

# GDB Holdings Berhad

On a Strong Growth Trajectory

**TP: RM0.69** (+40.8%)

Last Traded: RM0.49

**BUY**

Ooi Beng Hooi

Tel: +603-2167 9612

benghooi@ta.com.my

www.taonline.com.my

### Results Review

- GDB's 9M19 net profit of RM21.2mn came in within our expectations, accounting for 80.0% of our full-year estimates.
- YoY, while 9M19 revenue was 4.2% higher at RM213.9mn, core profit was 8.8% lower at RM21.2mn, mainly due to higher administrative costs, which jumped 33.0%, coupled with higher profit recorded from completed projects in the previous year.
- QoQ, 3Q19 revenue improved by 10.2% to RM78.2mn as higher revenue was recognised from AIRA Residence, Menara Hap Seng 3 and Perla Ara Sentral projects. Net profit grew at a slower pace of 3.5% to RM7.2mn as gross margin eased marginally by 0.9%-pts to 12.8%.

### Impact

- Maintain FY19 to FY21 earnings forecasts.

### Outlook

- The outstanding order book stood at RM1.26bn, translating into 4.6x FY18 revenue. YTD, GDB has secured RM953.9mn in new jobs.

### Valuation

- While GDB is a relatively young construction company which kicked-off its first construction job about 6 years ago, its current market capitalisation, profitability and balance sheet (net cash of RM59.9mn with zero borrowing) are superior to several listed construction companies.
- In terms of market capitalisation, it is currently ranked 23<sup>rd</sup> among 55 construction companies listed on Bursa Malaysia. This is a testimony of the strong execution capability of the group, in our view. Together with sizeable outstanding order book which puts the company on a strong growth trajectory in the foreseeable future, we raise the target PE multiple for GDB from 10x to 12x.
- As a result, the target price for **GDB** is upgraded from RM0.575 to **RM0.69**, based on 12xCY20 earnings. Maintain **Buy**.

### Share Information

Bloomberg Code	GDB MK
Bursa	GDB
Stock Code	0198
Listing	Ace Market
Share Cap (mn)	625.0
Market Cap (RMmn)	306.3
52-wk Hi/Lo (RM)	0.515/0.22
12-mth Avg Daily Vol ('000 shrs)	1429.3
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 (%)	-	-
Net profit (RMmn)	26.4	35.7
Consensus	-	-
TA's / Consensus (%)	-	-
Previous Rating	Buy (Maintained)	

### Financial Indicators

	FY19	FY20
Net Debt / Equity (%)	net cash	net cash
CFPS (sen)	3.1	1.3
Price / CFPS (x)	15.9	38.3
ROA (%)	11.7	12.4
NTA/Share (sen)	18.9	22.6
Price/NTA (x)	2.6	2.2

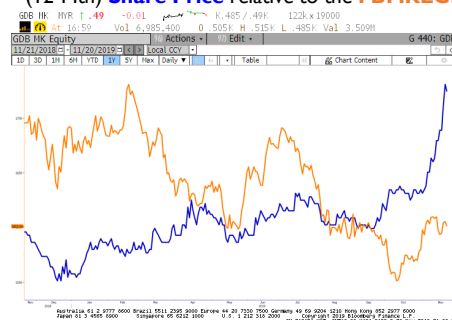
### Scorecard

	% of FY	
vs. TA	80.0	Within
vs. Consensus	-	-

### Share Performance (%)

Price Change	GDB	FBM KLCI
1 mth	46.3	1.9
3 mth	58.1	0.4
6 mth	75.0	(0.2)
12 mth	69.0	(5.6)

### (12-Mth) Share Price relative to the FBMKLCI



Source: Bloomberg

**Table 1: Earnings Summary (RMmn)**

FYE Dec (RMmn)	2017	2018	2019F	2020F	2021F
Revenue	296.8	274.6	300.0	498.9	639.7
Gross profit	35.0	41.0	38.2	53.9	65.2
EBITDA	34.7	42.1	39.1	51.0	61.6
EBITDA margin (%)	11.7	15.3	13.0	10.2	9.6
EBIT	30.5	36.9	35.7	48.5	57.5
Reported PBT	30.5	36.9	35.7	48.5	57.5
Core PBT	31.4	37.7	35.7	48.5	57.5
Reported net profit	22.5	27.9	26.4	35.7	42.4
Core profit	23.4	28.6	26.4	35.7	42.4
Core EPS (sen)	3.8	4.6	4.2	5.7	6.8
PER (x)	13.1	10.7	11.6	8.5	7.2
Gross dividend (sen)	na	2.0	2.0	2.0	2.0
Dividend yield (%)	na	4.1	4.1	4.1	4.1
ROE (%)	69.9	39.7	23.8	27.5	27.1

Note: \* based on enlarged share base of 625.0mn

**Table 2: 3QFY19 Results Analysis (RMmn)**

FYE Dec	3Q18	2Q19	3Q19	QoQ (%)	YoY (%)	9MFY18	9MFY19	YoY (%)
Revenue	55.7	70.9	78.2	10.2	40.3	205.2	213.9	4.2
Operating profit	8.9	9.0	9.2	2.2	3.4	29.8	27.5	(7.7)
Profit before taxation	8.9	9.0	9.2	2.2	3.4	29.8	27.5	(7.7)
Core PBT	8.9	9.0	9.2	(2.2)	(5.3)	(7.3)	27.5	(477.6)
Income tax expense	(2.1)	(2.1)	(2.0)	(2.2)	(5.3)	(7.3)	(6.3)	(13.1)
Net profit	6.8	6.9	7.2	3.5	6.2	22.5	21.2	(5.9)
Core net profit	6.8	6.9	7.2	3.5	6.2	23.2	21.2	(8.8)
Reported EPS (sen)*	1.2	1.1	1.2	3.6	0.0	3.7	3.4	(7.5)
Core EPS (sen)*	1.2	1.1	1.2	3.6	0.0	3.7	3.4	(8.8)
Dividend (sen)	0.0	1.0	0.0	(100.0)	na	1.0	1.0	0.0
Margin (%):								
- Operating	16.0	12.7	11.8	(0.9)	(4.2)	14.5	12.8	(1.7)
- Core PBT	16.0	12.7	11.8	(0.9)	(4.2)	14.9	12.8	(2.0)
- PAT	12.1	9.8	9.2	(0.6)	(2.9)	11.3	9.9	(1.4)
- Effective tax rate	24.1	23.0	22.0	(1.0)	(2.0)	24.4	23.0	(1.4)

### 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.

### Disclaimer

The information in this report has been obtained from sources believed to be reliable. Its accuracy and/ or completeness is not guaranteed and opinions are subject to change without notice. This report is for information only and not to be construed as a solicitation for contracts. We accept no liability for any direct or indirect loss arising from the use of this document. We, our associates, directors, employees may have an interest in the securities and/or companies mentioned herein.

As of Thursday, November 21, 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**

TA SECURITIES HOLDINGS BERHAD (14948-M)

A Participating Organisation of Bursa Malaysia Securities Berhad

Menara TA One | 22 Jalan P. Ramlee | 50250 Kuala Lumpur | Malaysia | Tel: 603 – 2072 1277 | Fax: 603 – 2032 5048  
www.ta.com.my