

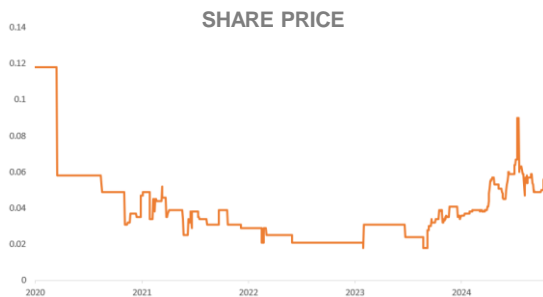
# GDS Global Limited

25 Oct 2024

## Non-Rated

<b>BBG</b>	GDS SP	
<b>Market Cap</b>	S\$13.0m	
<b>Price (25 Oct 2024)</b>	S\$0.058	
<b>52-week range</b>	S\$0.032 - 0.09	
<b>Shares Outstanding</b>	224.0m	
<b>Free Float</b>	70.8%	
<b>Major Shareholder</b>	Tang Hee Sung	21.0%
	Han Ming Kwang	7.7%

Source: Company Data, Bloomberg, SAC Capital



Source: Bloomberg, SAC Capital

## ANALYST

Daniel Ng

+65 9382 9657

[dng@saccapital.com.sg](mailto:dng@saccapital.com.sg)

Matthias Chan

+65 9687 9957

[mchan@saccapital.com.sg](mailto:mchan@saccapital.com.sg)

## KEY FINANCIAL HIGHLIGHTS

Year ended Sep (S\$m)	FY21	FY22	FY23	1H23	1H24
Revenue	13.0	13.7	12.2	6.0	5.5
EBIT	(1.3)	(1.3)	(2.1)	(1.1)	(0.9)
Net loss	(1.6)	(1.7)	(2.1)	(1.2)	(1.0)
EPS (in cents)	(1.7)	(1.9)	(2.1)	(1.1)	(1.0)
Net cash / (debt)	8.8	7.2	5.9	5.9	4.4
Valuation					
Net profit margin (%)	-12.3%	-12.3%	-17.4%	-19.4%	-17.8%
EV/EBITDA (x)	n.a	n.a.	n.a	n.a.	11.2
P/E (x)	n.a	n.a	n.a	n.a	n.a
P/B (x)	0.5	0.5	0.7	0.6	0.8

## Positioned for Growth

**GDS Global Limited.** GDS Global Limited ("GDS") is a leading provider of commercial and industrial door and shutter systems in Southeast Asia. Established in 1982, GDS manufactures and supplies a wide range of products, including blast-resistant shutters, fire-rated systems, and specialty doors for industries like manufacturing, factory, warehouse, data centres, retail, and more.

**Financial performance.** Revenue for 1H24 decreased by 8.3% to S\$5.5m, primarily due to a decrease in sales in the doors and shutter systems and production components segments. However, gross profit saw a notable improvement of 13.1% to S\$1.9m. This was largely due to lower material and subcontractor costs, resulting in an increase in gross margin from 27.2% in 1H23 to 33.6% in 1H24. Net loss narrowed by 16.0% to S\$1.0m in 1H24. Notably, during covid years of FY21 and FY22, revenue remained strong, averaging around S\$13.3m. Despite these challenges, GDS remained financially stable with no borrowings and is in a net cash position of S\$4.4m, accounting for 33.8% of its market cap.

**Recent Management Changes.** In late 2023, GDS underwent a significant change in leadership as part of a strategic transformation to revitalise its business. Michael Wong, the company's long-serving Chief Executive Officer, stepped down from his position due to health reasons and was redesignated as Non-Executive Non-Independent Chairman. He later stepped down from the Chairman position. Several independent Non-Executive Directors retired, making way for new directors with diverse expertise in law, finance and corporate strategy, ensuring strong governance. A critical addition was Mr Tang Hee Sung, a Non-Executive Non-Independent Chairman, a seasoned veteran in Singapore's building and construction industry. He is expected to open new growth opportunities for GDS. Additionally, the appointments of Kenny Zhang as Chief Operating Officer and Goh Joo San as Chief Financial Officer further strengthen GDS executive team, bolstering future growth.

**Collaboration with BRG.** One of the most significant recent developments for GDS is its collaboration with US-based Blast Resource Group (BRG). Under this collaboration, BRG has been appointed as the exclusive distributor of GDS's blast mitigating and blast resistant roller shutters in the United States. These products address a crucial safety gap in the US market, where blast-resistant solutions for doors and shutters are scarce. This collaboration provides GDS access of BRG's well-established network in the petrochemical and hazardous material sectors across the US. This joint effort strengthens GDS's foothold in a lucrative market, especially in regions with high petrochemical activity like Texas and Louisiana.

**Risks.** GDS operates in an industry which experiences fluctuations in demand due to economic conditions and rising material costs can significantly impact the company's performance.

## Income Statement

FYE Sep (\$\$'m)	FY21	FY22	FY23	1H23	1H24
<b>Revenue</b>	<b>13.0</b>	<b>13.7</b>	<b>12.2</b>	<b>6.0</b>	<b>5.5</b>
Cost of sales	(9.1)	(9.6)	(8.8)	(4.4)	(3.7)
Other operating income	0.6	0.3	0.1	0.1	0.1
Marketing and distribution expenses	(0.4)	(0.4)	(0.3)	(0.2)	(0.1)
Administrative expenses	(5.0)	(4.8)	(4.8)	(2.3)	(2.5)
Other operating expenses	(0.3)	(0.5)	(0.3)	(0.2)	(0.1)
Interest revenue	0.0	0.0	0.0	-*	-
Other gains and losses	(0.0)	0.1	(0.1)	(0.2)	(0.0)
Finance costs	(0.2)	(0.2)	(0.2)	(0.1)	(0.1)
Loss before tax	(1.5)	(1.5)	(2.2)	(1.1)	(1.0)
Income tax credit (expense)	(0.1)	(0.2)	0.1	(0.0)	(0.0)
<b>Loss for the year</b>	<b>(1.6)</b>	<b>(1.7)</b>	<b>(2.1)</b>	<b>(1.2)</b>	<b>(1.0)</b>

## Balance Sheet

FYE Sep (\$\$'m)	FY21	FY22	FY23	1H23	1H24
<b>Cash and cash equivalents</b>	<b>8.8</b>	<b>7.2</b>	<b>5.9</b>	<b>5.9</b>	<b>4.4</b>
Trade and other receivables	2.0	2.8	2.0	2.1	1.3
Contract assets	1.1	0.6	0.4	0.6	0.4
Inventories	1.9	1.9	1.7	1.8	2.2
<b>Total current assets</b>	<b>13.8</b>	<b>12.5</b>	<b>9.9</b>	<b>10.4</b>	<b>8.3</b>
Property, plant and equipment	2.3	1.9	1.6	1.8	1.6
Right-of-use assets	8.9	7.6	6.4	6.9	5.7
Intangible assets	1.5	1.4	1.3	1.3	1.2
Subsidiaries	-	-	-	-	-
<b>Total non-current assets</b>	<b>12.7</b>	<b>10.9</b>	<b>9.2</b>	<b>10.0</b>	<b>8.5</b>
<b>Total assets</b>	<b>26.5</b>	<b>23.3</b>	<b>19.2</b>	<b>20.4</b>	<b>16.7</b>
Trade and other payables	1.2	1.4	1.3	0.8	1.3
Contract liabilities	0.9	0.8	0.6	0.6	0.3
Lease liabilities	1.2	1.3	1.4	1.3	1.5
Income tax payable	0.2	0.2	0.1	0.2	0.1
<b>Total current liabilities</b>	<b>3.5</b>	<b>3.8</b>	<b>3.4</b>	<b>2.9</b>	<b>3.1</b>
Deferred tax liabilities	0.2	0.2	0.0	0.2	0.0
Lease liabilities	8.3	7.0	5.7	6.4	5.1
Other payables	0.3	0.2	0.2	0.2	0.2
<b>Total non-current liabilities</b>	<b>8.8</b>	<b>7.4</b>	<b>5.9</b>	<b>6.7</b>	<b>5.2</b>
<b>Total liabilities</b>	<b>12.3</b>	<b>11.2</b>	<b>9.3</b>	<b>9.6</b>	<b>8.4</b>
Share capital	5.2	5.2	5.2	5.2	5.2
Reserves	7.1	4.9	2.6	3.7	1.5
Equity attributable to owners of the Company	12.3	10.1	7.8	9.0	6.7
Non-controlling interests	1.8	2.1	2.0	1.9	1.7
<b>Total equity</b>	<b>14.2</b>	<b>12.2</b>	<b>9.8</b>	<b>10.8</b>	<b>8.4</b>
<b>Total liabilities and equity</b>	<b>26.5</b>	<b>23.3</b>	<b>19.2</b>	<b>20.4</b>	<b>16.7</b>
<b>Net cash / (debt)</b>	<b>8.8</b>	<b>7.2</b>	<b>5.9</b>	<b>5.9</b>	<b>4.4</b>

## Cash Flow Statement

FYE Sep (\$\$'m)	FY21	FY22	FY23	1H23	1H24
<b>Operating activities</b>					
<b>Loss before tax</b>	<b>(1.5)</b>	<b>(1.5)</b>	<b>(2.2)</b>	<b>(1.1)</b>	<b>(1.0)</b>
Adjustments for:					
Interest income	(0.0)	(0.0)	(0.0)	0.0	0.0
Interest expense on lease liabilities	0.2	0.2	0.2	0.1	0.1
Depreciation of property, plant and equipment	0.5	0.5	0.5	0.2	0.3
Depreciation of right-of-use assets	1.4	1.4	1.4	0.7	0.7
Amortisation of intangible assets	0.1	0.1	0.1	0.0	0.1
Bad debts written off	-	0.0	*	-	-
Allowance for inventory obsolescence, net	0.0	0.0	0.1	-	-
Gain on disposal of property, plant and equipment	0.0	(0.0)	-	-	-
Net foreign exchange loss (gain)	0.0	(0.0)	0.1	0.1	0.0
Amortisation of deferred grant income	(0.3)	(0.1)	(0.1)	(0.0)	(0.0)
Operating cash flows before movements in working capital	0.5	0.6	0.0	(0.0)	0.1
Inventories	0.3	(0.1)	0.2	0.1	(0.5)
Trade and other receivables	(0.1)	(0.7)	0.8	0.7	0.7
Contract assets	(0.2)	0.5	0.2	(0.0)	(0.0)
Trade and other payables	0.3	0.1	(0.1)	(0.5)	0.0
Contract liabilities	0.6	(0.1)	(0.2)	(0.3)	(0.3)
Cash generated from operations	1.4	0.3	1.0	0.1	(0.1)
Interest paid on lease liabilities	(0.2)	(0.2)	(0.2)	(0.1)	(0.0)
Income tax paid	(0.2)	(0.1)	(0.2)	(0.1)	(0.1)
<b>Net cash from (used in) operating activities</b>	<b>1.0</b>	<b>(0.0)</b>	<b>0.6</b>	<b>(0.1)</b>	<b>(0.2)</b>
<b>Investing activities</b>					
Purchase of property, plant and equipment	(0.1)	(0.2)	(0.2)	(0.1)	(0.1)
Proceeds from disposal of property, plant and equipment	0.0	0.1	-	-*	-
Interest received	0.0	0.0	0.0	-*	-
Purchase of intangible assets	(0.1)	-	(0.0)	-*	-
<b>Net cash used in investing activities</b>	<b>(0.2)</b>	<b>(0.1)</b>	<b>(0.2)</b>	<b>(0.1)</b>	<b>(0.1)</b>
<b>Financing activities</b>					
Dividends paid to non-controlling shareholders by subsidiary	(0.2)	(0.2)	(0.3)	(0.3)	(0.5)
Repayment of lease liabilities	(1.0)	(1.3)	(1.4)	(0.7)	(0.7)
Cash used in financing activities	(1.2)	(1.5)	(1.6)	(1.0)	(1.2)
Net decrease in cash and cash equivalents	(0.4)	(1.6)	(1.2)	(1.2)	(1.5)
<b>Cash and cash equivalents at beginning of year</b>	<b>9.2</b>	<b>8.8</b>	<b>7.2</b>	<b>7.2</b>	<b>5.9</b>
<b>Effects of foreign exchange rate changes on the balance of cash held in foreign currencies</b>	<b>(0.0)</b>	<b>0.0</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.0)</b>
<b>Cash and cash equivalents at end of year</b>	<b>8.8</b>	<b>7.2</b>	<b>5.9</b>	<b>5.9</b>	<b>4.4</b>

## DISCLAIMERS AND DISCLOSURES

This report has been prepared and distributed by SAC Capital Private Limited (“**SAC Capital**”) which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report has been prepared for the purpose of general circulation, we have not had regard to the specific investment objectives, financial situation, tax position or unique needs and constraints of any individual person or any specific group of persons and does not purport to be comprehensive or contain all necessary information which a prospective investor may require in arriving at an investment decision. Any prospective purchaser should make his own investigation of the securities and all information provided. Advice should be sought from a financial adviser regarding suitability, taking into account the specific investment objectives, financial situation or particular needs of the person in receipt of the recommendation, before a commitment to purchase is entered into.

This report does not constitute or form part of any offer or solicitation of any offer to buy or sell any securities. This report is confidential and the information in this report shall not be copied or reproduced in part or in whole, and save for the recipient of this report, shall not be disclosed to any other person without the prior written consent of SAC Capital. The distribution of this report outside the jurisdiction of Singapore is also strictly prohibited.

Whereas SAC Capital has not independently verified all the information set out in this report, all reasonable care and effort has been taken to ensure that the facts stated herein are accurate, this report might contain certain forward looking statements and forward looking financial information which are based on certain assumptions and involve known and unknown risks, uncertainties and other factors which may cause the actual results or performance of the subject company to be materially different from those expressed herein. Predictions, projections or forecasts of the economy or market trends are not indicative of the future performance of the subject company. The inclusion of such statements and information should not be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions of the subject company or that the forecast results will or are likely to be achieved.

Our opinion and facts set out in this report are based on the market, economic, industry and other applicable conditions prevailing as at the date of the preparation of this report. Such conditions may change significantly over a relatively short period of time and we assume no responsibility to update, revise or reaffirm our opinion in light of any development subsequent to the publication of this report, that may or may not have affected our opinion contained herein.

This report contains forward-looking statement which are based on assumptions or forecasts and are subject to uncertainties which may result in the actual result or performance to be materially different from the opinion or facts set out herein. Caution should be exercised in placing undue reliance on such statements. such assumptions or forecasts may change over a relatively short period of time and we assume no responsibility to update, revise or reaffirm our opinion in light of any development subsequent to the publication of this report.

No representation or warranty, expressed or implied, is made and no responsibility is accepted by the company, SAC Capital, or any of their affiliates, advisers or representatives as to the fairness, accuracy, completeness or adequacy of such information or facts, in this report or any other written or oral information made available to any interested party or its advisers and any liability therefore is hereby expressly disclaimed.

SAC Capital and its associates, directors, and/or employees may have positions in the securities covered in the report and may also perform or seek to perform other corporate finance and/or capital markets related services for the company whose securities are covered in the report. SAC Capital and its related companies may from time to time perform advisory services or solicit such advisory services from the entity mentioned in this report (“**Other Services**”). This report is therefore classified as a non-independent report. However, the research professionals involved in the preparation of this report are independent of those possible or actual business relationships as they have not and will not participate in the solicitation or provision of such business.

As at the date of this report, SAC Capital does not have proprietary positions or interests in the subject company, except for:

Party	Quantum of position
Nil	Nil

As at the date of this report, none of the analysts who covered the securities in this report have any proprietary position or material interest in the subject companies covered here in, except for:

<b>Analyst name</b>	<b>Quantum of position</b>
Nil	Nil

#### **ANALYST CERTIFICATION/REGULATION AC**

As noted above, research analyst(s) of SAC Capital who produced this report hereby certify that

- (i) The views expressed in this report accurately reflect his/her personal views about the subject corporation(s);
- (ii) The report was produced independently by him/her;
- (iii) He/she does not on behalf of SAC Capital or any other person carry out Other Services involving any of the subject corporation(s) or securities referred to in this report; and
- (iv) He/she has not received and will not receive any compensation directly or indirectly related to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. He/she has not and will not receive any compensation directly or indirectly linked to the performance of the securities of the subject corporation(s) from the time of the publication of this report either.