

Glomac Berhad

Disappointing Performance

TP: RM0.46 (+24.3%)

Last Traded: RM0.37

Under Review (ESG: ★★★)

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Review

- Glomac's 9MFY24 net profit of RM8.4mn came in below expectations, accounting for 54% and 52% of our and consensus full-year forecasts, respectively. The underperformance was mainly due to lower-than-expected development margins. Note that 9MFY24 revenue was within expectations and came in at 77% of our full-year forecasts.
- YoY, 9MFY24 net profit tumbled by 52% to RM8.4mn. This decline was caused mainly by a 39% increase in finance costs and a decrease in EBIT margin from 18.8% to 12.7% compared to the previous year. We recognise that the higher cost of construction and the less favourable product mix, which was heavily weighted towards affordable housing projects, were major contributing factors to the sharp decline in EBIT margin.
- Sequentially, 3QFY24 net profit improved to RM3.8mn from RM0.1mn recorded in 2QFY24, largely due to acceleration in progress billing recognition for tail-end projects, namely Plaza Kelana Jaya and 121 Residences.
- Glomac's 9MFY24 new property sales decreased 7.8% YoY to RM142mn. The key sales contributor for the period under review was the new commercial products at Lakeside Boulevard II, Puchong. The group's latest unbilled sales stood at RM347mn (1.1x FY23 property revenue).
- The group's balance sheet is healthy, with its latest net gearing improving further to 0.08x from 0.10x a quarter ago.

Impact

- Maintain earnings forecasts pending a meeting with management later.

Outlook

- Management anticipates stronger sales in the fourth quarter, supported by the recent soft launch of Allamanda terrace houses at Saujana KLIA and Keys semi-Ds at Lakeside Residences, with a total estimated GDV of RM269mn. Allamanda has already achieved a take-up rate of 43%, while Keys has seen a take-up rate of 30%.
- Management remains cautiously optimistic about the group's long-term prospects, backed by a solid balance sheet and a robust pipeline of development projects with a potential GDV of RM7.0bn.

Valuation

- We place our target price and recommendation under review pending more updates from a meeting with the management.

Share Information

Bloomberg Code	GLMC MK
Stock Code	5020
Listing	Main Market
Share Cap (mn)	767.5
Market Cap (RMmn)	284.0
52-wk Hi/Lo (RM)	0.405/0.295
12-mth Avg Daily Vol ('000 shrs)	361.9
Estimated Free Float (%)	25.6
Beta	0.8

Major Shareholders (%)

Tan Sri Dato'Mohd Mansor (21.0)
Dato Fateh Iskandar (19.1)
Datuk Fong Loong Tuck (17.1)
Shapadu Capital (11.6)

Forecast Revision

	FY24	FY25
Forecast Revision (%)	0.0	0.0
Net profit (RMmn)	15.4	23.4
Consensus (RM mn)	16.2	29.8
TA's / Consensus (%)	95.3	78.6
Previous Rating	Buy (Under Review)	
Consens TP (RM)	0.44	

Financial Indicators

	FY24	FY25
Net gearing (%)	16.2	16.6
CFPS (sen)	0.9	(0.1)
P/CFPS (x)	43.8	nm
ROA (%)	0.8	1.1
NTA/Share (RM)	1.5	1.6
Price/ NTA (x)	0.2	0.2

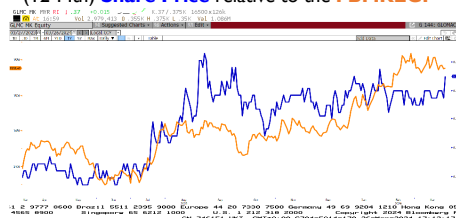
Scorecard

	% of FY	
vs. TA	54.0	Below
vs. Consensus	52.0	Below

Share Performance (%)

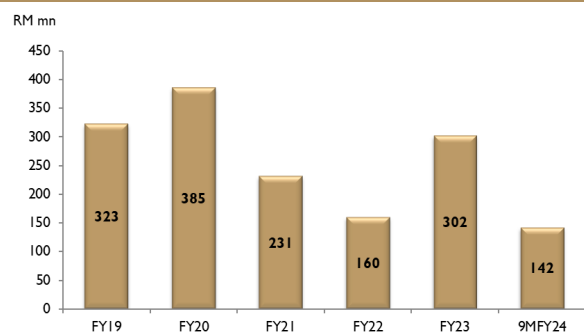
Price Change	Glomac	FBM KLCI
1 mth	4.2	(0.6)
3 mth	7.2	6.0
6 mth	(4.6)	6.4
12 mth	19.4	9.9

(12-Mth) Share Price relative to the FBMKLCI



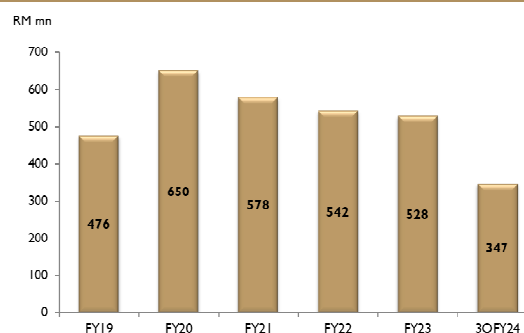
Source: Bloomberg

Figure 1 : Property Sales



Source: Glomac, TA Securities

Figure 2 : Unbilled Sales



Source: Glomac, TA Securities

Table 1: Earnings Summary (RM mn)

FYE April	2022	2023	2024F	2025F	2026F
Revenue	259.5	341.0	266.9	354.6	399.2
EBITDA	84.7	74.7	48.9	62.3	72.8
EBITDA margin (%)	32.6	21.9	18.3	17.6	18.2
Reported Pretax Profit	61.5	50.5	25.5	37.8	53.4
Normalised Pretax Profit	61.5	50.5	25.5	37.8	53.4
Reported Net Profit	37.9	31.3	15.4	23.4	33.6
Normalised Net Profit	37.9	31.3	15.4	23.4	33.6
Normalised EPS (sen)	4.9	4.1	2.0	3.1	4.4
Normalised EPS growth (%)	0.4	(17.3)	(50.7)	51.7	43.4
PER (x)	7.5	9.1	18.4	12.1	8.5
Gross div (sen)	1.5	1.3	1.0	1.3	1.3
Dividend yield (%)	4.1	3.4	2.7	3.4	3.4
ROE (%)	3.3	2.7	1.3	2.0	2.8

Table 2: 3QFY24 Results Analysis (RMmn)

FYE 30 Apr	3QFY23	2QFY24	3QFY24	QoQ (%)	YoY (%)	9MFY23	9MFY24	YoY (%)
Reported Revenue	66.0	55.8	89.4	60.1	35.4	209.9	205.3	(2.2)
- Property development	59.9	50.5	82.4	63.2	37.5	194.0	187.0	(3.6)
- Others	6.1	5.3	6.9	30.7	14.1	16.0	18.3	14.3
Normalised Revenue	66.0	55.8	89.4	60.1	35.4	209.9	205.3	(2.2)
EBIT	7.6	5.4	11.2	106.5	46.9	39.4	26.2	(33.6)
Net Int Inc/ (exp)	(3.2)	(4.7)	(5.3)	10.9	63.4	(9.5)	(13.2)	39.3
Associates	(0.2)	(0.0)	0.2	>100	>100	(0.3)	0.1	>100
EI	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reported PBT	4.2	0.7	6.2	>100	45.1	29.6	13.0	(56.0)
Normalised PBT	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
Reported Net Profit	0.4	0.5	3.8	>100	>100	17.4	8.4	(52.0)
Normalised Net Profit	0.4	0.5	3.8	>100	>100	17.4	8.4	(52.0)
Core EPS (sen)	0.1	0.1	0.5	>100	>100	2.3	1.1	(51.8)
GDPS (sen)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT margin (%)	11.5	9.7	12.5	2.8	1.0	18.8	12.7	(6.0)
Pretax margin (%)	6.4	1.2	6.9	5.7	0.5	14.1	6.3	(7.8)
Net margin (%)	0.6	0.9	4.3	3.4	3.6	8.3	4.1	(4.2)
Effective tax rate (%)	84.3	52.8	44.4	(8.4)	(39.9)	42.1	39.4	(2.7)

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.

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As of Wednesday, March 27, 2024, 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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