m. Orderbook aside, productivity could remain constrained by SOP compliance which we believe would be more stringent in light of MCO3.0 given emerging virulent strains. Nonetheless, we understand that 2Q21 (as of time of writing) has not seen further disruption. On the costs side, rebar prices have continued their upward trajectory since late last year to c.RM3k per tonne which should squeeze built in margin buffers. We estimate c.40% of orderbook are undergoing/to undergo higher steel intensity phases and thus would bear the brunt of high prices should they stay elevated.

Forecast. Cut our FY21 earnings by -14% but increase FY22 earnings by 7% after delaying progress billings to next year.

Maintain BUY, TP: RM1.13. Maintain BUY with lower TP of RM1.13 (from RM1.32) post earnings adjustment. Our TP is based on FY21 EPS of 8.0sen pegged to an ex-cash PE multiple of 13.0x. We believe this is justified given GDB's high orderbook cover as well as high ROEs. Key risks include execution, rising material prices and Covid-19 setbacks.

Figure #1 Quarterly results comparison

FYE Dec (RM m)	1QFY20	4QFY20	1QFY21	QoQ (%)	YoY (%)	3MFY20	3MFY21	YoY (%)
Revenue	99.9	128.1	111.1	(13.3)	11.2	99.9	111.1	11.2
EBIT	7.4	11.3	12.5	10.8	69.2	7.4	12.5	69.2
Finance cost	-	-	-	NA	NA	-	-	NA
PBT	7.4	11.3	12.5	10.8	69.2	7.4	12.5	69.2
PAT	5.4	8.2	9.3	13.1	70.6	5.4	9.3	70.6
Core PATMI	5.7	8.5	9.5	11.5	66.5	5.7	9.5	66.5
Reported PATMI	5.7	8.5	8.8	3.0	53.7	5.7	8.8	53.7
Core EPS (sen)	0.9	1.4	1.4	2.8	53.4	0.9	1.4	53.4
EBIT margin (%)	7.4	8.8	11.2			7.4	11.2	
PBT margin (%)	7.4	8.8	11.2			7.4	11.2	
PATMI margin (%)	5.7	6.7	8.6			5.7	8.6	

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Financial Forecast

All items in (RM m) unless otherwise stated

Balance Sheet

FYE Dec (RM m)	FY19	FY20F	FY21F	FY22F	FY23F
Cash	77	61	110	126	174
Receivables	34	115	182	141	138
PPE	28	29	28	43	44
Others	92	92	92	92	92
Assets	231	297	412	403	449
Debts	-	-	-	-	-
Payables	96	150	235	182	183
Others	12	12	12	12	12
Liabilities	107	161	247	193	194
Shareholder's equity	121	133	163	207	252
Minority interest	3	3	3	3	3

Cash Flow Statement

FYE Dec (RM m)	FY19	FY20F	FY21F	FY22F	FY23F
EBIT	38	34	64	87	88
Depreciation & amortisation	4	2	7	7	7
Changes in working capital	17	(27)	18	(12)	4
Taxation	(9)	(9)	(15)	(21)	(21)
Others	(32)	-	-	-	-
CFO	17	0	74	60	78
Net capex	(11)	(3)	(7)	(22)	(7)
Others	(6)	-	-	-	-
CFI	(17)	(3)	(7)	(22)	(7)
Changes in borrowings	-	-	-	-	-
Dividends paid	(13)	(13)	(19)	(22)	(22)
Others	2	-	-	-	-
CFF	(11)	(13)	(19)	(22)	(22)
Net cash flow	(10)	(16)	48	17	48
Others	-	-	-	-	-
Beginning cash	83	77	61	110	126
Ending cash	77	61	110	126	174

Income Statement

FYE Dec (RM m)	FY19	FY20F	FY21F	FY22F	FY23F
Revenue	323	363	711	869	879
EBITDA	41	36	71	94	95
EBIT	38	34	64	87	88
Finance cost	(0)	-	-	-	-
PBT	38	34	64	87	88
Tax	(9)	(9)	(15)	(21)	(21)
Net profit	29	25	49	66	67
Minority interest	0	1	1	1	1
PATMI (core)	29	26	50	67	68
Exceptionals	-	-	-	-	-
PATMI (reported)	29	26	50	67	68

FYE Dec (RM m)	FY19	FY20F	FY21F	FY22F	FY23F
Core EPS (sen)	4.7	4.1	8.0	10.7	10.8
P/E (x)	18.9	21.4	11.0	8.2	8.1
EV/EBITDA (x)	11.8	13.5	6.9	5.2	5.2
DPS (sen)	2.0	2.0	3.0	3.5	3.5
Dividend yield	2.3%	2.3%	3.4%	4.0%	4.0%
BVPS (RM)	0.20	0.22	0.26	0.34	0.41
P/B (x)	4.5	4.1	3.3	2.6	2.2
EBITDA margin	12.8%	10.0%	10.0%	10.8%	10.8%
EBIT margin	11.7%	9.3%	9.0%	10.0%	10.0%
PBT margin	11.7%	9.3%	9.0%	10.0%	10.0%
Net margin	9.0%	7.1%	7.0%	7.7%	7.7%
ROE	24.1%	19.3%	30.6%	32.3%	26.9%
ROA	12.5%	8.3%	11.8%	16.3%	14.9%
Net gearing	CASH	CASH	CASH	CASH	CASH

Assumptions

FYE Dec (RM m)	FY19	FY20F	FY21F	FY22F	FY22F
Contracts secured	954	1,250	400	700	-

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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.