



AmInvestment Bank

Company Report

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GLOMAC

(GLMC MK EQUITY, GLOM.KL)

27 Mar 2024

Anticipation of stronger sales in 4QFY24

BUY

(Maintained)

Rationale for report: Company Results

Price RM0.37
Fair Value RM0.42
 52-week High/Low RM0.41/RM0.30

Key Changes

Fair value ⇄
 EPS ⬇️

YE to Dec	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)	-	16.2	29.8	38.8
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 (%)	3.4	1.9	4.1	4.1
ROE (%)	2.7	1.2	2.0	2.5
Net Gearing (%)	16.1	11.9	17.2	17.5

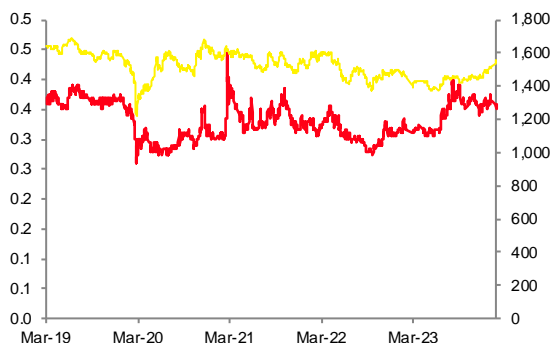
Stock and Financial Data

Shares Outstanding (million) 800.1
 Market Cap (RMmil) 296.0
 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



— GLMC MK — FBMKLCI Index

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 revised RNAV (Exhibit 8) and neutral ESG rating of 3-star (Exhibit 9). The reduced RNAV of its projects caused by the deferment of launches was mitigated by decreased borrowings.
- The FV implies FY25F PE of 14x, slightly higher than the current average of smaller-cap property stocks.
- Glomac's 9MFY24 core net profit (CNP) of RM9mil came in below expectation, making up only 47% of our earlier FY24F earnings and 55% of street's.
- The variance to our forecast was mainly due to lower-than-expected CNP margin as a result of increased construction cost and finance expense, coupled with a higher mix of low-margin projects.
- Hence, we cut our FY24F/FY25F/FY26F CNP by 23%/29%/27% after accounting for lower-than-expected CNP margin owing to higher construction cost for existing projects. Meanwhile, delayed official launch of Loop City Puchong to 4QFY24 from 3QFY24 could lead to lower progress billings for subsequent years.
- In 9MFY24, the group's revenue slid 2% YoY while CNP plunged 49% YoY. This was mainly attributed to the completion of several property development projects and slower new projects launched in FY23.
- Meanwhile, 9MFY24 CNP margin halved to 4% from 8% in 9MFY23. This was mainly due to higher contributions from lower margin projects such as Seri Kenanga Rumah Selangorku at Saujana Perdana. Additionally, Glomac's CNP margin was impacted by higher construction costs and finance expenses.
- Glomac secured new sales of RM142mil (-8% YoY) in 9MFY24, attaining only 36% of its FY24F sales target of RM393mil (Exhibits 3 & 6). The major sales contributors were Lakeside Residence and 121 Residences.
- Given this shortfall, we anticipate that Glomac will face challenges in meeting its FY24F sales target. Nevertheless, we anticipate sales to improve in 4QFY24 from only RM9mil in 3QFY24, contributed by the launch of 2 new projects in January 2024 with a combined GDV of RM269mil (Exhibit 5).

- As at 31 January 2024, Glomac's unsold inventory fell 1% QoQ to RM86mil. Over the past 4 years, Glomac's inventory of unsold units has been on a declining trend (Exhibit 7).
- In 9MFY24, the property investment division's revenue grew 16% YoY while operating profit surged 34% YoY. This was mainly driven by the improvement in the occupancy rate of Glo Damansara mall to 65% in 9MFY24 from 55% from 9MFY23.
- QoQ, the group's 3QFY24 revenue surged 60% while CNP expanded 8x, primarily due to improvement in progress billings, particularly in Plaza Kelana Jaya (Exhibit 6).
- We believe that Glomac's FY25F revenue and CNP will be largely supported by its unbilled sales of RM347mil (-23% QoQ), which represents a cover ratio of 1x FY25F revenue (Exhibits 3 & 6). We expect its unbilled sales will be replenished with FY24F planned launches totaling RM677mil. Meanwhile, we anticipate a recovery in CNP margin moving forward, driven by a higher mix of high-margin products from upcoming launches.
- We like Glomac for its long-term outlook underpinned by its:
 - Attractively-priced products as evidenced by strong average take-up rates of 94% for existing projects;
 - 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: EARNINGS SUMMARY

YE 30 Apr (RM mil)	3QFY23	2QFY24	3QFY24	QoQ %	YoY %	9MFY23	9MFY24	YTD %
Revenue	66.0	55.8	89.4	60.1	35.4	209.9	205.3	(2.2)
Operating costs	(58.2)	(50.1)	(83.6)	66.9	43.6	(169.1)	(183.7)	8.6
EBITDA	7.8	5.7	5.8	1.2	(25.7)	40.8	21.5	(47.3)
Depreciation	(1.6)	(1.4)	(1.4)	(0.2)	(9.2)	(4.7)	(4.3)	(8.5)
Net finance costs	(2.0)	(3.9)	1.0	>100	>100	(7.2)	(5.3)	(26.5)
Other income	0.2	0.3	0.6	>100	>100	1.0	1.1	1.3
Associate contributions	(0.2)	(0.0)	0.2	>100	>100	(0.3)	0.1	>100
Profit before tax	4.2	0.7	6.2	>100	45.1	29.6	13.0	(56.0)
Taxation	(3.6)	(0.3)	(2.7)	>100	(23.6)	(12.5)	(5.1)	(58.8)
MI	(0.2)	0.2	0.4	>100	>100	0.3	0.5	73.3
PATMI	0.4	0.5	3.8	>100	>100	17.4	8.4	(52.0)
Adjustments	0.0	0.0	0.5	>100	>100	0.0	0.5	>100
Core PATMI	0.4	0.5	4.3	>100	>100	17.4	8.9	(49.0)
EPS (sen)	0.1	0.1	0.6	>100	>100	2.3	1.2	(49.0)
EBITDA margin (%)	11.8	10.3	6.5	(3.8)	(5.3)	19.4	10.5	(9.0)
Effective tax rate (%)	84.3	52.8	44.4	(8.4)	(39.9)	42.1	39.4	(2.7)
Core PATMI margin (%)	0.6	0.9	4.8	4.0	4.2	8.3	4.3	(4.0)

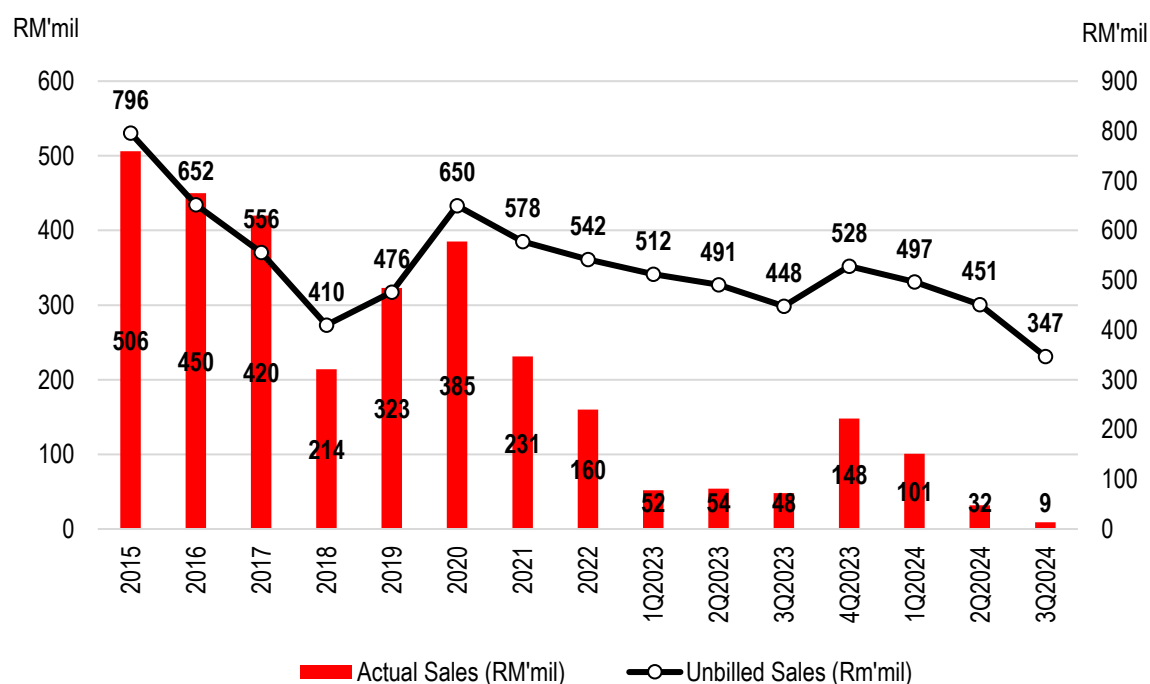
Source: AmInvestment Bank Bhd

EXHIBIT 2: SEGMENTAL BREAKDOWN

FY 30 Apr (RM mil)	3QFY23	2QFY24	3QFY24	QoQ %	YoY %	9MFY23	9MFY24	YTD %
Property development	59.9	50.5	82.4	63.2	37.5	194.0	187.0	(3.6)
Property investment	6.0	5.0	6.7	32.2	10.9	15.2	17.5	15.5
Other operations	0.0	0.3	0.3	0.4	>100	0.8	0.8	(7.1)
Revenue	66.0	55.8	89.4	60.1	35.4	209.9	205.3	(2.2)
Property development	7.4	5.2	9.5	81.4	27.9	38.7	26.0	(33.0)
Property investment	0.1	(0.2)	0.6	>100	>100	0.3	0.5	34.4
Other operations	1.4	21.6	19.4	(10.1)	>100	3.0	40.6	>100
Operating profit	8.9	26.6	29.5	10.7	>100	42.1	67.0	59.1
Operating margin (%)								
Property development	12.4	10.3	11.5	1.1	(0.9)	20.0	13.9	(6.1)
Property investment	1.3	(3.3)	9.2	12.5	7.9	2.3	2.7	0.4
Other operations	>100	>100	>100	(>100)	>100	>100	>100	>100

Source: AmlInvestment Bank Bhd

EXHIBIT 3: ACTUAL SALES AND UNBILLED SALES TREND



Source: Glomac, AmlInvestment Bank Bhd

EXHIBIT 4: FY24F PLANNED LAUNCHES

FY24 Launches	GDV (RM mil)	Project Type	Targeted Launch Period
Saujana KLIA	35	Double-storey Terrace	3Q FY24
Loop City Puchong (previously known as GreenTec)	338	SOHO/Service Apartment	4Q FY24
Lakeside Residences	304	Affordable High-rise Apartments & Semi-Ds	3Q, 4Q FY24
Total	677		

Source: Glomac, AmlInvestment Bank Bhd

EXHIBIT 5: 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		

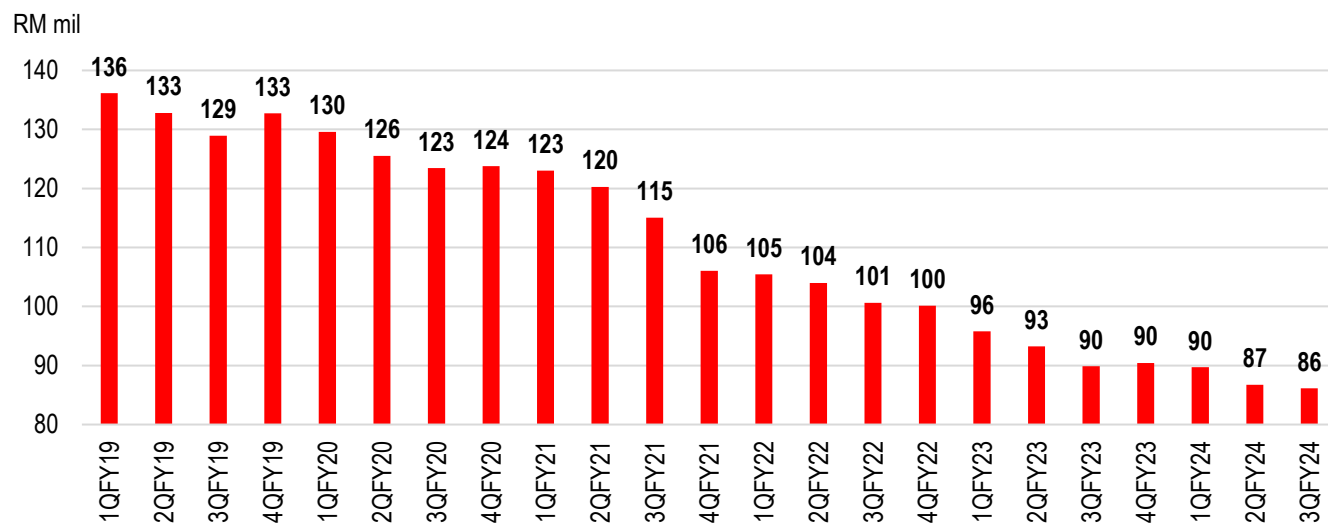
Source: Glomac, AmlInvestment Bank Bhd

EXHIBIT 6: BREAKDOWN OF TAKE-UP RATE, SALES AND UNBILLED SALES

Project	Take-up rate (%)		Sales (RM mil)		Unbilled sales (RM mil)	
	30-Oct-23	31-Jan-24	30-Oct-23	31-Jan-24	30-Oct-23	31-Jan-24
Bandar Saujana Utama*	99	99	3	-	128	113
Sri Saujana, Johor	100	100	-	-	14	10
Saujana Rawang	99	99	1	-	2	1
Lakeside Residences	100	73	-	-	86	86
Saujana KLIA	100	96	4	8	13	12
Plaza@Kelana Jaya	93	92	1	-	56	1
Saujana Jaya, Johor	-	95	-	1	-	1
Suria Stonor	-	-	11	-	4	-
121 Residences	100	100	18	-	148	123
Average	99	94	38	9	451	347

Source: Glomac, AmlInvestment Bank Bhd

EXHIBIT 7: INVENTORY (COMPLETED UNITS) TRENDS



Source: Glomac, AmlInvestment Bank Bhd

EXHIBIT 8: 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: AmlInvestment Bank Bhd

EXHIBIT 9: ESG RATING

Overall	★	★	★		
Eco-landscaping	★	★	★		
Progress of digitalisation	★	★	★		
Employee welfare	★	★	★		
Corporate social responsibility	★	★	★		
Strategic direction	★	★	★		
Gender diversity	★	★			
Earnings sustainability	★	★	★		
Accessibility & transparency	★	★	★		

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 10: PB BAND CHART

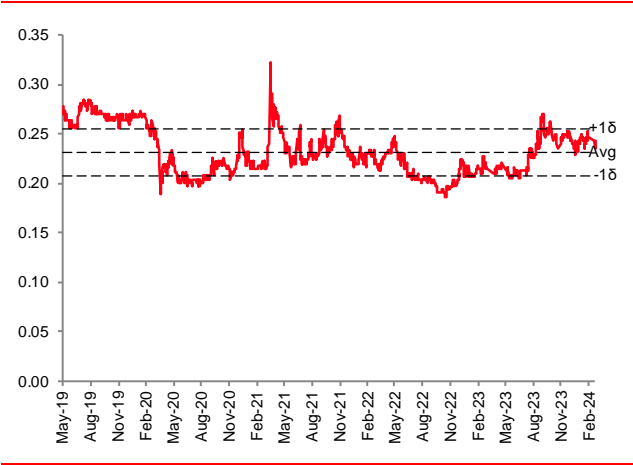


EXHIBIT 11: PE BAND CHART

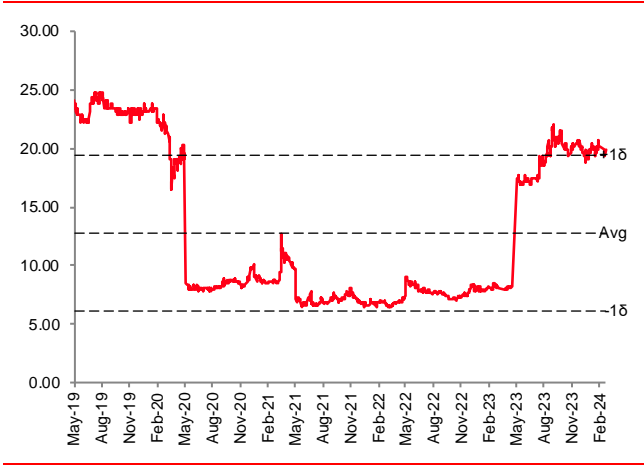


EXHIBIT 12: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	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 31 Dec)	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 31 Dec)	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 31 Dec)	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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