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Glomac Berhad

Better Days Ahead

TP: RM0.63 (+41.6%)

Last Traded: RM0.445

Buy (ESG: ★★★)

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Review

- Excluding the fair value gain of RM17mn for the GLO Damansara retail mall, Glomac's FY24 core net profit of RM6.6mn fell short of expectations, representing only 51% and 47% of ours and the consensus full-year forecasts, respectively. This underperformance was primarily attributed to lower-than-anticipated development margins and higher-than-expected finance costs. Note that our revenue forecast for the same period was nearly spot on.
- The group has proposed a final dividend of 1.25sen/share, consistent with the amount paid in the previous financial year and exceeding our dividend projection of 1.0sen/share. Based on Glomac's last closing price, the proposed dividend translates to a yield of 2.8%.
- YoY, FY24 revenue declined by 22% to RM266.7mn, and core net profit plummeted by 79% to RM6.6mn. The revenue drop was due to the completion of several development projects in FY23, with new projects still in the early construction stages. Meanwhile, the sharp decline in net profit was primarily caused by a 17% increase in finance costs and a decrease in the EBIT margin from 20.1% to 13.6%. This margin contraction was driven by higher construction costs, a shift towards more affordable housing projects, and a 22% increase in marketing expenses to promote new projects.
- Sequentially, 4QFY24 slipped into a core net loss of RM1.8mn from a profit of RM3.8mn in the immediate preceding quarter. This was primarily due to a 31% reduction in revenue, coupled with increased finance costs (+34% QoQ) and higher tax expenses (+93% YoY).
- Despite missing earnings expectations, Glomac saw a substantial increase in new property sales during 4QFY24, reaching RM217mn compared to RM9mn in 3QFY24 and RM148mn in 4QFY23 (refer to **Table I**). This boosted total new property sales for FY24 to RM360mn, marking a 19.2% YoY increase and surpassing our sales assumptions of RM300mn. The strong sales performance was largely driven by the successful launch of ALLAMANDA double-storey terrace houses at Saujana KLIA and KEYS semi-Ds at Lakeside Residences, achieving sales rates of 81% and 63%, respectively, since their January 2024 launch. In addition, the earlier-than-expected launch of Loop City Residences at the end of 4QFY24 also contributed to a positive sales surprise.
- As a result of the strong property sales in 4Q, the group's latest unbilled sales increased from RM347mn in 3QFY24 to RM504mn, providing earnings visibility over the next 2 years.
- The group's balance sheet is healthy, with the latest net gearing at 0.07x.

Share Information

Bloomberg Code	GLMC MK
Stock Code	5020
Listing	Main Market
Share Cap (mn)	767.5
Market Cap (RMmn)	341.5
52-wk Hi/Lo (RM)	0.465/0.305
12-mth Avg Daily Vol ('000 shrs)	836.5
Estimated Free Float (%)	25.6
Beta	0.7

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

	FY25	FY26
Forecast Revision (%)	(12.8)	(17.3)
Net profit (RMmn)	17.9	24.2
Consensus (RM mn)	26.0	34.6
TA's / Consensus (%)	68.9	70.1
Previous Rating	Buy (Maintained)	
Consens TP (RM)	0.44	

Financial Indicators

	FY25	FY26
Net gearing (%)	0.2	0.1
CFPS (sen)	11.0	1.1
P/CFPS (x)	4.1	41.7
ROA (%)	0.9	1.2
NTA/Share (RM)	1.6	1.6
Price/ NTA (x)	0.3	0.3

Scorecard

	% of FY	
vs. TA	51.0	Below
vs. Consensus	47.0	Below

Share Performance (%)

Price Change	Glomac	FBM KLCI
1 mth	12.7	0.5
3 mth	23.6	4.7
6 mth	27.1	11.2
12 mth	43.5	16.6

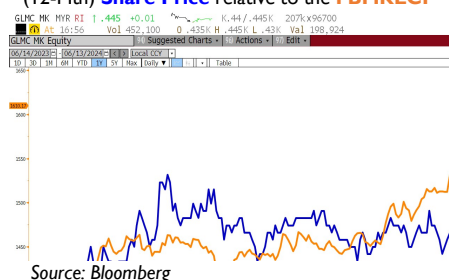
(12-Mth) **Share Price** relative to the **FBMKLCI**

Table 1: Property Sales Breakdown

Sales (RMmn)	4QFY23	3QFY24	4QFY24	QoQ(%)	YoY(%)	FY23	FY24	YoY(%)
Bandar Saujana Utama - Saujana Perdana	73	0	1	nm	(98.6)	112	7	(93.8)
Saujana KLIA	0	8	17	112.5	nm	9	32	255.6
Lakeside Residences	21	0	150	nm	614.3	39	215	451.3
121 Residences	25	0	1	nm	(96.0)	53	36	(32.1)
Plaza @ Kelana Jaya	28	0	7	nm	(75.0)	70	16	(77.1)
Loop City	0	0	31	nm	nm	0	31	nm
Suria S tonor	0	0	0	0.0	nm	0	11	nm
Others*	1	1	10	900.0	900.0	19	12	(36.8)
Total	148	9	217	2311.1	46.6	302	360	19.2

* incl. Sri Saujana, Saujana Rawang, and Saujana Jaya and Cyberjaya 2

Source: Glomac, TA Research

Impact

- After considering the latest guidance from management, we have revised our sales assumptions for FY25 and FY26 to RM420mn and RM480mn, respectively. This is a slight increase from our previous assumptions of RM400mn and RM450mn. According to the latest launch schedules, we also slow down our revenue recognition for the new launches. Additionally, we reduce our blended EBIT margin assumptions for FY25 and FY26 by 0.3%-pts and 1.2%-pts, respectively, to reflect the impact of the increased construction cost.
- Taking into account the actual FY24 performance, the revised sales, progress billings and margin assumptions mentioned above, we have slashed our earnings estimates for FY25 and FY26 by 13% and 17%, respectively.
- We introduce FY27 net profit of RM30.0mn, which implies a growth of 24% YoY. This projection is supported by a property sales assumption of RM500mn.

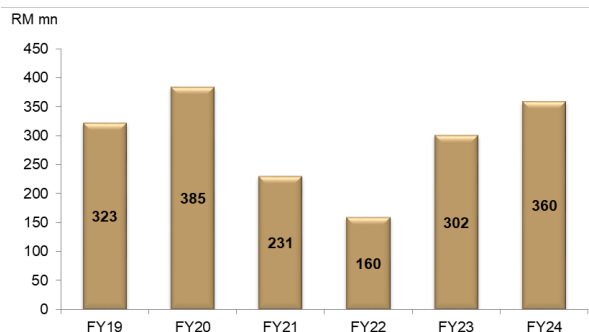
Conference Call Highlights

- Glomac aims for 15-20% YoY growth in property sales, targeting approximately RM420mn to RM430mn for FY25. This target is supported by new launches totaling RM425mn (refer to **Figure 3**) and the recent launch of Loop Residences worth RM340mn, which achieved a 9% sales rate (inclusive booking 22%) at the end of 4QFY24. Management expresses confidence in maintaining strong sales momentum throughout the year, driven by a diverse pipeline of new projects designed to meet a wide range of market demands.
- Management anticipates margin improvement in the coming years, driven by a better product mix that comprises more high-margin launches like commercial units and semi-Ds.
- While initial plans to enter the data centres business in Cyberjaya were paused due to Covid-19 in 2020, management keeps the option open, considering Cyberjaya's strategic location and attractive incentives under the MSC Malaysia Status.
- Leveraging its solid balance sheet, 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.
- Overall, management maintains cautious optimism about Glomac's long-term prospects, underpinned by a robust balance sheet and a substantial pipeline of development projects with a potential GDV of RM7.0bn.

Valuation

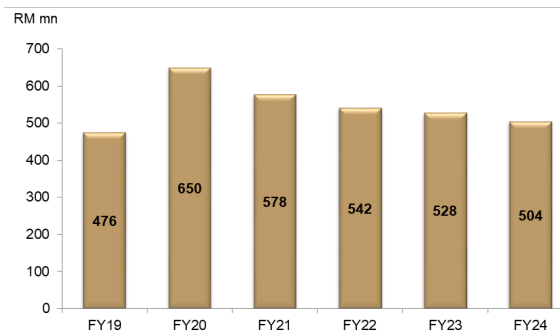
- In line with the property sector re-rating, we increase our target P/Bk multiple to 0.4x (previously 0.3x) and arrive at a new target price of **RM0.63/share** (previously RM0.47/share). We believe the potential downside to the share price is limited, supported by a robust free cash flow of 16sen per share. Maintain **Buy**.

Figure 1 : Property Sales



Source: Glomac, TA Securities

Figure 2 : Unbilled Sales



Source: Glomac, TA Securities

Figure 3 : RM425mn Planned Launches for FY24

Project	Project Type	Phases	Number of units	Average size	Average Pricing/Unit (RM '000)	Estimated GDV (RM mn)	Target Launch Period (FY25)
Saujana KLIA	Double-storey Terrace	Primrose Phase 2	108	20' x 60'	603	65	1Q
Lakeside Residences	Semi Ds	Keys Phase 2	70	3,200 sq ft	2257	158	3Q
Saujana Perdana	Shop Houses	Phase E, F, G	111	2,000 sq ft	930	93	4Q
Saujana Utama 5	Double-storey Terrace	-	112	20' x 70'	580	66	3Q/4Q
Saujana Jaya, Kulai	Double-storey Terrace	Phase 1B	69	20' x 70'	630	43	3Q
						425	

Earnings Summary (RM mn)

FYE April	2023	2024	2025F	2026F	2027F
Revenue	341.0	266.7	300.8	331.0	371.3
EBITDA	74.7	41.9	49.4	56.8	63.0
EBITDA margin (%)	21.9	15.7	16.4	17.1	17.0
Reported Pretax Profit	50.5	32.9	25.8	35.5	44.4
Core Pretax Profit	50.5	15.9	25.8	35.5	44.4
Reported Net Profit	31.3	23.6	17.9	24.2	30.0
Core Net Profit	31.3	6.6	17.9	24.2	30.0
Core EPS (sen)	4.1	0.9	2.3	3.2	3.9
Core EPS growth (%)	(17.3)	(79.0)	171.4	35.5	23.9
PER (x)	10.9	51.8	19.1	14.1	11.4
Gross div (sen)	1.3	1.3	1.3	1.3	1.3
Dividend yield (%)	2.8	2.8	2.8	2.8	2.8
ROE (%)	2.7	0.6	1.5	2.0	2.4

4QFY24 Results Analysis (RMmn)

FYE 30 Apr	4QFY23	3QFY24	4QFY24	QoQ (%)	YoY (%)	FY23	FY24	YoY (%)
Reported Revenue	131.1	89.4	61.5	(31.2)	(53.1)	341.0	266.7	(21.8)
- Property development	125.5	82.4	55.0	(33.3)	(56.2)	319.4	242.0	(24.2)
- Others	5.6	6.9	6.5	(6.8)	14.9	21.6	24.7	14.5
Normalised Revenue	131.1	89.4	61.5	(31.2)	(53.1)	341.0	266.7	(21.8)
EBIT	29.0	11.2	10.0	(10.6)	(65.5)	68.4	36.2	(47.1)
Net Int Inc/ (exp)	(7.9)	(5.3)	(7.1)	34.2	(10.8)	(17.4)	(20.3)	16.5
Associates	(0.3)	0.2	(0.1)	(151.9)	(54.4)	(0.6)	(0.0)	(94.7)
EI	0.0	0.0	17.0	nm	nm	0.0	17.0	nm
Reported PBT	20.9	6.2	19.8	221.8	(5.0)	50.5	32.9	(34.9)
Core PBT	20.9	6.2	2.8	(54.2)	(86.5)	50.5	15.9	(68.6)
Taxation	(5.5)	(2.7)	(5.3)	92.7	(4.7)	(18.0)	(10.4)	(42.2)
MI	(1.4)	0.4	0.7	76.6	(148.2)	(1.1)	1.1	(199.8)
Reported Net Profit	13.9	3.8	15.2	299.8	9.4	31.3	23.6	(24.7)
Core Net Profit	13.9	3.8	(1.8)	(146.3)	(112.7)	31.3	6.6	(79.0)
Core EPS (sen)	1.8	0.5	(0.0)	(104.6)	(101.3)	4.1	0.9	(78.9)
GDPS (sen)	1.3	0.0	1.3	nm	0.0	1.3	1.3	0.0
				ppt	ppt			ppt
EBIT margin (%)	22.2	12.5	16.3	3.8	(5.9)	20.1	13.6	(6.5)
Pretax margin (%)	15.9	6.9	4.6	(2.3)	(11.3)	14.8	5.9	(8.9)
Net margin (%)	10.6	4.3	(2.9)	(7.1)	(13.5)	9.2	2.5	(6.7)
Effective tax rate (%)	26.5	44.4	26.6	(17.8)	0.1	35.6	31.7	(4.0)

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 Friday, June 14, 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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