

15 November 2018

GDB Holdings

Solid Track Record With Sizeable Orderbook

GDB has a sizeable orderbook which provides earnings visibility to FY20F and we think the impending capacity expansion bodes well when planning of future projects. It has a robust track record of delivering projects ahead of schedule, which help in both time and cost savings for its customers. Our fair value of MYR0.43 is based on a 9x FY19F P/E. NOT RATED.

Construction firm with track record for quality and early completion of projects. GDB is principally involved in the provision of construction services, with a focus on high rise residential, commercial and mixed developments as main contractor and principal works contractor. Its customers consist of established property developers and large corporations, such as Perdana ParkCity, Selangor Properties, Trans Resources Corporation, Hap Seng Land Development (Puchong) SB and Etiqa Insurance. So far, it has completed all of its projects ahead of schedule (refer to Figure 1).

Sizeable orderbook of MYR664m as at 30-Jun with earnings visibility to FY20F. This includes AIRA Residence in Damansara Heights (Figure 3) and Menara Hap Seng 3 within Kuala Lumpur City Centre (Figure 4). By completing projects ahead of schedule, helps to lower raw materials and preliminaries cost (ie site management cost, utilities, rental expense of machinery and equipment). We believe this may entice more contract wins in the future, on time and cost saving advantage.

Robust track record as future tender reference. According to *Smith Zander's* industry overview, growth of residential and non-residential projects has been strongest in the Central region. In our view, its prior success in early completion of high end condominiums, ie One Central Park Project and mixed development KL Eco City Project 1 and 2 may serve as reference for future tenders. As of Mar 2018, its tenderbook exceeded MYR1.0bn, including works for high-rise serviced apartments, a hotel and other commercial buildings in Klang Valley.

Capacity expansion plan in place with MYR24.67m allocated for capex from its IPO proceeds to acquire c.6 acres land for storage of machinery and equipment (MYR8m), new office building as head office (MYR8m) and new construction machinery and equipment (MYR8.67m). This consists of 4 tower cranes, 4 passenger hoists and 2 concrete placing booms. All these bode well with the group for a better planning and coordination of projects.

Company to expand into civil and infrastructure construction services within 12 months from listing. As the management team has prior experience in managing such projects and the group is registered with CIDB as a Grade G7 contractor, this possibly is a competitive advantage for the company to participate in civil and infrastructure works.

Strong financials with no debts and net cash of MYR75.0m as at 2Q18. We anticipate a dividend payout in-line with its policy of up to 30% of PATAMI, as we expect cash to be reserved for expansion.

Fair value of MYR0.43, based on a FY19F P/E of 9x, in line with RHB's target multiple for small-cap construction companies. The ascribed valuation is premised on strong track record for early completion that bodes well for contract wins, impending surge in earnings from sizeable orderbook and sturdy financials under a well experienced management. We think our valuation is conservative as it is still lower than Bursa Malaysia Construction Index's 5-year historical -2SD of 10x. Also the stock is merely trading at a forward P/E of 6x, with 2-year earnings CAGR of 13%. Key risks are a dependency on subcontractor services and delays in completion of projects.

Key Financial Data	Dec-15	Dec-16	Dec-17	Dec-18F	Dec-19F
Total turnover (MYRm)	169.5	276.9	296.8	279.9	374.3
Reported net profit (MYRm)	5.0	14.2	22.5	26.5	29.9
Recurring EPS (MYR)	0.06	0.06	0.05	0.04	0.05
DPS (MYR)	0.00	0.05	0.02	0.01	0.01
Recurring P/E (x)	4.6	4.4	6.0	6.6	5.9
P/B (x)	2.6	2.3	3.5	1.8	1.5
Dividend Yield (%)	0.0	16.1	7.0	4.5	5.1
Return on average equity (%)	79.1	79.0	67.1	38.3	27.5
Net debt to equity (%)	net cash	net cash	net cash	net cash	net cash

Source: Company data, RHB

Construction & Engineering | Construction
Not Rated

Target Price: MYR0.43
Price: MYR0.28
Market Cap: USD42m
Bloomberg Ticker: GDB MK

Share Data

Avg Daily Turnover (MYR/USD) 0.4m/0.1m
52-wk Price low/high (MYR) 0.275 - 0.45
Free Float (%) 25
Shares Outstanding (m) 625
Estimated Return 54%

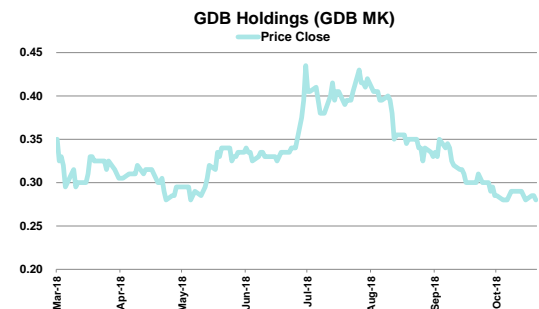
Shareholders (%)

CHC Holdings Sdn Bhd 51.8
Alexander Lo Tzone Leong 22.3
Yayasan Islam Terengganu 2.5

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	nm	(6.67)	(29.11)	(6.67)	nm
Relative	nm	(4.22)	(23.77)	2.09	nm

Source: Bloomberg



Source: Bloomberg

Analyst

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Figure 1: Projects completed ahead of schedule

Completed projects	Contract sum (MYRm)	Contract duration (months)	Commencement date	Contractual completion date	Actual completion date	No. of days completed ahead of contractual completion date
One Central Park Project	236.8	38	16-Dec-13	15-Feb-17	31-Oct-16	107
BBC Project	2.4	2	9-May-16	30-Jun-16	27-Jun-16	3
KL Eco City Project 1	217.9					
Section 1		24	7-Apr-14	31-Mar-16	15-Feb-16	45
Part of Section 2A		39	7-Apr-14	26-Jun-17	14-Feb-17	132
Balance of Section 2A & 2B		39	7-Apr-14	26-Jun-17	17-May-17	40
KL Eco City Project 2	188.5	22	16-Feb-16	8-Dec-17	2-Oct-17	67
Etiqa Office Tower	186.6	24	1-Aug-16	31-Jul-18	13-Jul-18	18

Source: Company data

Figure 2: Ongoing project – Westside III Project



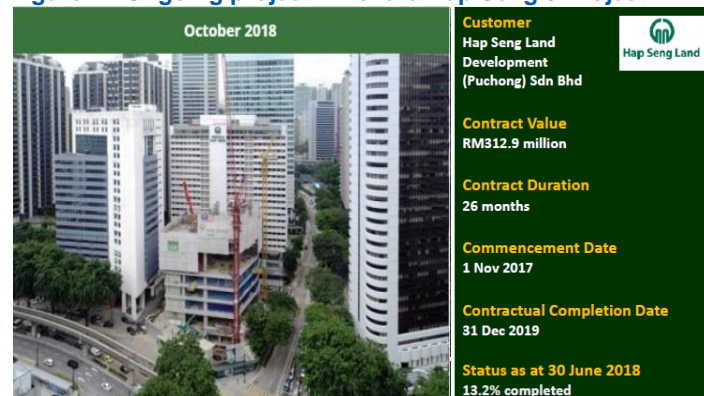
Source: Company data

Figure 3: Ongoing project – SPB Project (AIRA Residence)



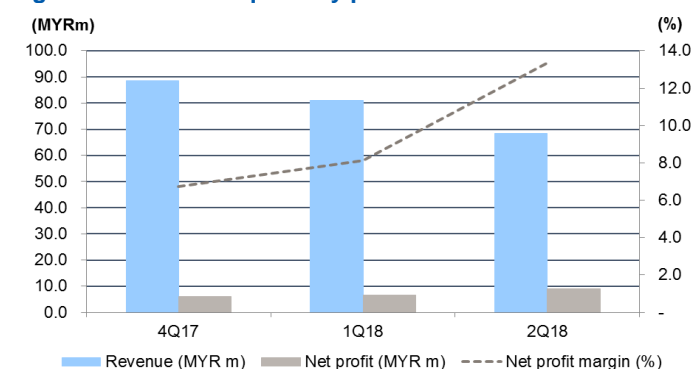
Source: Company data

Figure 4: Ongoing project – Menara Hap Seng 3 Project



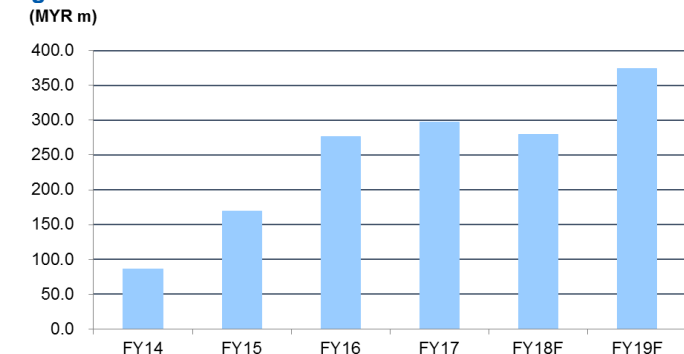
Source: Company data, RHB

Figure 5: Historical quarterly performance



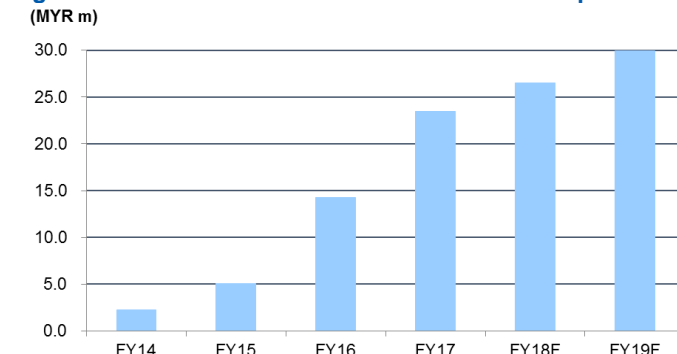
Source: Company data, RHB

Figure 6: Historical & forecasted annual revenue (MYR m)



Source: RHB

Figure 7: Historical & forecasted annual core net profit (MYR m)



Source: RHB

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