

HLIB Research

PP 9484/12/2012 (031413)

Edwin Woo, CFA
ckwoo@hlib.hongleong.com.my

(603) 2083 1718

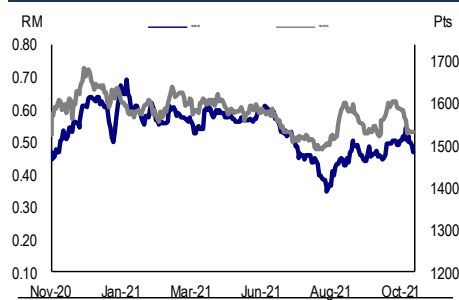
BUY (Maintain)

Target Price: RM0.63
Previously: RM0.63
Current Price: RM0.47

Capital upside	34.0%
Dividend yield	3.0%
Expected total return	37.0%

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	4.4	19.0	2.2
Relative	6.5	15.6	1.2

Stock information

Bloomberg ticker	GDB MK
Bursa code	0198
Issued shares (m)	625
Market capitalisation (RM m)	441
3-mth average volume ('000)	3460
SC Shariah compliant	Yes
F4GBM Index member	No
ESG rating	NA

Major shareholders

Cheah Ham Cheia	48.9%
Alexander Lo	21.1%

Earnings summary

FYE (Dec)	FY20	FY21f	FY22f
PATMI - core (RM m)	25.7	31.0	50.6
EPS - core (sen)	2.7	3.3	5.4
P/E (x)	17.2	14.2	8.7

GDB Holdings

Meets expectations

GDB's 9M21 PATAMI of RM21.3m (+24% YoY) were within our expectations at 69% of forecasts. We anticipate a pick-up in billings in 4QFY21 as GDB has ramp up to full capacity by end-Sept. Orderbook stands at RM1.7bn translating to a sizable 4.6x cover. Overall, we reckon a stronger showing going into 2022 and gradual recovery in private sector tender opportunities lifted by recovery in business prospects should boost stock sentiment. Maintain forecasts. Maintain BUY with unchanged TP of RM0.63 pegged to 10x P/E multiple ex-cash. Key risks include execution, elevated material prices and Covid-19 setbacks.

Within expectations. GDB reported 3QFY21 results with revenue of RM88.3m (+9.3% QoQ, -8.0% YoY) and core PATAMI of RM6.5m (+24.2% QoQ, -13.0% YoY). This brings 9MFY21 core PATAMI to RM21.3m, increasing by 24.1%. The results were within our expectations at 69% of our FY21 full year forecasts. We are expecting a stronger finish to the year with full operational ramp up in 4Q. Note that quarterly earnings are adjusted for RM0.1m of unrealised investment losses.

Dividends. No DPS was declared for the quarter as they are normally declared in 2Q and 4Q (9M20 DPS: 0.67; 9M21 DPS: 0.70).

QoQ. Core PATAMI rebounded by 24.2% driven by more optimal stages of construction and increase in construction activities for on-going projects as evidenced by higher revenue (+9.3%). This was achieved in spite of longer lockdown period in 3QFY21 vs 2QFY21. GDB was only allowed to fully resume operations in mid-August-21 and 100% ramp was achieved towards the end of Sep-21.

YoY. Core PATAMI declined -13.0% dragged by lower revenue of -8.0% resulting from lockdowns as explained above. Further exacerbating this on a YoY basis is the building materials supply issues as they were kept at "warm idle" until Phase 2 of NRP which was implemented in early Sep-21. There were also other incremental costs which added to the cost pressure such as elevated materials costs and SOP compliance costs.

YTD. GDB's core PATAMI expanded by 24.1% to RM21.3m driven by: (1) low base effect with 2QFY20 reflecting roughly 4 weeks of hard lockdown (2) contribution from its 8 Conlay project and (3) advance phases of construction for some project sites.

Outlook. GDB's orderbook stands at RM1.7bn translating to a sizable 4.6x cover on FY20 revenue to be executed over the next 2-3 years. Replenishment has been difficult this year after: (1) dialling back on tenders after a bumper FY20 and (2) overall slow conversion due to repeated lockdowns. Tender book stands at RM1.3bn broken down into: commercial & hotel, residential, office and mixed development. Approximately 2/3rd of outstanding tenders were called last year with awards delayed due to pandemic exacerbated by escalating costs. We learnt that fresh tenders for these were resubmitted recently. Overall, we expect a stronger showing in 4Q and a gradual recovery in private sector tender opportunities in-line with anticipated recovery in business prospects going forward.

Forecast. Maintained forecast as earnings are within expectations.

Maintain BUY, TP: RM0.63. Maintain BUY with unchanged TP of RM0.63 post-earnings adjustment. Our TP is based on FY22 EPS of 5.4 sen pegged to an ex-cash PE multiple of 10.0x plus net cash per share of 9 sen. We believe this is justified given GDB's solid balance sheet as well as high ROE. Key risks include execution, rising material prices and Covid-19 setbacks.

Figure #1 Quarterly results comparison

FYE Dec (RM m)	3QFY20	2QFY21	3QFY21	QoQ (%)	YoY (%)	9MFY20	9MFY21	YoY (%)
Revenue	95.9	80.7	88.3	9.3	(8.0)	234.7	280.1	19.3
EBIT	10.1	6.5	8.0	22.0	(20.9)	22.5	27.0	19.9
Finance cost	-	-	-	NA	NA	-	-	NA
PBT	10.1	6.5	8.0	22.0	(20.9)	22.5	27.0	19.9
PAT	7.2	5.0	6.3	25.5	(12.7)	16.3	20.6	26.4
Core PATMI	7.5	5.2	6.5	24.2	(13.0)	17.1	21.3	24.1
Reported PATMI	7.5	4.9	6.4	30.0	(14.4)	17.1	20.1	17.4
Core EPS (sen)	0.8	0.5	0.7	30.0	(14.4)	1.8	2.1	17.4
EBIT margin (%)	10.5	8.1	9.0			9.6	9.6	
PBT margin (%)	10.5	8.1	9.0			9.6	9.6	
PATMI margin (%)	7.8	6.5	7.4			7.3	7.6	

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Financial Forecast

All items in (RM m) unless otherwise stated

Balance Sheet

FYE Dec (RM m)	FY19	FY20	FY21F	FY22F	FY23F
Cash	77	82	83	98	127
Receivables	34	43	127	151	143
PPE	28	25	30	52	59
Others	92	114	114	114	114
Assets	231	265	354	415	442
Debts	-	-	-	-	-
Payables	96	120	192	226	220
Others	12	9	9	9	9
Liabilities	107	129	202	235	229
Shareholder's equity	121	134	151	179	211
Minority interest	3	1	1	1	1

Cash Flow Statement

FYE Dec (RM m)	FY19	FY20	FY21F	FY22F	FY23F
EBIT	38	34	39	65	72
Depreciation & amortisation	4	6	7	7	7
Changes in working capital	17	(15)	(11)	9	2
Taxation	(9)	(9)	(9)	(16)	(17)
Others	(32)	3	-	-	-
CFO	17	19	26	66	64
Net capex	(11)	(4)	(12)	(29)	(13)
Others	(6)	5	-	-	-
CFI	(17)	1	(12)	(29)	(13)
Changes in borrowings	-	-	-	-	-
Dividends paid	(13)	(13)	(13)	(22)	(22)
Others	2	1	-	-	-
CCF	(11)	(12)	(13)	(22)	(22)
Net cash flow	(10)	7	1	15	29
Others	-	-	-	-	-
Beginning cash	83	77	82	83	98
Ending cash	77	82	83	98	127

Income Statement

FYE Dec (RM m)	FY19	FY20	FY21F	FY22F	FY23F
Revenue	323	363	434	746	836
EBITDA	41	40	46	72	79
EBIT	38	34	39	65	72
Finance cost	(0)	-	-	-	-
PBT	38	34	39	65	72
Tax	(9)	(9)	(9)	(16)	(17)
Net profit	29	25	30	50	55
Minority interest	0	1	1	1	1
PATMI (core)	29	26	31	51	56
Exceptionals	-	-	-	-	-
PATMI (reported)	29	25.7	31.0	50.6	55.8

FYE Dec (RM m)	FY19	FY20	FY21F	FY22F	FY23F
Core EPS (sen)	3.1	2.7	3.3	5.4	5.9
P/E (x)	15.1	17.2	14.2	8.7	7.9
EV/EBITDA (x)	8.7	8.9	7.7	5.0	4.5
DPS (sen)	1.3	1.3	1.4	2.3	2.3
Dividend yield	2.8%	2.8%	3.0%	5.0%	5.0%
BVPS (RM)	0.13	0.14	0.16	0.19	0.23
P/B (x)	3.6	3.3	2.9	2.4	2.1
EBITDA margin	12.8%	11.1%	10.7%	9.7%	9.5%
EBIT margin	11.7%	9.3%	9.1%	8.8%	8.6%
PBT margin	11.7%	9.3%	9.1%	8.8%	8.6%
Net margin	9.0%	7.1%	7.1%	6.8%	6.7%
ROE	24.1%	19.2%	20.6%	28.4%	26.4%
ROA	12.5%	9.3%	8.5%	12.0%	12.4%
Net gearing	CASH	CASH	CASH	CASH	CASH

Assumptions

FYE Dec (RM m)	FY19	FY20	FY21F	FY22F	FY23F
Contracts secured	954	1,250	-	500	700

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Published & printed by:

Hong Leong Investment Bank Berhad (10209-W)

Level 28, Menara Hong Leong,

No. 6, Jalan Damanela,

Bukit Damansara,

50490 Kuala Lumpur

Tel: (603) 2083 1800

Fax: (603) 2083 1766

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.