Maybank IB Research

Shariah Compliant

Real Estate

Malaysia

# Glomac (GLMC MK)

# A tough year

# HOLD

| | |
|---|---|
| Share Price | MYR 0.48 |
| 12m Price Target | MYR 0.56 (+18%) |
| *Previous Price Target* | *MYR 0.57* |

## Earnings and sales fell short

Glomac's FY4/18 core net profit was below our and consensus expectations, with weaker core net profit by -58% YoY. Its FY4/18 property sales of MYR214m (-49% YoY) also fell short due to the lack of new launches. We lower our earnings forecasts by 11-13%. Our new RNAV-TP is MYR0.56 (-1sen) on unchanged 0.3x P/RNAV peg. HOLD.

## Earnings below expectations

Excluding the reversal of provision for foreseeable loss and expenses of MYR19.5m (net), 4QFY4/18 core net profit was MYR3.6m (MYR1m loss in 4QFY17, -16% QoQ), bringing FY4/18 core earnings to MYR11.5m (-58% YoY), at just 87%/88% of our/consensus estimates. FY4/18's net profit fall was due to: 1) weak property sales in FY18 (FY17: +38% YoY; FY18: -49%), 2) losses from Glo Damansara Mall, and 3) higher tax charges due to non-recognition of deferred tax assets on tax losses and under provision of prior year tax expenses. Glomac has declared a 1.5sen NDPS (-50% YoY), above expectations.

## Sales fell short

FY4/18 locked-in property sales of MYR214m (MYR420m in FY4/17) accounted for just 54%/59% of management's/our MYR400-420m/MYR363m sales forecasts for FY4/18. Apart from the weak buying sentiment, the lower sales were also due to the delay of two new launches i.e. PKJ and Saujana KLIA projects. Management has not guided on sales target but expects better sales in FY4/19 supported by MYR1b worth of new launches and strong interests registered for its PKJ project.

## Earnings adjustments

We lower our FY19/FY20 earnings forecasts by 13%/11% to factor in actual FY18 results and a lower property sales assumption of MYR507m (-6%) for FY19. Our RNAV/shr estimate is lowered to MYR1.87 (-2 sen) after factoring in the latest remaining landbank. As at end-Apr 2018, Glomac's unbilled sales were MYR410m (1.2x FY19F property revenue).

| FYE Apr (MYR m) | FY17A | FY18A | FY19E | FY20E | FY21E |
|---|---|---|---|---|---|
| Revenue | 584 | 405 | 341 | 403 | 622 |
| EBITDA | 203 | 110 | 63 | 74 | 114 |
| Core net profit | 108 | 11 | 26 | 32 | 58 |
| Core EPS (sen) | 15.0 | 1.6 | 3.5 | 4.5 | 8.1 |
| Core EPS growth (%) | 52.5 | (89.4) | 123.0 | 26.0 | 80.7 |
| Net DPS (sen) | 3.0 | 1.5 | 1.1 | 1.3 | 2.4 |
| Core P/E (x) | 3.2 | 29.9 | 13.4 | 10.6 | 5.9 |
| P/BV (x) | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| Net dividend yield (%) | 6.3 | 3.2 | 2.2 | 2.8 | 5.1 |
| ROAA (%) | 5.5 | 0.6 | 1.3 | 1.6 | 2.7 |
| EV/EBITDA (x) | 2.4 | 6.6 | 11.7 | 11.4 | 8.8 |
| Net gearing (%) (incl perps) | net cash | 30.3 | 31.7 | 38.9 | 51.2 |
| Consensus net profit | - | - | 25 | 35 | na |
| MKE vs. Consensus (%) | - | - | 4.0 | (8.4) | na |

**Company Description**

*Glomac Bhd is principally involved in property development business.*

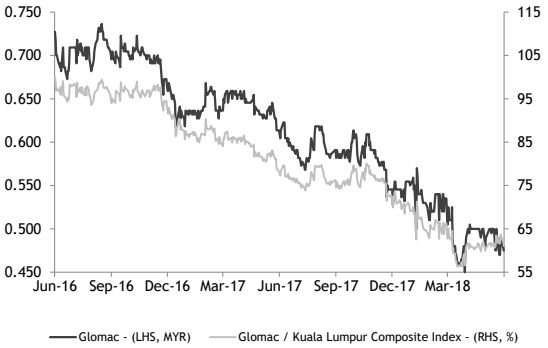
**Statistics**

| | |
|---|---|
| 52w high/low (MYR) | 0.62/0.45 |
| 3m avg turnover (USDm) | 0.0 |
| Free float (%) | 38.6 |
| Issued shares (m) | 800 |
| Market capitalisation | MYR380.0M |
| | USD96M |

Major shareholders:

| | |
|---|---|
| BIN FATEH DIN MOHAMED MANSOR | 20.2% |
| BIN MOHAMED MANSOR FATEH ISKANDAR | 16.9% |
| FONG LOONG TUCK | 16.4% |

**Price Performance**




| | -1M | -3M | -12M |
|---|---|---|---|
| Absolute (%) | (5) | (8) | (23) |
| Relative to index (%) | (0) | (3) | (21) |

*Source: FactSet*

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**Table 1: Results summary - Glomac**

| | Quarterly | | | | | Cumulative | | |
|---|---|---|---|---|---|---|---|---|
| **FY Apr (MYR m)** | **4Q18** | **4Q17** | **% YoY** | **3Q18** | **% QoQ** | **2018** | **2017** | **%YoY** |
| **Revenue** | **92.2** | **161.2** | ***(42.8)*** | **105.1** | ***(12.3)*** | **404.7** | **584.1** | ***(30.7)*** |
| EBIT | 41.5 | 22.5 | *84.2* | 11.8 | *>+100* | 78.5 | 188.2 | *(58.3)* |
| Finance costs | (8.9) | (6.6) | *35.8* | (4.6) | *95.0* | (22.8) | (20.2) | *12.8* |
| Share of results of associates | (0.2) | 0.5 | *>-100* | 1.2 | *>-100* | (0.5) | 1.8 | *>-100* |
| **Profit before tax** | **32.3** | **16.5** | ***96.2*** | **8.4** | ***>+100*** | **55.2** | **169.7** | ***(67.5)*** |
| Taxation | (6.8) | (16.1) | *(57.7)* | (5.0) | *35.6* | (22.0) | (60.5) | *(63.7)* |
| Minority interest | (2.4) | (1.3) | *83.9* | 0.9 | *>-100* | (2.3) | (1.0) | *>+100* |
| **Net profit** | **23.1** | **(1.0)** | ***>+100*** | **4.3** | ***>+100*** | **30.9** | **108.2** | ***(71.4)*** |
| **Net profit ex-EI** | **3.6** | **(1.0)** | ***>+100*** | **4.3** | ***(15.5)*** | **11.5** | **27.3** | ***(58.0)*** |
| | ***4Q18*** | ***4Q17*** | ***+/- ppt*** | ***3Q18*** | ***+/- ppt*** | ***2018*** | ***2017*** | ***+/- ppt*** |
| *EBIT margin (%)* | *45.0* | *14.0* | *31.0* | *11.3* | *33.7* | *19.4* | *32.2* | *(12.8)* |
| *Tax rate (%)* | *21.1* | *97.9* | *(76.8)* | *59.7* | *(38.7)* | *39.8* | *35.7* | *4.2* |

*Sources: Company, Maybank KE*

**Our RNAV estimate**

| **Landbank** | **acres** | **MV (MYRm)** | **BV (MYRm)** | **Surplus (MYRm)** |
|---|---|---|---|---|
| Sri Saujana, Johor | 79.8 | 69.5 | 67.7 | 1.8 |
| Tmn Kota Laksamana, Melaka | 9.9 | 12.9 | 16.3 | (3.4) |
| New lands in Mukim Ijok (next to Bandar Saujana Utama) | 256.1 | 223.1 | 67.0 | 156.1 |
| Sepang land | 123.6 | 96.9 | 88.5 | 8.4 |
| Kulaijaya, Johor | 163.6 | 57.0 | 22.8 | 34.2 |
| ***Sub-total:*** | | | | ***197.0*** |
| **Active developments: Discount rate (WACC: 11-16%)** | | | | |
| Saujana Rawang | | | | 20.4 |
| Glomac Centro | | | | 21.3 |
| Lake Residence, Puchong | | | | 125.2 |
| Plaza kelana Jaya-Phase 4 | | | | 27.1 |
| ***Sub-total:*** | | | | ***194.0*** |
| **Investment properties** | **NLA (sq.ft.)** | **MV (MYRm)** | **BV (MYRm)** | **Surplus** |
| Glo Damansara | 352,000.0 | 318.0 | 318.0 | 0.0 |
| ***Sub-total:*** | | | | ***0.0*** |
| **Grand total:** | | | | **391.0** |
| Shareholder fund (MYRm) - FY4/18 | | | | 1,094.9 |
| **Total RNAV (MYRm) (a)** | | | | **1,485.9** |
| Enlarged share base | | | | 793.2 |
| **RNAV/sh (MYR)** | | | | **1.87** |
| **Target price (MYR) - 0.3x P/RNAV** | | | | **0.56** |

*Source: Company, Maybank KE*

| FYE 30 Apr | FY17A | FY18A | FY19E | FY20E | FY21E |
|---|---|---|---|---|---|
| **Key Metrics** | | | | | |
| P/E (reported) (x) | 4.5 | 13.2 | 13.4 | 10.6 | 5.9 |
| Core P/E (x) | 3.2 | 29.9 | 13.4 | 10.6 | 5.9 |
| P/BV (x) | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| P/NTA (x) | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| Net dividend yield (%) | 6.3 | 3.2 | 2.2 | 2.8 | 5.1 |
| FCF yield (%) | 22.8 | nm | nm | nm | nm |
| EV/EBITDA (x) | 2.4 | 6.6 | 11.7 | 11.4 | 8.8 |
| EV/EBIT (x) | 2.6 | 9.3 | 14.5 | 13.5 | 9.8 |
| | | | | | |
| **INCOME STATEMENT (MYR m)** | | | | | |
| Revenue | 584.1 | 404.7 | 341.3 | 403.1 | 621.9 |
| Gross profit | 235.5 | 96.9 | 102.4 | 120.9 | 186.6 |
| EBITDA | 203.4 | 110.2 | 63.4 | 73.5 | 113.7 |
| Depreciation | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Amortisation | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| EBIT | 188.2 | 78.5 | 51.2 | 61.8 | 102.2 |
| Net interest income /(exp) | (20.2) | (22.8) | (17.6) | (19.4) | (25.7) |
| Associates & JV | 1.8 | (0.5) | 0.0 | 0.0 | 0.0 |
| Exceptionals | 0.0 | 19.5 | 0.0 | 0.0 | 0.0 |
| Other pretax income | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Pretax profit | 169.7 | 55.2 | 33.6 | 42.4 | 76.5 |
| Income tax | (60.5) | (22.0) | (8.1) | (10.2) | (18.4) |
| Minorities | (1.0) | (2.3) | 0.0 | 0.0 | 0.0 |
| Perpetual securities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Discontinued operations | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Reported net profit | 108.2 | 30.9 | 25.5 | 32.2 | 58.2 |
| Core net profit | 108.2 | 11.5 | 25.5 | 32.2 | 58.2 |
| | | | | | |
| **BALANCE SHEET (MYR m)** | | | | | |
| Cash & Short Term Investments | 307.8 | 172.6 | 150.4 | 59.3 | 43.8 |
| Accounts receivable | 32.4 | 170.0 | 143.4 | 169.3 | 261.2 |
| Inventory | 143.7 | 139.7 | 117.8 | 139.1 | 214.6 |
| Property, Plant & Equip (net) | 51.0 | 48.4 | 38.6 | 36.8 | 35.4 |
| Intangible assets | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |
| Investment in Associates & JVs | 37.8 | 35.0 | 35.0 | 35.0 | 35.0 |
| Other assets | 1,392.8 | 1,347.4 | 1,523.5 | 1,553.8 | 1,725.3 |
| **Total assets** | **1,965.8** | **1,913.4** | **2,008.9** | **1,993.6** | **2,315.7** |
| ST interest bearing debt | 290.4 | 214.9 | 214.9 | 214.9 | 364.9 |
| Accounts payable | 241.0 | 253.7 | 124.0 | 146.5 | 225.9 |
| LT interest bearing debt | 0.0 | 300.2 | 300.2 | 300.2 | 300.2 |
| Other liabilities | 309.0 | 13.0 | 220.0 | 160.0 | 212.0 |
| **Total Liabilities** | **840.8** | **781.5** | **859.1** | **821.2** | **1,102.6** |
| Shareholders Equity | 1,077.5 | 1,094.9 | 1,112.7 | 1,135.3 | 1,176.0 |
| Minority Interest | 47.5 | 37.1 | 37.1 | 37.1 | 37.1 |
| **Total shareholder equity** | **1,125.0** | **1,131.9** | **1,149.8** | **1,172.3** | **1,213.1** |
| Perpetual securities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total liabilities and equity** | **1,965.8** | **1,913.4** | **2,008.9** | **1,993.6** | **2,315.7** |
| | | | | | |
| **CASH FLOW (MYR m)** | | | | | |
| Pretax profit | 169.7 | 55.2 | 33.6 | 42.4 | 76.5 |
| Depreciation & amortisation | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Adj net interest (income)/exp | (16.0) | (27.7) | 0.0 | 0.0 | 0.0 |
| Change in working capital | (56.7) | (93.1) | 38.4 | (37.4) | (132.4) |
| Cash taxes paid | (42.3) | (29.6) | (8.1) | (10.2) | (18.4) |
| Other operating cash flow | 21.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Cash flow from operations | 79.4 | (89.7) | 72.1 | 2.5 | (66.9) |
| Capex | (1.3) | (1.1) | (85.0) | (85.0) | (85.0) |
| Free cash flow | 78.1 | (90.8) | (12.9) | (82.5) | (151.9) |
| Dividends paid | (28.8) | (21.6) | (9.2) | (8.7) | (13.6) |
| Equity raised / (purchased) | (1.3) | (3.9) | 0.0 | 0.0 | 0.0 |
| Perpetual securities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Change in Debt | (0.5) | (14.4) | 0.0 | 0.0 | 0.0 |
| Perpetual securities distribution | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other invest/financing cash flow | (25.5) | (5.6) | 0.0 | 0.0 | 0.0 |
| Effect of exch rate changes | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net cash flow | 22.0 | (136.4) | (22.2) | (91.1) | (165.5) |

| FYE 30 Apr | FY17A | FY18A | FY19E | FY20E | FY21E |
|---|---|---|---|---|---|
| **Key Ratios** | | | | | |
| **Growth ratios (%)** | | | | | |
| Revenue growth | (5.3) | (30.7) | (15.7) | 18.1 | 54.3 |
| EBITDA growth | 22.5 | (45.8) | (42.5) | 16.0 | 54.6 |
| EBIT growth | 35.6 | (58.3) | (34.8) | 20.6 | 65.5 |
| Pretax growth | 38.7 | (67.5) | (39.1) | 26.0 | 80.7 |
| Reported net profit growth | 33.7 | (71.4) | (17.4) | 26.0 | 80.7 |
| Core net profit growth | 52.5 | (89.4) | 123.0 | 26.0 | 80.7 |
| | | | | | |
| **Profitability ratios (%)** | | | | | |
| EBITDA margin | 34.8 | 27.2 | 18.6 | 18.2 | 18.3 |
| EBIT margin | 32.2 | 19.4 | 15.0 | 15.3 | 16.4 |
| Pretax profit margin | 29.1 | 13.6 | 9.8 | 10.5 | 12.3 |
| Payout ratio | 20.0 | 35.0 | 30.0 | 30.0 | 30.0 |
| | | | | | |
| **DuPont analysis** | | | | | |
| Net profit margin (%) | 18.5 | 7.6 | 7.5 | 8.0 | 9.4 |
| Revenue/Assets (x) | 0.3 | 0.2 | 0.2 | 0.2 | 0.3 |
| Assets/Equity (x) | 1.8 | 1.7 | 1.8 | 1.8 | 2.0 |
| ROAE (%) | na | na | na | na | na |
| ROAA (%) | 5.5 | 0.6 | 1.3 | 1.6 | 2.7 |
| | | | | | |
| **Leverage & Expense Analysis** | | | | | |
| Asset/Liability (x) | 2.3 | 2.4 | 2.3 | 2.4 | 2.1 |
| Net gearing (%) (incl perps) | net cash | 30.3 | 31.7 | 38.9 | 51.2 |
| Net gearing (%) (excl. perps) | net cash | 30.3 | 31.7 | 38.9 | 51.2 |
| Net interest cover (x) | 9.3 | 3.4 | 2.9 | 3.2 | 4.0 |
| Debt/EBITDA (x) | 1.4 | 4.7 | 8.1 | 7.0 | 5.9 |
| Capex/revenue (%) | 0.2 | 0.3 | 24.9 | 21.1 | 13.7 |
| Net debt/ (net cash) | (17.3) | 342.5 | 364.7 | 455.9 | 621.3 |

*Source: Company; Maybank*

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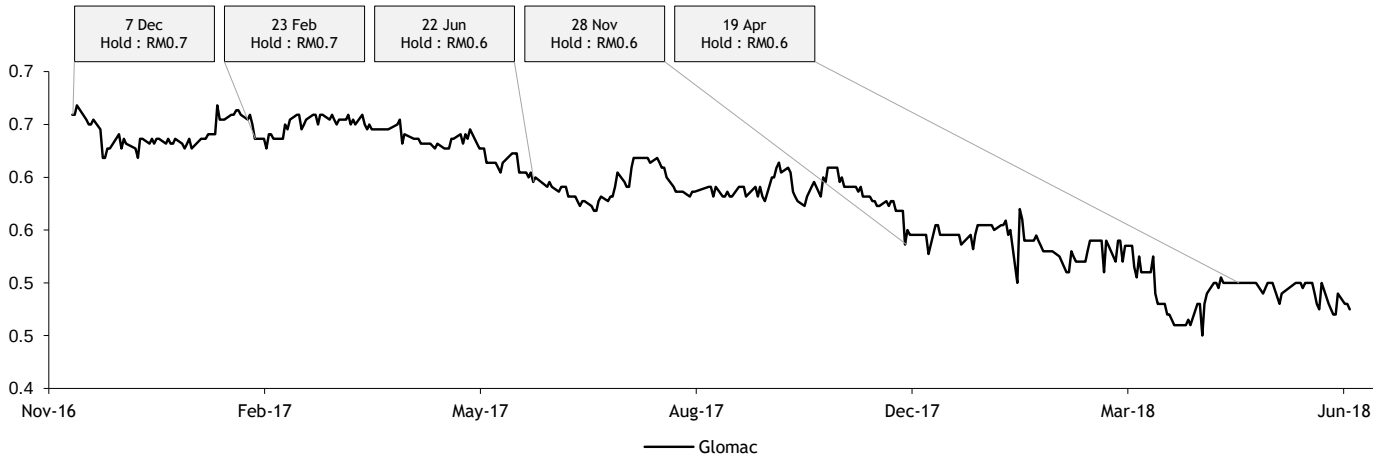
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