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Glomac Berhad

TP: RM0.37 (-2.6%)

Targeting RM600mn Sales in FY20

Last Traded: RM0.38

Sell

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Review

- Excluding fair value gain on investment properties of RM8.7mn (estimated net gain of RM6.6mn), Glomac's FY19 normalised net profit of RM7.0mn came in above expectations. This accounted for 129% and 123% of ours and consensus' full-year forecasts respectively. The variance was largely due to higher than expected property margin.
- The group proposed a final dividend of 0.8sen/share, which exceeded our dividend projection of 0.5sen/share. Based on Glomac's last closing price, the proposed dividend translates to a yield of 2.1%.
- Glomac's FY19 revenue and normalised net profit fell 32% and 40% YoY to RM273.3mn and RM7.0mn 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 FY19 net profit also impacted by higher effective tax rate due to 1) non-recognition of deferred tax assets on tax losses and 2) under provision of prior year tax expenses.
- Glomac's 4QFY19 realised net profit surged to RM3.5mn as compared to RM1.4mn in 3QFY19. Stronger performance was largely driven by better margin due to cost savings from completed projects.
- Glomac secured new sales of RM107mn in 4QFY19 (-13% YoY, +106% QoQ), bringing FY19 sales to RM323mn (+51% YoY). This came in below our sales assumptions of RM400mn as sales from township projects have slowed. Higher sales achieved in 4Q helped lift the group's unbilled sales higher to RM476mn from RM440mn a quarter ago. This provides the group with 12-months' earnings visibility.

Table 1: Property Sales Breakdown

Sales (RMmn)	4QFY18	3QFY19	4QFY19	QoQ(%)	YoY(%)	FY18	FY19	YoY(%)
Glomac Damansara	0	0	1	>100	>100	0	4	>100
Bandar Saujana Utama	89	3	6	100.0	(93.3)	142	14	(90.1)
Lakeside Residenes	3	3	35	>100	>100	22	39	77.3
Saujana KLIA	2	4	1	(75.0)	>100	6	10	66.7
Plaza @ Kelana Jaya	0	37	40	8.1	>100	0	207	>100
Others*	29	5	24	>100	(17.2)	44	49	11.4
Total	**123**	**52**	**107**	105.8	(13.0)	**214**	**323**	50.9

Source: Glomac, TA Research

Impact

- Reflecting the projects launch schedule in FY20, we cut our FY20/21 property sales to RM500mn/RM580mn from RM540mn/RM600mn previously. Factoring in the 1) FY19 results and 2) change in property sales and progress billing assumptions, we reduce our FY20 and 21 earnings forecasts by 4% and 7% respectively. Supported by improving property sales momentum, we introduce our FY22 earnings forecasts of

Share Information	
Bloomberg Code	GLMC MK
Stock Code	5020
Listing	Main Market
Share Cap (mn)	780.1
Market Cap (RMmn)	296.4
52-wk Hi/Lo (RM)	0.47/0.35
12-mth Avg Daily Vol ('000 shrs)	268.5
Estimated Free Float (%)	29.5
Beta	0.6
Major Shareholders (%)	
	Tan Sri Dato'Mohd Mansor (20.7)
	Dato Fateh Iskandar (18.4)
	Datuk Fong Loong Tuck (16.68)
	Urusharta Jamaah Sdn Bhd (10.3)

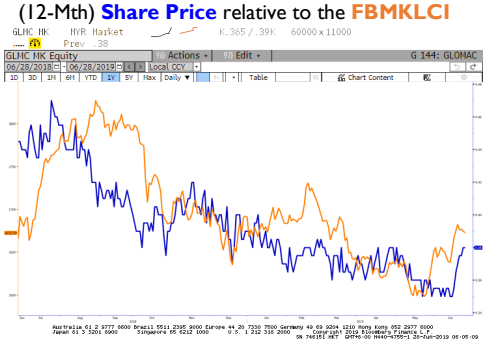
Forecast Revision	FY20	FY21
Forecast Revision (%)	(4.2)	(6.8)
Net profit (RMmn)	16.5	36.5
Consensus (RM mn)	16.0	31.9
TA's / Consensus (%)	103.4	114.7
Previous Rating	Sell (Maintained)	

Financial Indicators	FY19	FY20
Net gearing (%)	23.5	17.8
CFPS (sen)	12.1	8.5
P/CFPS (x)	3.1	4.5
ROA (%)	0.9	1.9
NTA/Share (RM)	1.4	1.3
Price/ NTA (x)	0.3	0.3

Scorecard	% of FY	
vs. TA	129.0	Above
vs. Consensus	123.0	Above

Share Performance (%)		
Price Change	**Glomac**	**FBM KLCI**
1 mth	7.0	3.6
3 mth	4.1	1.9
6 mth	(2.6)	(1.1)
12 mth	(14.6)	0.4

(12-Mth) **Share Price** relative to the **FBMKLCI**



Source: Bloomberg

RM45.6mn, which implies a 25% YoY growth.

Briefing Highlights

- **RM903mn worth of new launches for FY20.** Glomac will remain focused in the mid-market and affordable segment as the group expects its landed residential products to sustain steady sales. Added into the FY20 new launch is the introduction of 121 Residence in Petaling Jaya (previously known as Centro V) – see **Table 2**.

Table 2: RM903mn Planned Launches for FY20

Project	GDV (RM mn)	Project Type	Targeted Launch
Lakeside Residences	269	Serviced Apts, Apts, Commercial Units	4Q
Saujana Perdana	154	Terrace Houses & Townshous	2H
Saujana KLIA	104	Townhouses	2H
Saujana Jaya, Johor	55	Terrace Houses	2H
121 Residence	321	Serviced Apts & SoHo Units	1Q
Total	**903**		

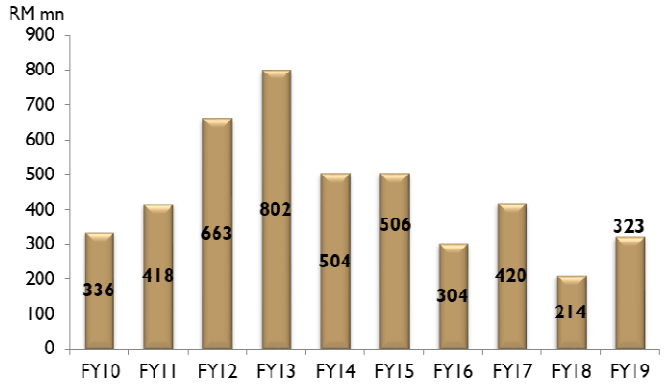
Source: Glomac, TA Research

- **121 Residence key launch for FY20.** Following the successful launch of Plaza @ Kelana Jaya in FY19 (GDV: RM292mn, 73% sold), the group will introduce another high rise project - 121 Residence (GDV: RM321mn) this year. Slated for launch in July, 121 Residence will feature 834 serviced apartments and SoHo units with an indicative selling price of RM750psf. We understand that this project has attracted more than 4k registration so far. Management is confident in this project given its strategic location and competitive pricing starting from of RM300k/unit.
- **RM600mn Sales Target for FY20.** Management has set a sales target of RM600mn for FY20 (+86% YoY) driven by sizable pipeline launches worth RM903mn in FY20 (vs. RM540mn launched in FY19). We project the group to record property sales of RM500mn in FY20, on the assumptions: 1) high rise project i.e. Lakeside Residence and 121 Residences to record take up rate of 40% and 50% respectively, and) c. 70% take up for other landed projects.
- **Glo Mall to Breakeven in FY20.** Glo Mall is suffering losses due to its low occupancy rate and shopper traffic. However, management expects the mall to turnaround this year, as it has secured Samanea Malaysia by LessoHome, a China lifestyle home living brand for the mall (occupying 40% of the mall space). Targeted for commence operation in by end of this month, the entry of the Samanea Malaysia is expected to increase the mall's occupancy to approximately 74%.

Valuation

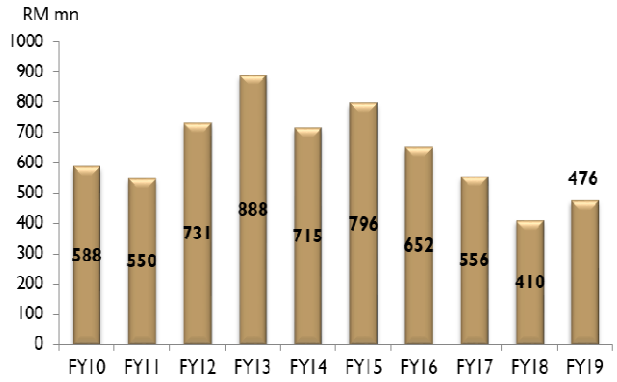
- Following the change in earnings, we arrive at a new target price of RM0.37/share (RM0.38/share previously), based on target average blended CY20 PE/PB of 5x/0.4x. Although our FY20 - FY21 net profit forecasts of RM16.5mn and RM36.5mn imply annual profit growth of >100%, we believe the estimates remain uninspiring, compared to net profit ranging RM67mn – RM108mn delivered by Glomac during the sector upcycle in FY12-16. Given the potential price downside of 3%, we maintain Glomac as **Sell**.

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



Source: Glomac, TA Securities

Figure 2 : Unbilled Sales



Source: Glomac, TA Securities

Earnings Summary (RM mn)

FYE April	2018	2019	2020F	2021F	2022F
Reported Revenue	402.4	273.3	318.8	455.8	503.5
Normalised Revenue	402.4	273.3	318.8	455.8	503.5
EBITDA	83.6	63.7	49.3	74.6	86.8
EBITDA margin (%)	20.8	23.3	15.5	16.4	17.2
Reported Pretax Profit	56.4	37.7	23.6	48.7	60.8
Normalised Pretax Profit	31.0	29.0	23.6	48.7	60.8
Reported Net Profit	31.1	13.6	16.5	36.5	45.6
Normalised Net Profit	11.8	7.0	16.5	36.5	45.6
Normalised EPS (sen)	1.5	0.9	2.1	4.6	5.7
Normalised EPS growth (%)	2.1	(40.6)	134.8	121.5	24.8
PER (x)	25.7	43.3	18.4	8.3	6.7
Gross div (sen)	1.5	0.8	1.0	2.0	2.1
Dividend yield (%)	3.9	2.1	2.6	5.3	5.5
ROE (%)	1.1	0.6	1.5	3.3	4.0

4QFY19 Results Analysis (RMmn)

FYE 30 Apr	4QFY18	3QFY19	4QFY19	QoQ (%)	YoY (%)	FY18	FY19	YoY (%)
Reported Revenue	92.2	79.0	80.9	2.4	(12.2)	402.4	273.3	(32.1)
- Property development	86.2	72.9	74.3	1.8	(13.8)	380.2	247.6	(34.9)
- Others	5.4	6.1	6.7	9.1	23.2	23.9	25.8	7.7
Normalised Revenue	92.2	79.0	80.9	2.4	(12.2)	402.4	273.3	(32.1)
EBIT	16.1	13.9	22.5	61.8	40.3	52.4	51.2	(2.3)
Net Int Inc/ (exp)	(8.9)	(5.6)	(7.1)	26.9	(20.3)	(22.8)	(22.0)	(3.5)
Associates	(0.2)	(0.0)	0.0	(100.0)	(100.0)	(0.5)	(0.2)	(63.4)
EI	25.4	0.0	8.7	nm	(66.0)	25.4	8.7	(66.0)
Reported PBT	32.3	8.3	24.1	>100	(25.5)	56.4	37.7	(33.2)
Normalised PBT	6.9	8.3	15.4	85.1	122.6	31.0	29.0	(6.4)
Taxation	(6.8)	(6.3)	(14.1)	>100	106.1	(21.8)	(23.5)	7.9
MI	(2.4)	(0.6)	0.1	>100	(102.7)	(2.3)	(0.5)	(77.2)
Reported Net Profit	23.1	1.4	10.1	>100	(56.3)	31.1	13.6	(56.3)
Normalised Net Profit	3.8	1.4	3.5	>100	(7.0)	11.8	7.0	(40.4)
Core EPS (sen)	0.5	0.2	0.4	146.9	(7.0)	1.5	0.9	(41.0)
GDPS (sen)	1.5	0.0	0.8	nm	(46.7)	1.5	0.8	(46.7)
				ppt	ppt			ppt
Pretax margin (%)	7.5	10.6	29.8	19.2	22.2	7.7	10.6	2.9
Net margin (%)	4.1	1.8	4.4	2.5	0.2	2.9	2.6	(0.4)
Effective tax rate (%)	21.1	75.8	58.3	(17.4)	37.3	38.7	62.5	23.8

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 Friday, June 28, 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