

Glomac Berhad

Results Within But Still Uninspiring
TP: RM0.38 (+0.0%)
Last Traded: RM0.38
Sell

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Review

- Glomac reported RM3.5mn net profit in 9MFY19. Results accounted for 64% and 50% of ours and consensus full-year earnings estimates respectively. However we deem the results to be within our expectations as we envisage 4Q results to come in stronger, driven by: 1) higher progress billings from property development division, and 2) lower losses from Glo Mall as occupancy rate improves.
- Glomac's 9MFY19 revenue and net profit fell 38% and 52% YoY to RM192.4mn and RM3.5mn respectively. 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 projects are still at its initial stage of development. Meanwhile, the group's 9MFY19 net profit was also impacted by higher effective tax rate due to non-recognition of deferred tax assets on tax losses and under provision of prior year tax expenses.
- Sequentially, 3QFY19 net profit increased 35% to RM1.4mn on the back of 42% growth in revenue. The stronger performance was largely driven by higher contribution from new projects such as Saujana Perdana and Plaza @ Kelana Jaya. In addition, operating loss for the property investment division also narrowed to RM0.1mn from RM0.7mn a quarter ago, underpinned by better occupancy rate at Glo Mall.
- Glomac secured new sales of RM52mn in 3QFY19 (+44% YoY, -28% QoQ), bringing 9MFY19 sales to RM217mn (+139% YoY). Note that 9MFY19 sales have surpassed the group's full year sales achieved in FY18 (RM214mn). Unbilled sales increased slightly to RM440mn from RM429mn a quarter ago, providing the group with more than 12-months earnings visibility.

Table 1: Property Sales Breakdown

Sales (RMmn)	3QFY18	2QFY19	3QFY19	QoQ(%)	YoY(%)	9MFY18	9MFY19	YoY(%)
Glomac Damansara	0	3	0	nm	>100	0	3	>100
Bandar Saujana Utama	24	9	3	(66.7)	(87.5)	53	9	(83.0)
Lakeside Residenes	2	1	3	200.0	50.0	19	4	(78.9)
Saujana KLIA	4	1	4	300.0	>100	5	8	60.0
Plaza @ Kelana Jaya	0	41	37	(9.8)	>100	0	165	>100
Others*	6	17	5	(70.6)	(16.7)	14	28	100.0
Total	36	72	52	(27.8)	44.4	91	217	138.5

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

Source: Glomac, TA Research

Impact

- Maintain earnings forecasts.

Share Information

Bloomberg Code	GLMC MK
Stock Code	5020
Listing	Main Market
Share Cap (mn)	780.8
Market Cap (RMmn)	296.7
52-wk Hi/Lo (RM)	0.53/0.36
12-mth Avg Daily Vol ('000 shrs)	245.0
Estimated Free Float (%)	30.6
Beta	0.6

Major Shareholders (%)

Tan Sri Dato'Mohd Mansor (20.7)
Dato Fateh Iskandar (17.4)
Datuk Fong Loong Tuck (16.7)
Urusharta Jamaaj S/B (10.3)

Forecast Revision

	FY19	FY20
Forecast Revision (%)	0.0	0.0
Net profit (RMmn)	5.5	17.2
Consensus (RM mn)	7.0	21.8
TA's / Consensus (%)	77.9	79.2
Previous Rating	Sell (Maintained)	

Financial Indicators

	FY19	FY20
Net gearing (%)	21.4	21.5
CFPS (sen)	13.8	0.3
P/CFPS (x)	2.8	110.0
ROA (%)	0.3	0.9
NTA/Share (RM)	1.4	1.4
Price/ NTA (x)	0.3	0.3

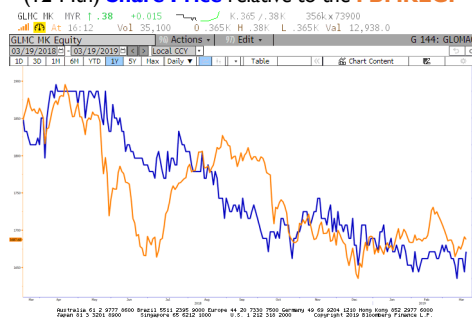
Scorecard

	% of FY	
vs. TA	64.0	Within
vs. Consensus	50.0	Below

Share Performance (%)

Price Change	Glomac	FBM KLCI
1 mth	0.0	(2.2)
3 mth	(5.0)	2.2
6 mth	(7.3)	(6.4)
12 mth	(19.1)	(9.1)

(12-Mth) Share Price relative to the FBMKLCI



Source: Bloomberg

Outlook

- Recent launches are well-received. Specifically, Plaza @ Kelana Jaya contributed to 76% of the total sales achieved in 9MFY19 (Block B launched in Jun-18, GDV RM142mn, 72% sold, Block C launched in Oct-18, GDV: RM150mn, 46% sold). Looking ahead, 4QFY19 property sales are expected to be anchored by booking conversion from Lakeside Residences and Saujana Perdana which were launched in Jan-19.

Table 2: RM544mn Planned Launches for FY19

Project	GDV (RM mn)	Project Type	Targeted Launch
Lakeside Residences	66	Shop Offices	3Q
Saujana Perdana (SU4)	58	Terrace Houses	3Q
Sri Saujana, Johor	33	Terrace Houses	4Q
Saujana Jaya, Johor	40	Terrace Houses	1Q
Plaza @ Kelana Jaya	347	Serviced Apts & Shop Offices	1H
Total	544		

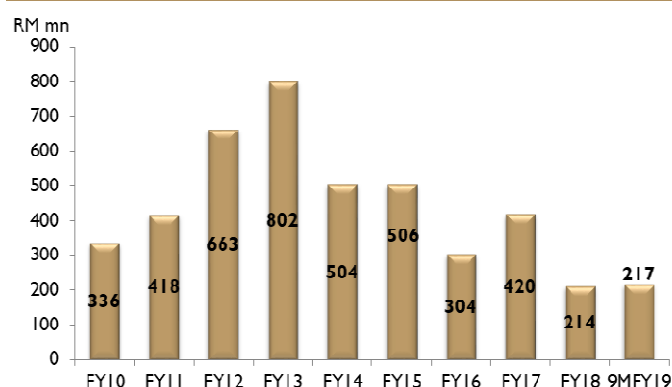
Source: Glomac, TA Research

- Glo Mall is loss making due to its low occupancy rate and shopper traffic. However, management expects the mall to turnaround this year, as it has secured an international renowned lifestyle retailer and a premium grocery chain for the mall. Targeted to commence operations in Mar/Apr-19, the entry of new tenants into Glo Mall is expected to increase the mall's occupancy to approximately 77% from about 45% currently.

Valuation

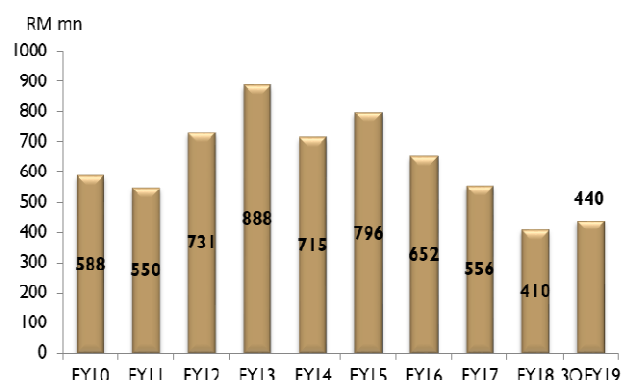
- Rolling forward our valuation base year to CY20, we arrive at a new target price of RM0.38/share (RM0.32/share previously), based on target average blended PE/PB of 5x/0.4x. Although our FY20 and FY21 net profit forecasts of RM17.2mn and RM39.2mn imply annual profit growth of >100%, we believe the estimates remain uninspiring, compared to net profit ranging RM67mn – RM108mn delivered by Glomac during the sector upcycle in FY12-16. Reiterate **SELL** 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)	26.3	26.2	55.8	17.7	7.8
Gross div (sen)	2.7	1.5	0.5	1.0	2.0
Dividend yield (%)	7.2	3.9	1.3	2.6	5.3
ROE (%)	1.1	1.1	0.5	1.6	3.5

Table 2: 3QFY19 Results Analysis (RMmn)

FYE 30 Apr	3QFY18	2QFY19	3QFY19	QoQ (%)	YoY (%)	9MFY19	9MFY19	YoY (%)
Reported Revenue	104.0	55.8	79.0	41.7	(24.0)	308.8	192.4	(37.7)
- Property development	99.4	49.2	72.9	48.1	(26.7)	294.0	173.3	(41.1)
- Others	5.7	6.5	6.1	(6.3)	7.2	14.8	19.1	29.3
Normalised Revenue	104.0	55.8	79.0	41.7	(24.0)	308.8	192.4	(37.7)
EBIT	13.9	8.0	13.9	74.0	0.3	6.4	28.7	(21.1)
Net Int Inc/ (exp)	(4.6)	(5.0)	(5.6)	11.0	22.4	(13.9)	(15.0)	7.2
Associates	(0.2)	(0.0)	(0.0)	(98.0)	(99.6)	(0.3)	(0.2)	(31.6)
El	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reported PBT	9.1	2.9	8.3	185.4	(9.3)	22.2	13.6	(38.8)
Normalised PBT	9.1	2.9	8.3	185.4	(8.3)	22.2	13.6	(38.8)
Taxation	(5.2)	(2.1)	(6.3)	205.1	21.7	(15.0)	(9.5)	36.8
MI	0.9	0.2	(0.6)	(381.0)	(164.3)	0.1	(0.6)	>-100
Reported Net Profit	4.8	1.1	1.4	34.8	(70.3)	7.3	3.5	(52.0)
Normalised Net Profit	4.8	1.1	1.4	34.8	(70.3)	7.3	3.5	(52.0)
Core EPS (sen)	0.5	0.1	0.2	38.5	(70.3)	0.9	0.4	(48.8)
GDPS (sen)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
				ppt	Ppt			ppt
EBIT margin (%)	13.4	14.4	17.6	3.3	4.3	11.8	14.9	3.1
Pretax margin (%)	8.7	5.2	10.6	5.3	1.8	7.2	7.0	(0.1)
Net margin (%)	4.6	1.9	1.8	(0.1)	(2.8)	2.4	1.8	(0.5)
Effective tax rate (%)	57.1	70.9	75.8	4.9	18.6	67.6	69.8	2.2

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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, March 20, 2019, 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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