

Glomac Berhad

Glo Damansara Mall a Drag to Earnings

TP: RM0.32 (-24.0%)

Last Traded: RM0.42

Sell

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Review

- Registering net profit of RM2.1mn (-17% YoY), Glomac's IHFY19 results were significantly below ours and consensus expectations. The result only accounted for 16% and 17% of ours and consensus full-year earnings estimates respectively. The variance was largely due to 1) wider-than-expected losses incurred at the Glo Damansara Mall and 2) higher-than-expected effective tax rate. IHFY19 revenue was broadly in line at 42% of our full-year forecasts.
- Glomac's IHFY19 net profit fell 17% YoY to RM2.1mn. The weaker results were attributable to lower progress billing as previous key contributing projects are nearing completion or have completed during the period under review while new sales secured have yet to reach significant billing stage.
- Despite 2QFY19 revenue declining 3% QoQ to RM55.8mn, net profit for the quarter under review climbed 5.4% QoQ to RM1.1mn, thanks to cost savings from completed projects.
- Glomac secured new sales of RM72mn in 2QFY19 (+95% YoY, -22% QoQ), bringing the IHFY19 sales to RM164mn (+183% YoY). Unbilled sales remained stable at RM429mn, providing the group with 12-months' earnings visibility.

Table 1: Property Sales Breakdown

Sales (RMmn)	2QFY18	1QFY19	2QFY19	QoQ(%)	YoY(%)	IHFY18	IHFY19	YoY(%)
Glomac Damansara	0	0	3	>100	>100	0	3	>100
Bandar Saujana Utama	26	-4	9	>100	(65.4)	29	5	(82.8)
Lakeside Residenes	6	0	1	>100	(83.3)	17	1	(94.1)
Saujana KLIA	0	3	1	(66.7)	>100	1	4	300.0
Plaza @ Kelana Jaya	0	82	41	(50.0)	>100	0	123	>100
Others*	5	11	17	54.5	240.0	11	28	154.5
Total	37	92	72	(21.7)	94.6	58	164	182.8

*incl. Saujana Rawang, Cyberjaya 2, Glomac Centro, Reflection Residences & Sri Saujana Johor

Source: Glomac, TA Research

Impact

- We slashed our FY19-21 earnings by 18-58% after factoring the following:
 - 1) Adjust progress billing assumptions to reflect the timing of new launches,
 - 2) Reduce occupancy, rental and margin assumptions for Glo Damansara Mall and ;
 - 3) Input higher effective tax rate assumptions.
- We also reduced our FY19-21 dividend assumptions to 0.5sen/1.0sen/2.0sen (previous 1.5sen/2.0sen/2.5sen). Nonetheless, we maintain our FY19/20/21 sales assumptions at

Share Information

Bloomberg Code	GLMC MK
Stock Code	5020
Listing	Main Market
Share Cap (mn)	786.0
Market Cap (RMmn)	326.2
52-wk Hi/Lo (RM)	0.58/0.38
12-mth Avg Daily Vol ('000 shrs)	215.5
Estimated Free Float (%)	30.9
Beta	0.6

Major Shareholders (%)

Tan Sri Dato'Mohd Mansor (20.5)
Dato Fateh Iskandar (17.3)
Datuk Fong Loong Tuck (16.7)
Lembaga Tabung Haji (10.3)

Forecast Revision

	FY19	FY20
Forecast Revision (%)	(57.9)	(17.7)
Net profit (RMmn)	5.5	17.2
Consensus (RM mn)	12.4	25.1
TA's / Consensus (%)	44.2	68.6
Previous Rating	Sell (Maintained)	

Financial Indicators

	FY19	FY20
Net gearing (%)	21.4	21.5
CFPS (sen)	13.8	0.3
P/CFPS (x)	3.0	120.1
ROA (%)	0.3	0.9
NTA/Share (RM)	1.4	1.4
Price/ NTA (x)	0.3	0.3

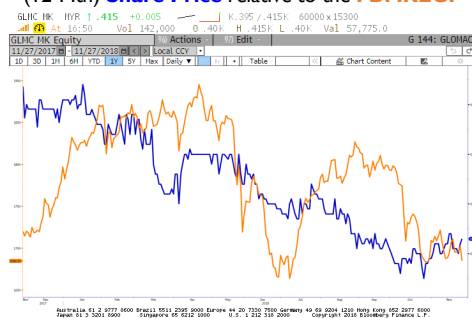
Scorecard

	% of FY	
vs. TA	16.0	Below
vs. Consensus	17.0	Below

Share Performance (%)

Price Change	Glomac	FBM KLCI
1 mth	6.4	0.1
3 mth	(1.2)	(7.8)
6 mth	(13.5)	(5.1)
12 mth	(22.6)	(1.7)

(12-Mth) Share Price relative to the FBMKLCI



Source: Bloomberg

RM400mn/RM540mn/RM600mn respectively.

Outlook

- Although there is no official sales target for FY19, management expects FY19 sales to improve YoY in view of sizable pipeline launches worth RM790mn in FY19 (vs. RM248mn launched in FY18). Recall, the group secured RM214mn sales in FY18.
- Recent launches have been well-received. Specifically, Plaza @ Kelana Jaya contributed to 75% of the total sales achieved in 1HFY19 (Block B launched in June, GDV RM147mn, 71% sold, Block C launched in Oct, GDV RM155mn, 34% sold). We believe our FY19 sales assumption of RM400mn is intact, driven by 1) secured sales of RM164mn in 1HFY19, and 2) upcoming mass market launches worth RM393mn planned for 2HFY19.

Table 2: RM790mn Planned Launches for FY19

Project	GDV (RM mn)	Project Type	Targeted Launch
Lakeside Residences	66	Shop Offices	2H
Saujana KLIA	40	Affordable Homes	3Q
Saujana Perdana (SU4)	235	Terrace Houses, Affordable Homes & Shop Offices	2H
Saujana Utama 5	22	Terrace Houses	4Q
Sri Saujana, Johor	30	Terrace Houses	2H
Saujana Jaya, Johor	40	Terrace Houses	1Q
Plaza @ Kelana Jaya	357	Serviced Apts & Shop Offices	1H
Total	790		

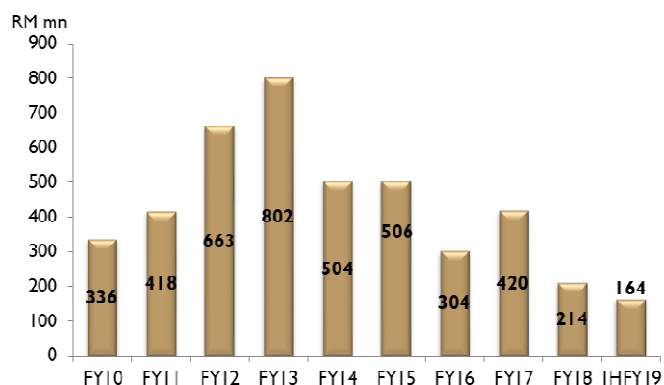
Source: Glomac, TA Research

- The group's performance was largely dragged by Glo Damansara Mall as we understand that the mall is suffering losses of c.RM1mn per month due to its low occupancy rate and shopper traffic. However, management expects the mall to turnaround next year, as it has secured a renowned international retailer for the mall. Targeted to commence operation in Mar/Apr-19, the entry of the new tenant is expected to increase the mall's occupancy to approximately 77% from about 45% currently.

Valuation

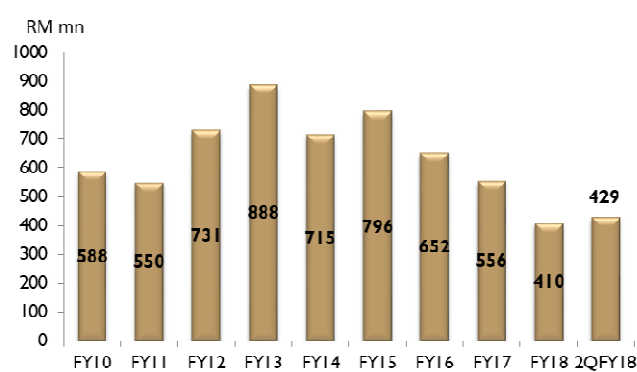
- Following the change in earnings, target price is revised lower to RM0.32/share (RM0.37/share previously), based on unchanged target average blended CY19 CY PE/PB of 5x/0.4x. Given the potential price downside of 24%, we reiterate our **Sell** recommendation on Glomac

Figure 1 : Property Sales (excludes en-bloc & land sale)



Source: Glomac, TA Securities

Figure 2 : Unbilled Sales



Source: Glomac, TA Securities

Table 1: Earnings Summary (RM mn)

FYE April	2017	2018	2019F	2020F	2021F
Reported Revenue	584.1	404.7	267.7	334.5	483.6
Normalised Revenue	438.5	404.7	267.7	334.5	483.6
EBITDA	193.7	81.6	32.9	48.5	76.3
EBITDA margin (%)	33.2	20.2	12.3	14.5	15.8
Reported Pretax Profit	169.7	55.2	9.1	24.6	52.3
Normalised Pretax Profit	36.2	29.8	9.1	24.6	52.3
Reported Net Profit	108.2	30.9	5.5	17.2	39.2
Normalised Net Profit	11.6	11.6	5.5	17.2	39.2
Normalised EPS (sen)	1.4	1.5	0.7	2.2	4.9
Normalised EPS growth (%)	(84.2)	0.2	(53.0)	215.8	127.7
PER (x)	28.7	28.6	60.9	19.3	8.5
Gross div (sen)	2.7	1.5	0.5	1.0	2.0
Dividend yield (%)	6.6	3.6	1.2	2.4	4.8
ROE (%)	1.1	1.1	0.5	1.6	3.5

Table 2: 2QFY19 Results Analysis (RMmn)

FYE 30 Apr	2QFY18	1QFY19	2QFY19	QoQ (%)	YoY (%)	1HFY19	1HFY19	YoY (%)
Reported Revenue	108.6	57.6	55.8	(3.2)	(48.6)	204.8	113.4	(44.6)
- Property development	104.0	51.1	49.2	(3.6)	(52.6)	194.6	100.4	(48.4)
- Others	6.0	6.5	6.5	0.2	9.0	12.8	13.0	1.4
Normalised Revenue	108.6	57.6	55.8	(3.2)	(48.6)	204.8	113.4	(44.6)
EBIT	12.2	6.8	8.0	18.2	(34.2)	22.5	14.8	(34.3)
Net Int Inc/ (exp)	(5.1)	(4.3)	(5.0)	15.9	(0.6)	(9.4)	(9.4)	(0.1)
Associates	(0.1)	(0.1)	(0.0)	(62.9)	(46.7)	(0.0)	(0.2)	503.3
EI	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reported PBT	7.0	2.3	2.9	27.3	(58.3)	13.1	5.2	(60.1)
Normalised PBT	7.0	2.3	2.9	27.3	(58.3)	13.1	5.2	(60.1)
Taxation	(5.3)	(1.1)	(2.1)	91.4	(61.1)	(9.8)	(3.2)	(67.8)
MI	(0.7)	(0.2)	0.2	(201.4)	(131.3)	(0.8)	0.0	(100.4)
Reported Net Profit	1.0	1.0	1.1	5.4	4.9	2.5	2.1	(16.7)
Normalised Net Profit	1.0	1.0	1.1	5.4	4.9	2.5	2.1	(16.7)
Core EPS* (sen)	0.1	0.1	0.1	0.0	0.0	0.3	0.3	(18.8)
GDPS (sen)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
				ppt	ppt			ppt
EBIT margin (%)	11.2	11.8	14.4	2.6	3.1	11.0	13.0	2.1
Pretax margin (%)	6.5	4.0	5.2	1.3	(1.2)	6.4	4.6	(1.8)
Net margin (%)	0.9	1.7	1.9	0.2	1.0	1.2	1.8	0.6
Effective tax rate (%)	76.0	47.1	70.9	23.7	(5.1)	74.9	60.4	(14.5)

* 2QFY18 EPS adjusted for 1:10 bonus issue completed in Jan-18 (3QFY18)

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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 Wednesday, November 28, 2018, the analyst, Thiam Chiann Wen, 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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