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Glomac Bhd

Revised Sales Target to a Minimum of RM300mn

TP: RM0.47 (+23.7%)

Last Traded: RM0.38

BUY (ESG: ★★★)

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Key takeaways from our recent conference call with management include:

4QFY24 earnings to rebound

Glomac's net profit for 9MFY24 plummeted by 52% YoY to RM8.4mn, missing expectations due to narrower property development margins. However, management anticipates earnings to strengthen in 4QFY24, driven by margin normalisation following the completion of low-margin development and accelerated recognition of progress billings for the nearly completed 121 Residences. Notably, 3QFY24 net profit surged nearly 8 times QoQ, with the EBIT margin improving from 9.7% in 2QFY24 to 12.5% post-completion of low-margin development.

The official launch of the Loop City Puchong is to be delayed to FY25

The official launch of Loop City in Puchong is expected to be postponed to FY25. The initial phase is projected to generate a GDV of RM338mn, featuring 980 SoHo and serviced apartment units priced at an average of RM320,000 each. Despite completing the sales gallery in Nov-23, the response has been slightly below expectations, with approximately 150 units (or 15% booking rate) reserved. This is below the typical 60% take-up rate for high-rise property launches, which management attributes to high competition in the area. Ongoing marketing campaigns are underway to enhance sales, with the launch scheduled upon reaching the 60% booking rate target.

Reduced FY24 sales target from RM400mn to RM300mn

Due to the delayed launch of Loop City Puchong, achieving the RM400mn sales target seems challenging. However, management expects FY24 sales to at least equal FY23's RM302mn. Despite 9MFY24 new property sales reaching only RM142mn, management remains hopeful for stronger 4Q sales, supported by recent soft launches. Allamanda terrace houses at Saujana KLIA and Keys semi-Ds at Lakeside Residences, with a total estimated GDV of RM269mn, are showing promising take-up rates of 43% and 30%, respectively. Other ongoing and completed projects are also expected to contribute to 4Q sales.

A healthy balance sheet supports land banking

Management intends to actively pursue opportunities to expand its land bank. In terms of geographical preference, management favours expanding their presence in the Klang Valley region. Regarding product preferences, the focus is on strategically located land parcels that are suitable for both quick turnaround high-rise projects and bread-and-butter landed township developments. The group's latest net gearing ratio of 0.08x (vs. the sector average of 0.4x) implies ample capacity to gear up to capitalise on land banking opportunities.

Share Information

Bloomberg Code	GLMC MK
Stock Code	5020
Listing	Main Market
Share Cap (mn)	767.5
Market Cap (RMmn)	291.6
52-wk Hi/Low (RM)	0.405/0.295
12-mth Avg Daily Vol ('000 shrs)	372.5
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 (%)	(15.4)	(12.4)
Net profit (RMmn)	13.1	20.5
Consensus	15.0	26.6
TA's / Consensus (%)	87.1	77.2
Previous Rating	Buy (Maintained)	
Consensus TP (RM)	0.44	

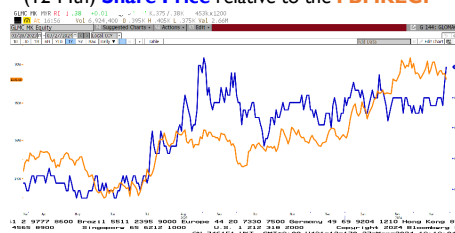
Financial Indicators

	FY24	FY25
Net gearing (%)	13.8	13.8
CFPS (sen)	4.6	0.6
P/CFPS (x)	8.3	60.1
ROA (%)	0.6	1.0
NTA/Share (RM)	1.5	1.5
Price/NTA (x)	0.2	0.2

Share Performance (%)

Price Change	GLMC	FBM KLCI
1 mth	7.0	(1.8)
3 mth	8.6	5.3
6 mth	(2.6)	6.3
12 mth	22.6	9.6

(12-Mth) Share Price relative to the FBMKLCI



Source: Bloomberg

Forecast

In light of the underwhelming 9M earnings, we have revised our margin assumptions for the ongoing projects of the group. Furthermore, we have opted to adjust our sales projections for FY24/25/26 to RM300mn/RM400mn/RM450mn, a reduction from the previous forecasts of RM430mn/RM470mn/RM500mn, in light of the delayed launch of Loop City. Consequently, our earnings estimates for FY24/FY25/FY26 have been revised downwards by 15%/12%/13% to RM13mn/RM21mn/RM29mn respectively.

Valuation

Factoring in the earnings revision and rolling forward our valuation base year to CY25, we arrive at a new TP of RM0.47/share (previously RM0.46/share), based on a target P/Bk multiple of 0.3x. The current valuation is undemanding, with the stock trading at a CY25 P/B of 0.2x, notably lower than the sector average of 0.7x. Additionally, we believe the potential downside to share price is limited, supported by a robust free cash flow of 15 sen per share. Maintain Buy call on Glomac.

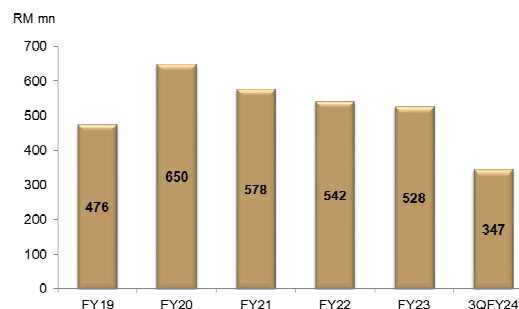
Figure 1 : Project Status and Unbilled Sales Breakdown

Sales (RMmn) as at 31 Jan 2024	Total GDV (RM mn)	Launched GDV (RM mn)	Sales (%)	Unbilled Sales (RM mn)
Lakeside Residences	4,006	879	73%	86
Saujana KLIA	1,442	594	96%	12
Bandar Saujana Utama	3,019	2,445	99%	113
Saujana Rawang	1,042	754	99%	1
Sri Saujana, Johor	776	595	100%	10
Saujana Jaya, Johor	655	43	99%	1
Plaza @ Kelana Jaya	348	348	92%	1
121 Residences	327	327	100%	123
Total				347

*incl Saujana Perdana & SU 5

Source: Glomac, TA Securities

Figure 2 : Unbilled Sales Trend



Source: Glomac, TA Securities

Figure 3 : FY24 Planned Launches

Project	Project Type	Phases	Number of units	Average size	Average Pricing/Unit (RM '000)	Estimated GDV (RM mn)	Target Launch Period (FY24)
Saujana KLIA	Double-storey Terrace	Allamanda - 4B1B	60	20' x 60'	530	35	Launched in Jan-24, 43% sold
Lakeside Residences	Affordable High-rise Apartments	RSKU - Type E- Khas	278	1,000 sq ft	278	70	4Q
	Semi Ds	Keys, Lakeside Residences	98	3,200 sq ft	2400	234	Soft launched in Jan-24, 30% booked
339							
Loop City Puchong	SoHo/Serviced Apartments	Phase I	980	450, 550 & 750 sq ft	320	338	To delay to FY25. 15% booked

Source: Glomac, TA Securities

Earnings Summary

Profit & Loss (RMm)

YE Apr 30	2022	2023	2024f	2025f	2026f
Revenue	259.5	341.0	266.9	348.7	376.5
EBITDA	84.7	74.7	45.3	58.3	69.1
Dep. & amortisation	(6.6)	(6.2)	(6.4)	(6.2)	(6.0)
Net finance cost	(15.9)	(17.4)	(17.0)	(19.4)	(19.7)
PBT	61.5	50.5	21.9	33.3	46.9
Normalised PBT	61.5	50.5	21.9	33.3	46.9
Taxation	(18.9)	(18.0)	(7.7)	(11.7)	(16.4)
MI	(4.7)	(1.1)	(1.1)	(1.1)	(1.1)
Net profit	37.9	31.3	13.1	20.5	29.3
Normalised net profit	37.9	31.3	13.1	20.5	29.3
Reported EPS (diluted) (sen)	4.9	4.1	1.7	2.7	3.8
Core EPS (diluted) (sen)	4.9	4.1	1.7	2.7	3.8
PER	7.7	9.3	22.3	14.2	10.0
Normalised PER (x)	7.7	9.3	22.3	14.2	10.0
GDPS (sen)	1.5	1.3	1.0	1.3	1.3
Div Yield (%)	3.9	3.3	2.6	3.3	3.3

Cash Flow (RMm)

YE Apr 30	2022	2023	2024f	2025f	2026f
PBT	61.5	50.5	21.9	33.3	46.9
Adjustments	10.3	25.7	17.0	18.8	16.2
Dep. & amortisation	6.6	6.2	6.4	6.2	6.0
Changes in WC	(66.9)	19.0	(4.6)	(38.4)	(38.6)
Operational cash flow	11.5	101.4	40.7	19.9	30.5
Capex	(0.4)	(1.1)	(5.0)	(15.0)	(15.0)
Others	4.4	4.8	0.0	0.0	0.0
Investment cash flow	4.1	3.7	(5.0)	(15.0)	(15.0)
Debt raised/(repaid)	(7.6)	(13.6)	0.0	7.0	7.0
Equity raised/(repaid)	0.0	(0.2)	(0.1)	(0.1)	(0.1)
Dividend	(8.6)	(7.2)	(5.8)	(7.2)	(7.2)
Others	(1.9)	(9.9)	(0.1)	(0.1)	(0.1)
Financial cash flow	(18.2)	(30.7)	(5.9)	(0.3)	(0.3)
Net cash flow	(2.6)	74.3	29.8	4.6	15.2

Assumptions

YE Apr 30	2022	2023	2024f	2025f	2026f
New Sales (RM mn)	160.0	302.0	300.0	400.0	450.0
Development Margins (%)	31.1	18.5	15.5	15.8	17.7

Balance Sheet (RMm)

YE Apr 30	2022	2023	2024f	2025f	2026f
Fixed assets	1120.5	1156.0	1154.5	1163.4	1172.4
Others	103.0	108.7	108.7	109.3	112.7
Total	1223.5	1264.6	1263.2	1272.6	1285.1
Cash	215.4	288.8	318.6	323.2	338.4
Others	523.7	477.7	446.6	483.1	495.4
CA	739.1	766.6	765.2	806.3	833.8
Total assets	1962.6	2031.2	2028.4	2078.9	2118.9
ST debt	319.8	334.5	334.5	335.9	337.3
Other liabilities	243.4	303.1	292.0	321.2	331.1
CL	563.2	637.6	626.5	657.1	668.3
Shareholders' funds	1158.2	1177.8	1185.0	1198.2	1220.1
MI	66.8	66.5	67.6	68.7	69.9
LT borrowings	173.8	147.4	147.4	153.0	158.6
LT liabilities	0.5	1.9	1.9	1.9	1.9
Total long term Liabilities	174.3	149.3	149.3	154.9	160.5
Total Equity and Liabilities	1962.6	2031.2	2028.4	2078.9	2118.9

Ratio

YE Apr 30	2022	2023	2024f	2025f	2026f
Profitability ratios					
ROE (%)	3.3	2.7	1.1	1.7	2.4
ROA (%)	1.9	1.6	0.6	1.0	1.4
EBITDA Margins (%)	32.6	21.9	17.0	16.7	18.3
PBT Margins (%)	23.7	14.8	8.2	9.6	12.4
Liquidity ratios					
Current ratio (x)	1.3	1.2	1.2	1.2	1.2
Quick ratio (x)	0.9	0.7	0.7	0.7	0.7
Leverage ratios					
Total liabilities / equity (x)	0.4	0.4	0.4	0.4	0.4
Net debt / Equity (x)	0.2	0.2	0.1	0.1	0.1
Growth ratios					
Revenue (%)	(29.3)	31.4	(21.7)	30.7	8.0
Pretax Profit (%)	8.4	(18.0)	(56.7)	52.5	40.6
Core net earnings (%)	(0.6)	(17.3)	(58.3)	57.1	42.8
Total assets (%)	0.7	3.5	(0.1)	2.5	1.9

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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

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As of Friday, March 29, 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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