

Glomac Berhad

Impacted by FMCO

TP: RM0.44 (+31.3%)

Last Traded: RM0.335

BUY (ESG: ★★★)

Thiam Chiann Wen

Tel: +603-2167 9615

cwthiam@ta.com.my

www.taonline.com.my

Review

- Glomac's IQFY22 net profit of RM1.7mn trailed expectation, accounting for 5% of our full-year earnings estimate. The variance was largely due to slower-than-expected work progress following the implementation of FMCO on June-21.
- Glomac's IQFY22 net profit plunged 61% YoY and 88% QoQ to RM1.7mn, negatively impacted by the implementation of FMCO that disrupted the group's construction activities.
- Glomac only secured new sales of RM30mn in IQFY22 (-40% YoY, -62% QoQ) as no new projects were launched during the quarter under review – see **Table 1**. Due to limited work done in IQFY22, the group's unbilled sales were essentially unchanged at RM580mn. This should provide earnings visibility over the next 12 to 18 months.
- Balance sheet is healthy with latest net gearing stood at 0.26x with a cash balance of RM190mn.

Table 1: Property Sales Breakdown

Sales (RMmn)	IQFY21	4QFY21	IQFY22	QoQ(%)	YoY(%)
Glomac Damansara	0	0	0	0.0	0.0
Bandar Saujana Utama - Saujana Perdana	33	69	24	(65.2)	(27.3)
Lakeside Residences	0	0	0	0.0	0.0
Saujana KLIA	1	0	0	nm	nm
Plaza @ Kelana Jaya	0	4	1	(75.0)	nm
121 Residences	12	1	3	200.0	(75.0)
Others*	4	5	2	(60.0)	(50.0)
Total	50	79	30	(62.0)	(40.0)

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

Source: Glomac, TA Research

Impact

- Following the weaker-than-expected IQ earnings, we adjust the revenue recognition and margin assumptions for the group's ongoing projects. We also reduce our FY22/FY23/FY24 sales assumptions by 20%/9%/5% to RM200mn/RM300mn/RM400mn after reviewing the timeline of new launches. Consequently, FY22/FY23/FY24 earnings are reduced by 23%/12%/12% respectively.

Outlook

- Glomac will continue focusing on the mid-market, and affordable segment as the group expects its landed residential products to contribute steady sales. The group plans to roll out RM282mn worth of new launches in FY22, with 75% of it comprising landed residential properties – see **Table 2**.

Share Information

Bloomberg Code	GLMC MK
Stock Code	5020
Listing	Main Market
Share Cap (mn)	768.1
Market Cap (RMmn)	257.3
52-wk Hi/Lo (RM)	0.47/0.275
12-mth Avg Daily Vol ('000 shrs)	687.5
Estimated Free Float (%)	24.5
Beta	0.6

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

	FY22	FY23
Forecast Revision (%)	(22.8)	(12.2)
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)	10.0	12.5
ROA (%)	1.4	1.6
NTA/Share (RM)	1.5	1.5
Price/NTA (x)	0.2	0.2

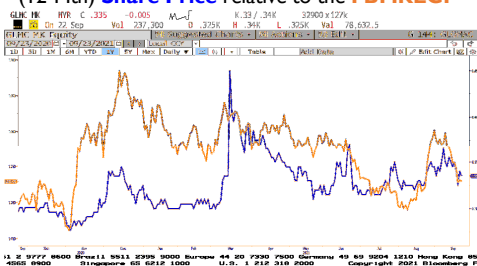
Scorecard

	% of FY	
vs. TA	5.0	Below
vs. Consensus	na	na

Share Performance (%)

Price Change	Glomac	FBM KLCI
1 mth	3.1	0.7
3 mth	(9.5)	(2.9)
6 mth	(15.2)	(5.4)
12 mth	9.8	1.5

(12-Mth) Share Price relative to the FBMKLCI



Source: Bloomberg

Table 2: RM282mn Planned Launches for FY22

Project	GDV (RM mn)	Project Type	Targeted Launch
Lakeside Residences	69.5	High-rise Residential	4Q
Saujana Perdana	44.5	Townhouses	3Q
Saujana Utama 5	20.5	Double Storey Terrace	2Q
Saujana KLIA	122.0	Double Storey Terrace	2Q - 3Q
Saujana Jaya, Johor	25.5	Double Storey Terrace	3Q
Total	282		

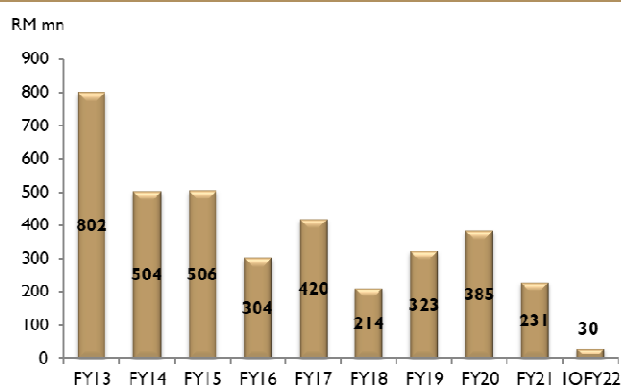
Source: Glomac, TA Research

- While earnings weakness is expected to persist in 2QFY22, we believe the group will perform better in 2HFY22, given that it has just resumed full operations following the recent easing of economic restrictions, which allow construction activities to re-commence and sales galleries to re-open.
- 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 next year (4QFY22) once market sentiment improves.

Valuation

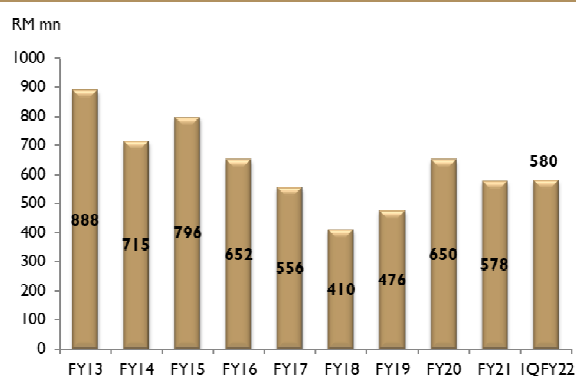
- Post earnings revision, our TP is adjusted to RM0.44/share (from RM0.45/share previously), based on 0.3x CY22 BPS. Our target P/Bk multiple is in line with the group's 5-year mean. We like Glomac's strategy, which focuses on the affordable landed residential segment, solid unbilled sales of RM580mn to anchor near-term earnings, as well as its healthy balance sheet to provide liquidity for ongoing and future development activities. Maintain Buy.

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	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)	9.7	6.8	9.5	7.7	8.1
Gross div (sen)	1.0	1.0	1.0	1.0	1.0
Dividend yield (%)	3.0	3.0	3.0	3.0	3.0
ROE (%)	2.5	3.5	2.4	2.9	2.7

Table 2: IQFY22 Results Analysis (RMmn)

FYE 30 Apr	1QFY21	4QFY21	1QFY22	QoQ (%)	YoY (%)
Reported Revenue	46.9	115.4	28.8	(75.0)	(38.5)
- Property development	40.9	110.6	25.2	(77.2)	(38.4)
- Others	6.0	4.9	3.7	(24.5)	(38.8)
Normalised Revenue	46.9	115.4	28.8	(75.0)	(38.5)
EBIT	9.6	38.7	6.4	(83.6)	(33.7)
Net Int Inc/ (exp)	(2.6)	(4.5)	(2.7)	(41.2)	4.7
Associates	(0.2)	(0.2)	0.1	(142.9)	(146.6)
EI	0.0	(13.0)	0.0	(100.0)	0.0
Reported PBT	6.9	20.9	3.8	(82.0)	(45.1)
Normalised PBT	6.9	33.9	3.8	(88.9)	(45.1)
Taxation	(2.1)	(14.1)	(1.5)	(89.5)	(27.6)
MI	(0.4)	(2.1)	(0.6)	(73.4)	30.4
Reported Net Profit	4.4	4.8	1.7	(63.8)	(60.7)
Normalised Net Profit	4.4	14.6	1.7	(88.2)	(60.7)
Core EPS (sen)	0.4	1.9	0.2	(88.2)	(37.4)
GDPS (sen)	0.0	1.0	0.0	nm	0.0
				ppt	ppt
Pretax margin (%)	20.5	33.5	22.0	(11.4)	13.0
Net margin (%)	14.7	29.4	13.1	(16.3)	14.7
Effective tax rate (%)	9.4	12.7	6.0	(6.7)	3.3

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

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.

Disclaimer

The information in this report has been obtained from sources believed to be reliable. Its accuracy and/ or completeness is not guaranteed and opinions are subject to change without notice. This report is for information only and not to be construed as a solicitation for contracts. We accept no liability for any direct or indirect loss arising from the use of this document. We, our associates, directors, employees may have an interest in the securities and/or companies mentioned herein.

As of Thursday, September 23, 2021, 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

TA SECURITIES HOLDINGS BERHAD (14948-M)
A Participating Organisation of Bursa Malaysia Securities Berhad

Menara TA One | 22 Jalan P. Ramlee | 50250 Kuala Lumpur | Malaysia | Tel: 603 – 2072 1277 | Fax: 603 – 2032 5048
www.ta.com.my