



AmInvestment Bank

Company Report

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GLOMAC

(GLMC MK EQUITY, GLOM.KL)

04 Apr 2024

Anticipation of stronger YoY sales in FY24

BUY

(Maintained)

Rationale for report: Company Update

Price RM0.38
Fair Value RM0.42
 52-week High/Low RM0.41/RM0.30

Key Changes

Fair value ⇄
 EPS ⇄

YE to Apr	FY23	FY24F	FY25F	FY26F
Revenue (RM mil)	341.0	296.1	360.4	385.2
Core net profit (RM mil)	31.3	14.5	23.9	30.4
FD Core EPS (sen)	3.9	1.8	3.0	3.8
FD Core EPS growth (%)	(18.3)	(53.9)	65.2	27.3
Consensus Net Profit (RM mil)	-	14.2	25.8	34.6
DPS (sen)	1.3	0.7	1.5	1.5
PE (x)	9.2	19.9	12.1	9.5
EV/EBITDA (x)	6.8	11.1	8.9	7.4
Div yield (%)	3.3	1.8	3.9	3.9
ROE (%)	2.7	1.2	2.0	2.5
Net Gearing (%)	16.1	11.9	17.2	17.5

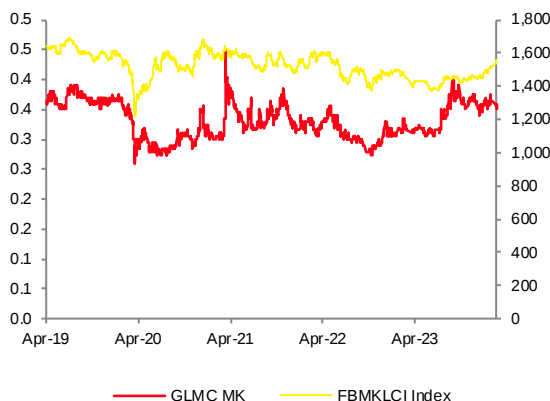
Stock and Financial Data

Shares Outstanding (million) 800.1
 Market Cap (RMmil) 304.0
 Book Value (RM/Share) 1.47
 P/BV (x) 0.2
 ROE (%) 2.7
 Net Gearing (%) 16.1

Major Shareholders
 Tan Sri Dato' Mohamed Mansor bin Fateh Din (21.0%)
 Datuk Seri Fateh Iskandar bin Tan Sri Dato' Mohamed Mansor (19.1%)
 Datuk Fong Loong Tuck (17.1%)

Free Float 42.8
 Avg Daily Value (RMmil) 0.1

Price performance	3mth	6mth	12mth
Absolute (%)	(1.4)	(1.4)	10.8
Relative (%)	(7.4)	(8.0)	4.2



Investment Highlights

- We maintain BUY recommendation on Glomac with an unchanged fair value (FV) of RM0.42/share based on a discount of 45% to RNAV (Exhibit 5) and neutral ESG rating of 3-star (Exhibit 6).
- The FV implies FY25F PE of 14x, slightly higher than the current average of smaller-cap property stocks.
- We also maintain our earnings forecast following our recent meet up with Glomac's management. Here are the key takeaways:
 - Loop City Residences' launch has been rescheduled to FY25 from the previously guided FY24. The delay in launching is due to weaker-than-expected market response, exacerbated by stiff competition in Puchong.
 - Notably, YTL Land and Development has recently launched its new high-rise development in Puchong, namely Danau Puchong, situated just 3km away from Loop City Residences. Both projects offer similar built-up areas of <1,000 sq ft, suggesting they are targeting the same demographic of millennial buyers and small families. The competition has led to a lower-than-expected booking rate for Loop City Residences.
 - As of end-January 2024, bookings stand at only 150 units out of the planned 980 units, leading to a delay in official launches due to slower-than-expected booking. Typically, developers are more confident to commence construction of a high-rise project once they have achieved >50% booking.
 - Glomac targets to launch phase 1 of Loop City Residences by 1QFY25 with a targeted booking rate of 60% from 15% in 3QFY24 through ongoing marketing campaigns.
 - Despite disappointing 9MFY24 sales (totaling RM142mil), which was only 36% of Glomac's FY24F sales target of RM393mil, Glomac remains optimistic on surpassing FY23 sales of RM302mil.

This confidence is fueled by sales data observed during February-March 2024, indicating positive momentum and potential of increased sales performance in Glomac's launched projects. With the launch of 2 new projects in January 2024 with a combined GDV of RM269mil (Exhibit 3), Glomac aims to secure at least RM160mil of sales from these 2 projects in 4QFY24.

- vi. In 3QFY24, Glomac has a low net gearing ratio of 0.08x (from 0.10x in 2QFY24), which provides sufficient room to gear up for future value-accretive land acquisitions. Glomac is currently looking for potential land acquisitions in the Klang Valley for development of either pocket-sized projects or township developments.
- Currently, Glomac has 8 ongoing projects with total unbilled sales of RM347mil, representing 1x FY25F revenue (Exhibit 2). The unbilled sales of RM123mil from 121 Residence is expected to be recognised in 4QFY24 or 1QFY25, as the project nears completion (Exhibit 1).
- Furthermore, subsequent revenue and earnings will be supported by launched but unsold projects amounting to RM323mil and completed inventory worth RM86mil. Notably, 73% of its launched but unsold units came from newly-launched landed projects in Lakeside Residence, namely Keys. We believe Glomac is able to register commendable sales for Keys, driven by overwhelming demand for existing projects in Lakeside Residence, which has already fully sold out.
- Looking ahead, we do not foresee any significantly more exciting or aggressive launches for Glomac in FY25. The main focus will remain on its new high-rise project, Loop City Residence, along with new phases in its existing matured townships, namely Lakeside Residences and Saujana KLIA. An upside surprise could arise from stronger-than-expected demand for Loop City Residence, potentially accelerating launches in subsequent phases of the township. To recap, total GDV of Loop City Residence is substantial, amounting to RM1.6bil.
- Glomac's current P/BV of 0.2x is viewed as attractive when compared to its peers, which typically have P/BV ranging from 0.5x to 0.7x. The high book value is mainly attributed to its huge land bank with a remaining GDV of RM7.6bil in Selangor and Johor, which represents 21x FY25F revenue. The steep discount can be partly due to limited launches since FY21 (Exhibit 4), leading to declines in both revenue and earnings. However, improving launches could serve as a catalyst for the company to be re-rated positively.
- We like Glomac for its long-term outlook underpinned by its:
 - (i) Attractively-priced products as evidenced by strong average take-up rates of 94% for existing projects;
 - (ii) Focus on township developments in Selangor, which has the largest population in Malaysia with robust housing demand.
- The stock currently trades at a compelling FY25F PE of 12x vs. a 4-year average of 14x, while dividend yields are decent at 4%.

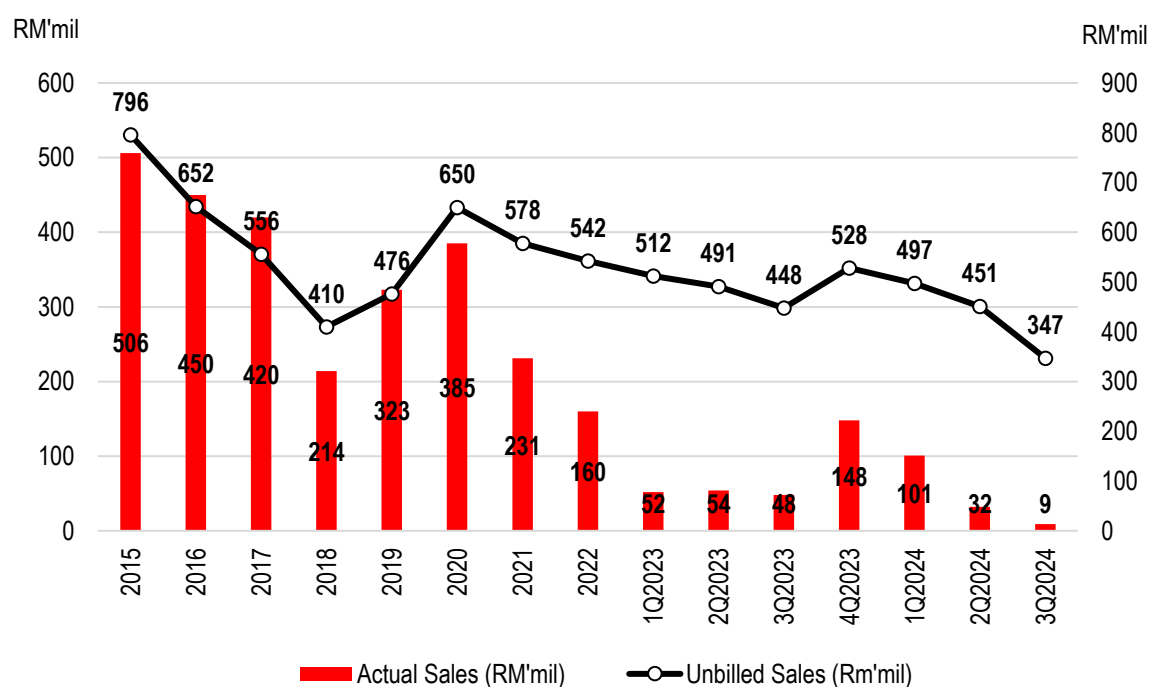
EXHIBIT 1: DETAILS OF ONGOING PROJECTS

Key Ongoing Projects As At 31 Jan 2024	Total GDV (RM m)	Launched GDV (RM m)	Sales (%)	Unbilled Sales (RM m)
Lakeside Residences	4,006	879	73%	86
Saujana KLIA	1,442	594	96%	12
Bandar Saujana Utama*	3,019	2,445	99%	113
Saujana Rawang	1,042	754	99%	1
Sri Saujana, Johor	776	595	100%	10
Saujana Jaya, Johor	655	43	95%	1
Plaza@ Kelana Jaya	348	348	92%	1
121 Residences	327	327	100%	123
Total				347

* Incl. Saujana Perdana & SU 5

Source: Glomac

EXHIBIT 2: ACTUAL SALES AND UNBILLED SALES TREND



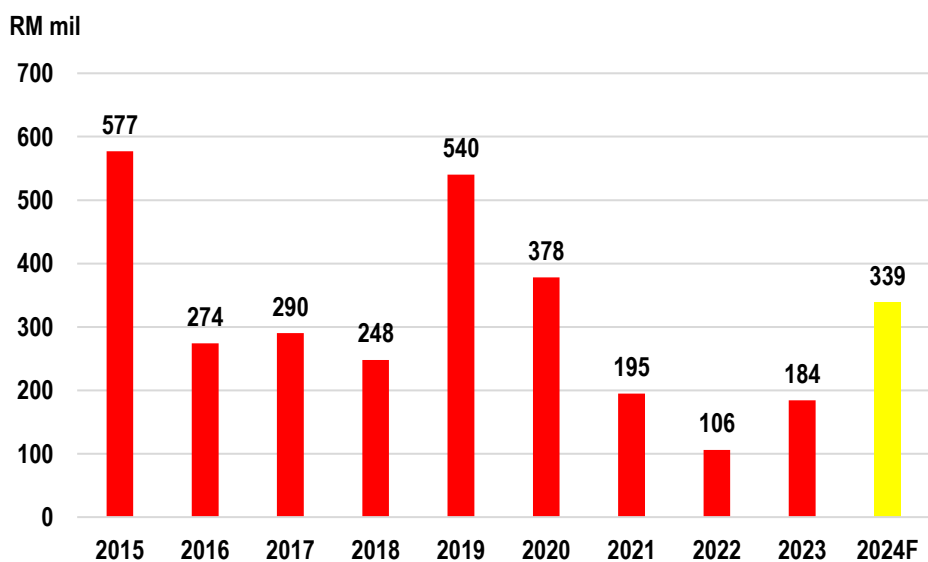
Source: Glomac, AmlInvestment Bank Bhd

EXHIBIT 3: LAUNCHES IN 9MFY24

Project	GDV (RM mil)	Launch date	Take-up (including booking) (%)
Double-Storey Terrace Allamanda Phase 4B1B	35	Jan-24	43
Keys, Lakeside Residences	234	Jan-24	30
Total	269		

Source: Glomac, AmlInvestment Bank Bhd

EXHIBIT 4: LAUNCHES (2015-2024F)



Source: Glomac, AmlInvestment Bank Bhd

EXHIBIT 5: RNAV CALCULATION

DEVELOPMENT PROPERTIES	Outstanding GDV (RM mil)	NPV @12% (RM mil)
Lakeside Residences	3,360.0	140.0
GreenTec, Puchong	1,574.0	31.9
Saujana KLIA	842.0	33.7
Saujana Perdana	111.0	4.7
Saujana Utama 5	308.0	12.9
Saujana Rawang	288.0	12.0
Sri Saujana, Johor	181.0	7.6
Saujana Jaya, Johor	609.0	25.5
Glomac Cyberjaya	123.0	5.1
Glomac Cyberjaya 2	126.0	5.3
Unbilled sales	347.0	21.0
DCF of future profits	7,869.0	299.7
Inventories		129.7
Investment properties		358.7
Other investments		26.7
Net debt		(205.7)
Total		609.2
Less 45% discount		(274.1)
Total		335.1
Enlarged share base (mil shares)		800.1
Fair value/share (RM/share)		0.42
(+) no adjustment for 3-star ESG rating		0.00
Fair value/share (RM/share)+ ESG Premium		0.42

Source: AmInvestment Bank Bhd

EXHIBIT 6: ESG MATRIX

	Environmental assessment	Parameters	Weightage	Rating					Rationale
1	Scope 1 GHG Emissions	Co2e reduction	25%	*	*	*	*	*	Reduced to 0 tonne in FY23 from 0.52 tonne in FY22
2	Scope 2 GHG Emissions	Co2e reduction	25%	*	*	*			Increased 3% YoY in FY23
3	Water usage	Water consumption	25%	*	*				Increased 38% YoY in FY23 due to recovery in footfall in Glo Damansara.
4	Energy usage	Energy consumption	25%	*	*	*			Increased 3% YoY in FY23
	Weighted score for environmental assessment		100%	*	*	*			
	Social assessment								
1	Health, safety & well-being	Recorded injuries	25%	*	*	*	*	*	0 in FY22, FY23
2	Women in workforce	% of total workforce in management	25%	*	*				9.8% in management & 1.6% in top management
3	Investment in employee training	Average number of hours of training per year per employee trained	25%	*	*				Down to 8 hours in FY23 from 12 hours in FY22
4	Procurement sourcing from local vendors	% of total procurement	25%	*	*	*	*	*	100% for all non-township projects
	Weighted score for social assessment		100%	*	*	*			
	Governance assessment								
1	Board age diversity	% under 60 years old	20%	*	*	*			50%
2	Board women representation	% of total board directors	20%	*	*				17% representation
3	Directors with tenure below 6 years	% below 6 years category	20%	*	*				33%
4	Independent board directors	% of total board directors	20%	*	*	*			50% - independent non-exec
5	Remuneration to directors	% of total staff costs	20%	*	*				RM4mil - 21% of 2023 staff costs
	Weighted score for governance assessment		100%	*	*				
	Environmental score		40%	*	*	*			
	Social score		30%	*	*	*			
	Governance score		30%	*	*				
	Overall ESG Score		100%	*	*	*			

We accord a discount/premium of -6%, -3%, 0%, +3% and +6% on fundamental fair value based on the overall ESG rating as appraised by us, from 1-star to 5-star.

Source: AmlInvestment Bank Bhd

EXHIBIT 7: PB BAND CHART

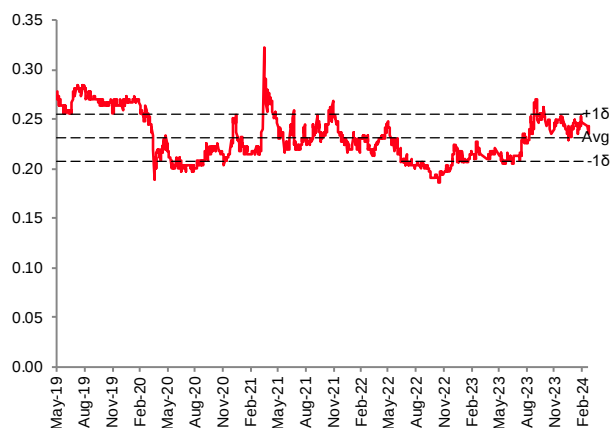


EXHIBIT 8: PE BAND CHART

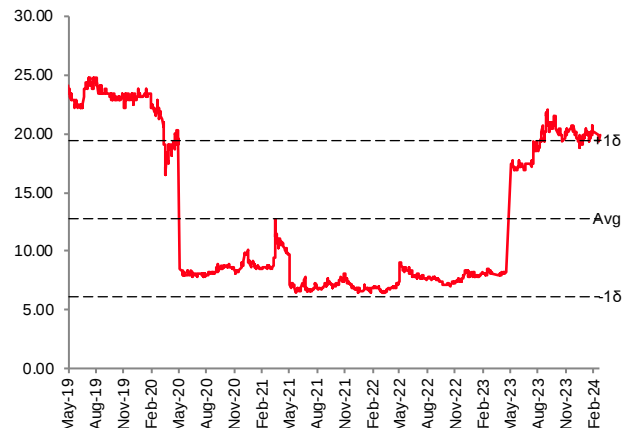


EXHIBIT 9: FINANCIAL DATA

Income Statement (RMmil, YE 30 Apr)	FY22	FY23	FY24F	FY25F	FY26F
Revenue	259.5	341.0	296.1	360.4	385.2
EBITDA	77.8	69.9	38.7	55.5	67.3
Depreciation/Amortisation	(6.1)	(6.2)	(5.4)	(6.6)	(7.0)
Operating income (EBIT)	71.7	63.6	33.3	48.9	60.3
Other income & associates	2.6	0.7	3.2	2.9	2.7
Net interest	(13.2)	(13.9)	(12.1)	(14.7)	(15.7)
Exceptional items	0.3	-	-	-	-
Pretax profit	61.5	50.5	24.4	37.1	47.3
Taxation	(18.9)	(18.0)	(7.6)	(11.3)	(14.8)
Minorities/pref dividends	(4.5)	(1.1)	(2.3)	(2.0)	(2.1)
Net profit	38.2	31.3	14.5	23.9	30.4
Core net profit	38.3	31.3	14.5	23.9	30.4
Balance Sheet (RMmil, YE 30 Apr)	FY22	FY23	FY24F	FY25F	FY26F
Fixed assets	40.2	39.2	39.6	40.0	40.4
Intangible assets	720.1	766.8	743.8	751.2	758.7
Other long-term assets	441.4	458.6	460.5	468.0	475.7
Total non-current assets	1,201.6	1,264.6	1,243.8	1,259.2	1,274.8
Cash & equivalent	215.4	288.8	261.1	261.0	219.1
Stock	238.4	167.3	176.3	228.5	242.3
Trade debtors	68.3	59.7	78.7	95.8	102.3
Other current assets	220.7	250.7	174.6	221.2	233.0
Total current assets	742.8	766.6	690.6	806.5	796.7
Trade creditors	85.4	106.1	83.5	122.5	136.8
Short-term borrowings	251.6	331.2	273.0	299.7	304.3
Other current liabilities	154.8	200.3	202.6	205.7	208.5
Total current liabilities	491.9	637.6	559.1	627.9	649.5
Long-term borrowings	240.0	147.4	129.0	167.0	127.9
Other long-term liabilities	0.4	1.9	1.9	1.9	1.9
Total long-term liabilities	240.5	149.3	130.9	168.9	129.8
Shareholders' funds	1,145.5	1,177.8	1,186.8	1,198.7	1,217.1
Minority interests	66.6	66.5	57.7	70.2	75.1
BV/share (RM)	1.43	1.47	1.48	1.50	1.52
Cash Flow (RMmil, YE 30 Apr)	FY22	FY23	FY24F	FY25F	FY26F
Pretax profit	61.5	50.5	24.4	37.1	47.3
Depreciation/Amortisation	6.1	6.2	5.4	6.6	7.0
Net change in working capital	(33.7)	63.2	(49.8)	(28.8)	(4.9)
Others	(22.4)	(18.5)	74.8	(67.3)	(44.5)
Cash flow from operations	11.5	101.4	54.8	(52.4)	4.9
Capital expenditure	(0.4)	(1.1)	(0.4)	(0.4)	(0.4)
Net investments & sale of fixed assets	-	-	-	-	-
Others	4.4	4.8	-	-	-
Cash flow from investing	4.1	3.7	(0.4)	(0.4)	(0.4)
Debt raised/(repaid)	(7.6)	(13.6)	(76.7)	64.7	(34.5)
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	(7.7)	(13.1)	(5.5)	(12.0)	(12.0)
Others	(2.9)	(4.0)	-	-	-
Cash flow from financing	(18.2)	(30.7)	(82.2)	52.7	(46.5)
Net cash flow	(2.6)	99.4	(27.7)	(0.1)	(42.0)
Net cash/(debt) b/f	192.1	189.5	288.8	261.1	261.0
Net cash/(debt) c/f	189.5	288.8	261.1	261.0	219.1
Key Ratios (YE 30 Apr)	FY22	FY23	FY24F	FY25F	FY26F
Revenue growth (%)	(29.3)	31.4	(13.2)	21.7	6.9
EBITDA growth (%)	(14.2)	(10.2)	(44.6)	43.4	21.3
Pretax margin (%)	23.7	14.8	8.3	10.3	12.3
Net profit margin (%)	14.7	9.2	4.9	6.6	7.9
Interest cover (x)	5.5	4.6	2.8	3.3	3.8
Effective tax rate (%)	30.7	35.6	31.3	30.4	31.3
Dividend payout (%)	30.1	31.9	38.0	50.3	39.5
Debtors turnover (days)	96	64	97	97	97
Stock turnover (days)	349	217	212	205	223
Creditors turnover (days)	135	103	117	104	123

SOURCE: COMPANY, AMINVESTMENT BANK BHD ESTIMATES

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