

Glomac Berhad

TP: RM0.44 (+36.5%)
Results In Line but New Property Sales Missed

Last Traded: RM0.325

BUY (ESG: ★★★)

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Review

- Glomac's 9MFY22 net profit of RM21.4mn came in within expectations, accounting for 79% of our full-year earnings estimate.
- Glomac's revenue declined 26% YoY to RM185.9mn in 9MFY22, dragged by a poor 1QFY22 owing to lockdown restrictions. In comparison to the top line, 9MFY22 net profit fell by a smaller amount of 6% YoY to RM21.4mn. This was attributable to a higher EBIT margin, which expanded by 3.7%-pts YoY to 23.1%.
- Sequentially, 3QFY22 net profit decreased 30% to RM8.1mn, largely due to lower margin and higher share of losses of associates.
- Glomac's 3QFY22 new property sales fell 51% YoY but grew 61% QoQ to RM29mn, bringing the 9MFY22 new property sales to RM77mn (-50% YoY) – see **Table 1**. Significantly falling short of our new sales assumptions of RM200mn, the weak 9MFY22 property sales performance was largely due to lack of new launches. The group's latest unbilled sales eased to RM513mn from RM526mn a quarter ago. This should provide earnings visibility over the next 12 to 18 months.
- The group's balance sheet is healthy, with its latest net gearing remained steady at 0.26x with a cash balance of RM194mn.

Table 1: Property Sales Breakdown

Sales (RMmn)	3QFY21	2QFY22	3QFY22	QoQ(%)	YoY(%)	9MFY21	9MFY22	YoY(%)
Glomac Damansara	0	0	0	0.0	0.0	0	0	0.0
Bandar Saujana Utama - Saujana Perdana	40	11	6	(45.5)	(85.0)	108	41	(62.0)
Lakeside Residences	0	1	3	200.0	>100	0	3	>100
Saujana KLIA	0	0	0	0.0	0.0	2	0	nm
Plaza @ Kelana Jaya	3	0	5	>100	66.7	4	5	25.0
121 Residences	3	2	11	450.0	266.7	17	17	0.0
Others*	13	4	4	0.0	(69.2)	22	11	(50.0)
Total	59	18	29	61.1	(50.8)	153	77	(49.7)

*incl. Cyberjaya 2, Glomac Centro, Galleria Hartamas, Sri Saujana, Saujana Rawang and Saujana Jaya

Source: Glomac, TA Research

Impact

- Maintain earnings forecasts pending a conference call with management later today.

Outlook

- Glomac will continue focusing on the mid-market, and affordable segment as the group expects its landed residential products to contribute to steady sales. We understand that the recent launches at Saujana KLIA (63 double storey houses, GDV: RM36mn) and Saujana Utama 5, Sungai Buloh (33 double storey super-link terrace houses, GDV: RM28.5mn) were nearly sold out. Looking ahead in 4QFY22, Glomac will roll out newer phases within Saujana KLIA and Saujana Perdana, Sungai Buloh with a total GDV of RM79.5mn.

Share Information

Bloomberg Code	GLMC MK
Stock Code	5020
Listing	Main Market
Share Cap (mn)	768.1
Market Cap (RMmn)	249.6
52-wk Hi/Lo (RM)	0.41/0.31
12-mth Avg Daily Vol ('000 shrs)	547.3
Estimated Free Float (%)	24.4
Beta	0.3

Major Shareholders (%)

Tan Sri Dato'Mohd Mansor (21.0)
Dato Fateh Iskandar (19.1)
Datuk Fong Loong Tuck (17.0)
Urusharta Jamaah S/B (10.4)

Forecast Revision

	FY22	FY23
Forecast Revision (%)	0.0	0.0
Net profit (RMmn)	27.0	33.3
Consensus (RM mn)	NA	NA
TA's / Consensus (%)	NA	NA
Previous Rating	Buy (Maintained)	

Financial Indicators

	FY22	FY23
Net gearing (%)	23.0	21.2
CFPS (sen)	3.4	2.7
P/CFPS (x)	9.7	12.1
ROA (%)	1.4	1.6
NTA/Share (RM)	1.5	1.5
Price/ NTA (x)	0.2	0.2

Scorecard

	% of FY	
vs. TA	79.0	Within
vs. Consensus	na	na

Share Performance (%)

Price Change	Glomac	FBM KLCI
1 mth	3.2	(1.5)
3 mth	3.2	2.5
6 mth	(4.4)	2.3
12 mth	(16.7)	(1.7)

(12-Mth) Share Price relative to the FBMKLCI

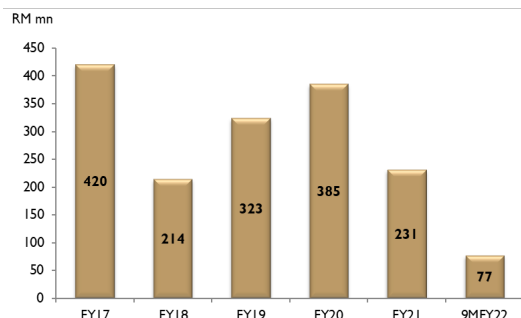


- Meanwhile, Glomac's solid balance sheet and remaining GDV of RM8bn primarily within the Klang Valley should allow the group to accelerate its new launches once market sentiment improves.

Valuation

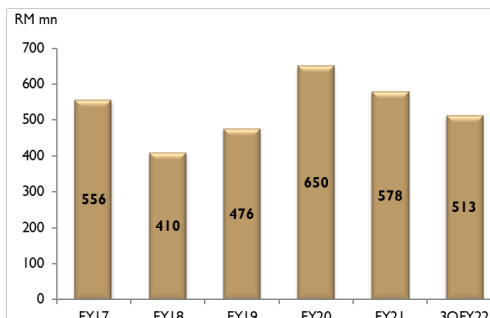
- We maintain Buy on Glomac with an unchanged TP of RM0.44/share, based on CY22 P/Bk multiple of 0.3x CY22 BPS.

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



Source: Glomac, TA Securities

Figure 2 : Unbilled Sales



Source: Glomac, TA Securities

Table I: Earnings Summary (RM mn)

FYE April	2020	2021	2022F	2023F	2024F
Reported Revenue	245.8	366.3	292.1	333.6	359.7
EBITDA	48.6	81.3	60.4	69.2	67.4
EBITDA margin (%)	19.8	22.2	20.7	20.7	18.7
Reported Pretax Profit	20.2	57.7	35.5	43.9	41.7
Normalised Pretax Profit	39.1	70.7	35.5	43.9	41.7
Reported Net Profit	12.6	28.3	27.0	33.3	31.7
Normalised Net Profit	27.0	38.2	27.0	33.3	31.7
Normalised EPS (sen)	3.4	4.9	3.5	4.3	4.1
Normalised EPS growth (%)	237.8	43.2	(28.6)	23.5	(5.0)
PER (x)	9.5	6.6	9.2	7.5	7.9
Gross div (sen)	1.0	1.0	1.0	1.0	1.0
Dividend yield (%)	3.1	3.1	3.1	3.1	3.1
ROE (%)	2.5	3.5	2.4	2.9	2.7

Table 2: 3QFY22 Results Analysis (RMmn)

FYE 30 Apr	3QFY21	2QFY22	3QFY22	QoQ (%)	YoY (%)	9MFY21	9MFY22	YoY (%)
Reported Revenue	99.4	75.4	81.7	8.3	(17.8)	250.9	185.9	(25.9)
- Property development	94.9	71.4	77.5	8.4	(18.4)	235.3	174.0	(26.0)
- Others	4.5	4.0	4.2	6.8	(5.8)	15.6	11.9	(23.9)
Normalised Revenue	99.4	75.4	81.7	8.3	(17.8)	250.9	185.9	(25.9)
EBIT	20.8	22.9	13.6	(40.5)	(34.6)	48.5	42.9	(11.6)
Net Int Inc/ (exp)	(3.3)	(3.4)	(3.8)	10.5	15.2	(12.8)	(9.9)	(22.7)
Associates	(0.1)	0.0	(0.7)	>100	>100	(0.3)	(0.5)	101.1
EI	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reported PBT	17.5	19.5	9.2	(53.0)	(47.5)	35.4	32.5	(8.4)
Normalised PBT	17.5	19.5	9.2	(53.0)	(47.5)	35.4	32.5	(8.4)
Taxation	(5.1)	(7.1)	(2.1)	(70.8)	(59.2)	(11.2)	(10.6)	(4.9)
MI	(0.4)	(0.9)	1.0	(212.7)	(371.6)	1.4	0.4	(69.2)
Reported Net Profit	12.0	11.5	8.1	(29.5)	(32.5)	22.8	21.4	(6.3)
Normalised Net Profit	12.0	11.5	8.1	(29.5)	(32.5)	22.8	21.4	(6.3)
Core EPS (sen)	1.6	1.5	1.1	(29.5)	(32.5)	3.0	2.8	(6.4)
GDPS (sen)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
				ppt	ppt			ppt
Pretax margin (%)	21.0	30.4	16.7	-13.7	-4.3	19.3	23.1	3.7
Net margin (%)	17.6	25.9	11.2	-14.6	-6.4	14.1	17.5	3.3
Effective tax rate (%)	12.1	15.3	9.9	-5.3	-2.2	9.1	11.5	2.4

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.

ESG Scoring & Guideline

	Environmental	Social	Governance	Average
Scoring	★★	★★★	★★★★★	★★★
Remark	Glomac has identified and began carrying out various eco-friendly initiatives focused environmental protection.	Adequate measures taken to ensure the safety and livelihood of its employees as well as corporate social responsibility contributions.	The Board is made up of seven directors, of which four are independent (57%). It has only one female director. It holds investor briefings semi-annually, demonstrating good transparency and disclosure practices.	

- ★★★★★ (≥80%) : Displayed market leading capabilities in integrating ESG factors in all aspects of operations, management and future directions.
★★★★★ (60-79%) : Above adequate integration of ESG factors into most aspects of operations, management and future directions.
★★★ (40-59%) : Adequate integration of ESG factors into operations, management and future directions.
★★ (20-39%) : Have some integration of ESG factors in operations and management but are insufficient.
★ (<20%) : Minimal or no integration of ESG factors in operations and management.

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As of Wednesday, March 30, 2022, 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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