

Glomac Berhad

2QFY21 Results Rebounded Strongly as Expected

TP: RM0.36 (+17.1%)

Last Traded: RM0.305

Buy

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Review

- Glomac's 1H FY21 net profit of RM11.9mn came in broadly within expectations, accounting for 60% both of ours and consensus's full-year earnings estimates. We expect the 2H results to come in slightly weaker, in anticipation of lower contribution from the property investment division, following the departure of an anchor tenant of Glo Mall in end-Sep.
- Glomac's 1H FY21 revenue and net profit rose 34% YoY and 31% YoY to RM151.5mn and RM11.9mn respectively. Stronger performance was largely driven by a strong rebound in 2QFY21 performance, where we saw the group's revenue more than doubled to RM105mn from 1QFY21's RM47mn, as construction activities resumed post movement control order (MCO).
- Glomac's 2QFY21 new property sales fell 76% YoY and 14% QoQ to RM43mn, bringing the 1H FY21 new property sales to RM93mn (-55% YoY). The weaker property sales performance was largely due to lack of new launches. The group's latest unbilled sales eased slightly to RM649mn from RM660mn a quarter ago. This provides the group with more than 2 years' earnings visibility (c.3x FY20 property development revenue).

Table 1: Property Sales Breakdown

Sales (RMmn)	2QFY20	1QFY21	2QFY21	QoQ(%)	YoY(%)	1H FY20	1H FY21	YoY(%)
Glomac Damansara	0	0	0	nm	0.0	0	0	0.0
Bandar Saujana Utama - Saujana Perdana	31	33	35	6.1	12.9	39	66	69.2
Lakeside Residences	3	0	0	0.0	0.0	3	0	(100.0)
Saujana KLIA	1	1	1	0.0	0.0	1	2	100.0
Plaza @ Kelana Jaya	7	0	2	0.0	nm	14	1	(92.9)
121 Residences	124	12	0	(100.0)	0.0	124	14	(88.7)
Others*	15	4	5	25.0	(66.7)	24	10	(58.3)
Total	181	50	43	(14.0)	(76.2)	205	93	(54.6)

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

Source: Glomac, TA Research

Impact

- Maintain earnings forecasts.

Outlook

- Management believes it is difficult to guide on sales target for FY21, in view of a rapid changing environment. Outlook is expected to remain challenging, management opines, however, measures announced in Penjana and Budget 2021 should help to promote home ownership. Having said that, Glomac will strive to build sales momentum from its ongoing projects such as Plaza @ Kelana Jaya (GDV: RM343mn, 66% sold) and 121 Residences (GDV: RM327mn, 67% sold). Meanwhile, management is also focusing on rolling out its FY21 planned launches of RM403mn comprising new phases in existing successful townships – see **Table 2**.

Share Information

Bloomberg Code	GLMC MK
Stock Code	5020
Listing	Main Market
Share Cap (mn)	768.9
Market Cap (RMmn)	234.5
52-wk Hi/Lo (RM)	0.38/0.24
12-mth Avg Daily Vol ('000 shrs)	306.8
Estimated Free Float (%)	24.5
Beta	0.4

Major Shareholders (%)

Tan Sri Dato'Mohd Mansor (21.0)
Dato Fateh Iskandar (19.1)
Datuk Fong Loong Tuck (17.0)
Lembaga Tabung Haji (10.4)

Forecast Revision

	FY21	FY22
Forecast Revision (%)	0.0	0.0
Net profit (RMmn)	19.5	29.2
Consensus (RM mn)	19.7	26.7
TA's / Consensus (%)	99.0	109.2
Previous Rating	Buy (Maintained)	

Financial Indicators

	FY21	FY22
Net gearing (%)	25.6	22.9
CFPS (sen)	4.8	4.2
P/CFPS (x)	6.4	7.3
ROA (%)	1.0	1.5
NTA/Share (RM)	1.4	1.5
Price/ NTA (x)	0.2	0.2

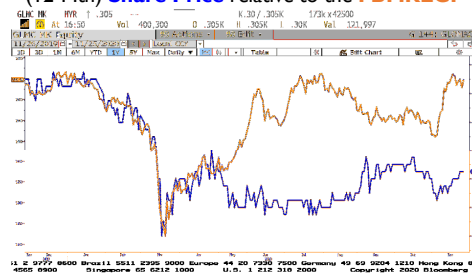
Scorecard

	% of FY	
vs. TA	60.0	Within
vs. Consensus	60.0	Within

Share Performance (%)

Price Change	Glomac	FBM KLCI
1 mth	1.7	6.9
3 mth	7.0	2.7
6 mth	8.9	11.2
12 mth	(16.4)	0.4

(12-Mth) Share Price relative to the FBMKLCI



Source: Bloomberg

Table 2: RM403mn Planned Launches for FY21

Project	GDV (RM mn)	Project Type	Targeted Launch
Saujana Perdana	226	Double Storey Terrace & RSKU Townhouse	1Q-4Q
Saujana KLIA	136	Double Storey Terrace & RSKU Townhouse	3Q-4Q
Saujana Jaya, Johor	41	Double Storey Terrace & Shop Office	3Q-4Q
Total	403		

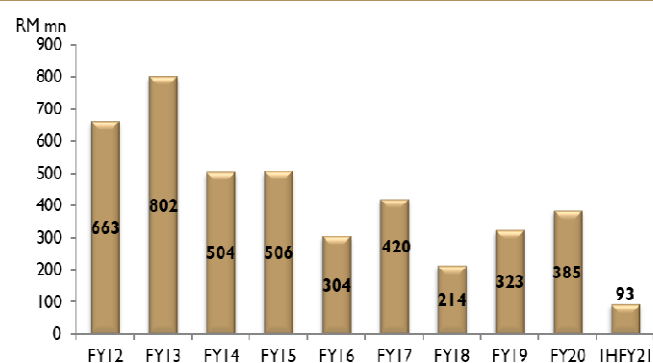
Source: Glomac, TA Research

- With the exit of Samanea Malaysia in end-Sep, Glo Damansara Mall latest occupancy stands at around 33% from 74% previously. Management revealed that it has signed 10 new F&B operators for Glo Mall, but half of them have decided to pull-out of late, as the recent surge in domestic Covid-19 infection has caused retailers to put their expansion plans on hold. Glomac will continue to actively search for a/multiple replacement tenant(s). In view of the oversupply of retail spaces in the Klang Valley, we think it may take some time to secure quality tenants.

Valuation

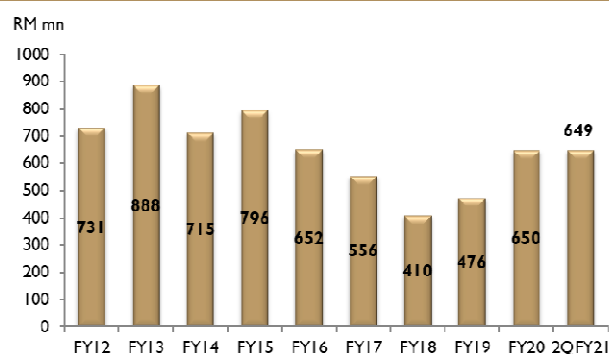
- No change to our target price of RM0.36/share, which is pegged to 0.25x FY21 BPS. This is about one standard deviation below its 5-year mean of 0.36x. With a total potential upside of 17%, we maintain our Buy recommendation on Glomac.

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



Source: Glomac, TA Securities

Figure 2 : Unbilled Sales



Source: Glomac, TA Securities

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Table 1: Earnings Summary (RM mn)

FYE April	2019	2020	2021F	2022F	2023F
Reported Revenue	273.4	245.8	254.4	311.7	382.8
EBITDA	273.4	245.8	254.4	311.7	382.8
EBITDA margin (%)	63.9	48.4	53.4	65.0	75.6
Reported Pretax Profit	23.4	19.7	21.0	20.8	19.8
Normalised Pretax Profit	37.8	20.0	25.7	38.4	48.5
Reported Net Profit	29.2	38.9	25.7	38.4	48.5
Normalised Net Profit	14.7	12.6	19.5	29.2	36.8
Normalised EPS (sen)	1.0	3.4	2.5	3.8	4.7
Normalised EPS growth (%)	(31.1)	237.5	(26.8)	49.6	26.3
PER (x)	30.5	9.0	12.3	8.2	6.5
Gross div (sen)	0.8	1.0	1.0	1.3	1.5
Dividend yield (%)	2.6	3.2	3.2	4.0	4.8
ROE (%)	0.7	2.5	1.8	2.6	3.2

Table 2: 2QFY21 Results Analysis (RMmn)

FYE 30 Apr	2QFY20	1QFY21	2QFY21	QoQ (%)	YoY (%)	1HFY20	1HFY21	YoY (%)
Reported Revenue	61.5	46.9	104.6	123.2	70.1	113.4	151.5	33.6
- Property development	55.1	40.9	99.5	143.6	80.5	99.4	140.4	41.2
- Others	6.4	6.0	5.1	(15.4)	(20.2)	14.0	11.1	(20.6)
Normalised Revenue	61.5	46.9	104.6	123.2	70.1	113.4	151.5	33.6
EBIT	13.7	9.3	19.4	108.8	41.7	22.8	28.7	25.7
Net Int Inc/ (exp)	(4.3)	(3.9)	(5.0)	30.6	17.0	(8.4)	(8.9)	5.5
Associates	(0.2)	(0.2)	(0.0)	(85.6)	(87.9)	(0.5)	(0.2)	(58.5)
EI	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reported PBT	9.2	5.3	14.3	172.5	56.2	13.9	19.6	40.8
Normalised PBT	9.2	5.3	14.3	172.5	56.2	13.9	19.6	40.8
Taxation	(2.9)	(2.1)	(4.6)	122.9	57.4	(4.6)	(6.6)	45.2
MI	(0.7)	(0.4)	(0.6)	50.0	(4.7)	(0.3)	(1.1)	259.1
Reported Net Profit	5.6	2.8	9.1	228.1	62.9	9.0	11.9	31.3
Normalised Net Profit	5.6	2.8	9.1	228.1	62.9	9.0	11.9	31.3
Core EPS (sen)	0.7	0.4	1.2	230.6	65.3	1.2	1.6	34.1
GDPS (sen)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pretax margin (%)	22.2	19.8	18.5	ppt (1.3)	ppt (3.7)	20.1	18.9	ppt (1.2)
Net margin (%)	14.9	11.2	13.7	2.5	(1.2)	12.3	12.9	0.7
Effective tax rate (%)	9.1	5.9	8.7	2.8	(0.4)	8.0	7.8	(0.1)

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 Thursday, November 26, 2020, 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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