

GDB Holdings Berhad

Secures Single Largest Construction Job

TP: RM0.455 (+46.8%)

Last Traded: RM0.31

BUY

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RM517mn Premium Residential Project

GDB has accepted a construction job from Cloudvest Sdn Bhd (a wholly-owned subsidiary of a JV between ParkCity Property Holdings and CapitaLand Malaysia) as the main contractor for main building works for Park Regent. Park Regent is a proposed development comprising 2 blocks of 54-storey apartments (totalling 505 units), including a 5-storey podium, at Desa Parkcity, Kuala Lumpur, for a contract value of RM517.0mn.

The contract is scheduled to commence on 2 December 2019, for a duration of 37 months, to be completed by 1 January 2023.

Our View

This is the single largest construction job ever secured by GDB and the second job win by GDB for 2019, bringing total jobs won YTD to RM652mn.

The job win bumps up the outstanding order book to RM1.0bn, translating into 3.6x FY18 revenue. This would provide strong earnings visibility to the group for the next 3 years.

Assuming a gross margin of 10.0%, this project is expected to contribute RM33.6mn of net profit, or an EPS of 5.4sen/share throughout the construction period.

Impact

As the YTD job win of RM652mn has exceeded our previous FY19 order book replenishment assumption of RM400mn, we also raise our FY19 order book replenishment assumption to RM652mn. As a result, earnings forecasts for FY20 and FY21 are raised by 13.4% and 22.8% respectively.

Valuation

With record outstanding order book of RM1.0bn, strong earnings visibility, a healthy net cash position of RM85.8mn (13.7sen/share) with zero borrowing, as well as brighter prospect of migration to main board of Bursa Malaysia, we upgrade the target PE multiple from 9x to 10x, and raise the target price from RM0.36 to **RM0.455**, based on 10xCY20 earnings. Reiterate **Buy** on GDB.

Share Information

Bloomberg Code	GDB MK
Bursa	GDB
Stock Code	0198
Listing	Ace Market
Share Cap (mn)	625.0
Market Cap (RMmn)	193.8
52-wk Hi/Lo (RM)	0.37/0.22
12-mth Avg Daily Vol ('000 shrs)	938.3
Estimated Free Float (%)	19.5
Beta	na

Major Shareholders (%)

CHC Holdings Sdn Bhd	- 51.80
Alexander Lo	- 22.26

Forecast Revision

	FY19	FY20
Forecast Revision (%)	-	13.4
Net profit (RMmn)	26.4	28.3
Consensus	-	-
TA's / Consensus (%)	-	-
Previous Rating	Buy (Maintained)	

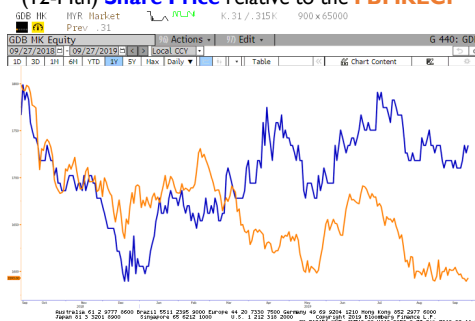
Financial Indicators

	FY19	FY20
Net Debt / Equity (%)	net cash	net cash
CFPS (sen)	3.1	0.9
Price / CFPS (x)	10.1	35.8
ROA (%)	11.7	10.9
NTA/Share (sen)	18.9	21.4
Price/NTA (x)	1.6	1.4

Share Performance (%)

Price Change	GDB	FBM KLCI
1 mth	0.0	0.1
3 mth	(1.6)	(4.8)
6 mth	10.7	(3.0)
12 mth	(6.1)	(11.4)

(12-Mth) Share Price relative to the FBMKLCI



Source: Bloomberg

Earnings Summary (RMmn)

Profit & Loss (RMmn)

YE Dec 31	2017	2018	2019F	2020F	2021F
Revenue	296.8	274.6	300.0	373.9	480.0
EBITDA	34.7	42.1	39.1	40.8	48.4
Depreciation	(4.2)	(5.2)	(3.4)	(2.6)	(4.1)
EBIT	30.5	36.9	35.7	38.2	44.3
Finance cost	0.0	0.0	0.0	0.0	0.0
PBT	30.5	36.9	35.7	38.2	44.3
Taxation	(8.0)	(9.1)	(9.3)	(9.9)	(11.5)
NCI	0.0	0.0	0.0	0.0	0.0
Net profit	22.5	27.9	26.4	28.3	32.8
Core profit	23.4	28.6	26.4	28.3	32.8
GDPS (sen)	na	2.0	2.0	2.0	2.0
Div Yield (%)	na	6.5	6.5	6.5	6.5

Cash Flow (RMmn)

YE Dec 31	2017	2018	2019F	2020F	2021F
PBT	30.5	36.9	35.7	38.2	44.3
Adjustments	7.7	4.5	0.5	(1.0)	0.3
Changes in WC	(10.9)	25.1	7.0	(3.0)	(4.2)
Interest & tax	(8.5)	(9.0)	(9.3)	(9.9)	(11.5)
Operational cash flow	18.8	16.8	33.8	24.3	28.8
Capex	(5.4)	(3.5)	(5.0)	(10.0)	(10.0)
Others	(2.4)	0.9	2.9	3.6	3.8
Investment cash flow	(7.9)	(2.6)	(2.1)	(6.4)	(6.2)
Debt raised/(repaid)	(4.0)	0.0	0.0	0.0	0.0
Dividend	(9.8)	(6.3)	(12.5)	(12.5)	(12.5)
Others	(1.1)	42.1	0.0	0.0	0.0
Financial cash flow	(15.0)	35.8	(12.5)	(12.5)	(12.5)
Net cash flow	(4.0)	50.1	19.3	5.4	10.1
Beginning cash	30.0	26.0	10.8	30.1	35.5
Ending cash	26.0	76.1	30.1	35.5	45.6
Adjustments	(20.5)	0.0	0.0	0.0	0.0
Cash	5.5	10.8	30.1	35.5	45.6

Assumptions (RMmn)

YE Dec 31	2017	2018	2019F	2020F	2021F
New job wins	744.9	2.6	652.0	400.0	400.0

Balance Sheet (RMmn)

YE Dec 31	2017	2018	2019F	2020F	2021F
Fixed assets	13.0	11.2	12.9	20.3	26.2
Others	-	-	-	-	-
NCA	13.0	11.2	12.9	20.3	26.2
Cash	5.5	10.8	30.1	35.5	45.6
Short term fund + FD	25.9	72.5	72.5	72.5	72.5
Others	107.7	118.2	123.2	153.5	197.0
CA	139.2	201.5	225.8	261.5	315.1
Total assets	152.2	212.8	238.6	281.7	341.3
ST borrowings	-	-	-	-	-
Other liabilities	112.2	108.6	120.6	147.9	187.2
CL	112.2	108.6	120.6	147.9	187.2
Shareholders' funds	39.9	104.1	118.1	133.8	154.2
LT borrowings	-	-	-	-	-
Other LT liabilities	0.1	-	-	-	-
NCL	0.1	-	-	-	-
Total capital	152.2	212.8	238.6	281.7	341.3

Ratio

YE Dec 31	2017	2018	2019F	2020F	2021F
EBITDA Margins (%)	11.7	15.3	13.0	10.9	10.1
Core EPS (sen)	3.8	4.6	4.2	4.5	5.2
EPS Growth (%)	45.7	22.0	(7.6)	7.0	16.0
PER (x)	8.3	6.8	7.3	6.8	5.9
GDPS (sen)	na	2.0	2.0	2.0	2.0
Div Yield (%)	na	6.5	6.5	6.5	6.5
Net cash (RMmn)	31.5	83.3	102.6	108.0	118.1
Net gearing (%)	net cash	net cash	net cash	net cash	net cash
ROE (%)	69.9	39.7	23.8	22.5	22.8
ROA (%)	17.9	15.7	11.7	10.9	10.5
NTA (sen)	6.4	16.7	18.9	21.4	24.7
P/NTA(x)	4.9	1.9	1.6	1.4	1.3

Stock Recommendation Guideline

- BUY** : Total return within the next 12 months exceeds required rate of return by 5%-point.
HOLD : Total return within the next 12 months exceeds required rate of return by between 0-5%-point.
SELL : Total return is lower than the required rate of return.
Not Rated: The company is not under coverage. The report is for information only.

Total Return is defined as expected share price appreciation plus gross dividend over the next 12 months. Gross dividend is excluded from total return if dividend discount model valuation is used to avoid double counting.

Required Rate of Return of 7% is defined as the yield for one-year Malaysian government treasury plus assumed equity risk premium.

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As of Friday, September 27, 2019, the analyst, Ooi Beng Hooi, who prepared this report, has interest in the following securities covered in this report:
(a) nil

Kaladher Govindan – Head of Research

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