



AmInvestment Bank

GLOMAC

(GLMC MK EQUITY, GLOM.KL)

14 Jun 2024

Dragged by higher construction cost

Company Report

HOLD

(Downgraded)

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Rationale for report: Company Results

Price	RM0.445
Fair Value	RM0.40
52-week High/Low	RM0.47/RM0.31

Key Changes

Fair value	⬇️
EPS	⬇️

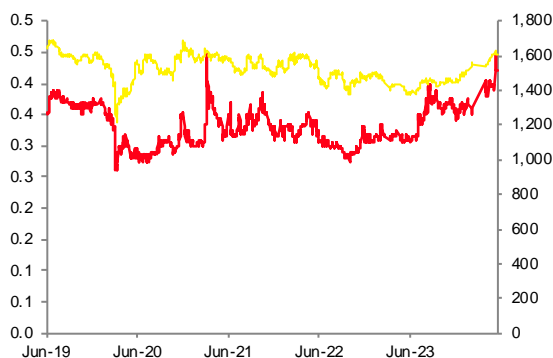
YE to Apr	FY24	FY25F	FY26F	FY27F
Revenue (RM mil)	266.7	360.4	385.2	511.6
Core net profit (RM mil)	6.6	16.6	19.2	27.8
FD Core EPS (sen)	0.8	2.1	2.4	3.5
FD Core EPS growth (%)	(79.0)	151.4	16.0	44.5
Consensus Net Profit (RM mil)	-	26.0	34.6	-
DPS (sen)	1.3	1.5	1.5	0.9
PE (x)	54.0	21.5	18.5	12.8
EV/EBITDA (x)	11.9	9.8	9.0	8.2
Div yield (%)	2.8	3.4	3.4	2.0
ROE (%)	2.0	1.4	1.6	2.3
Net Gearing (%)	6.4	14.0	15.5	26.9

Stock and Financial Data

Shares Outstanding (million)	800.1
Market Cap (RMmil)	356.0
Book Value (RM/Share)	1.50
P/BV (x)	0.3
ROE (%)	2.0
Net Gearing (%)	6.4

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)	0.9

Price performance	3mth	6mth	12mth
Absolute (%)	23.6	27.1	43.5
Relative (%)	18.1	14.3	23.1



GLMC MK FBMKLCI Index

Investment Highlights

- We downgrade Glomac to HOLD from BUY with a lower fair value (FV) of RM0.40/share (from RM0.42/share previously) based on a discount of 40% to revised RNAV (Exhibit 6) and neutral ESG rating of 3-star (Exhibit 7).
- The FV implies a FY25F PE of 13x, slightly higher than the current average of smaller-cap property stocks.
- The lower FV stems from the 31% to 37% downward adjustment to FY25F/FY26F core net profit (CNP) after accounting for lower-than-expected CNP margin resulting from higher construction cost for existing projects.
- Glomac's FY24 core net profit (CNP) of RM7mil came in below expectations. It was 55% below our earlier FY24 earnings forecast and 53% below street's.
- The variance to our forecast was mainly due to lower-than-estimated CNP margin as a result of increased construction cost and finance expense.
- In FY24, the group's revenue fell 22% to RM266.7mil while CNP plunged 79% to RM6.6mil. This was mainly attributed to the completion of several property development projects and slower new projects launched in FY23.
- Meanwhile, FY24 CNP margin fell to 3% from 9% in FY23. This was mainly due to the higher waiver fee to allow the bumi lots in its projects to be disposed to non-bumi buyers. Additionally, Glomac's CNP margin was impacted by higher construction costs and finance expenses.
- Glomac secured new sales of RM360mil (+19% YoY) in FY24, attaining 91% of its earlier sales target of RM393mil (Exhibits 3 & 5). The major sales contributor was Lakeside Residence (60%).
- For FY25F, management is setting a higher sales target of RM414mil-RM432mil (+15% to +20% YoY vs. actual FY24 sales), supported by planned launches of RM425mil (Exhibit 4).

- In FY24, the property investment division's revenue grew 16% while operating profit improved 15%. This was mainly driven by the improvement in the occupancy rate of Glo Damansara mall.
- QoQ, the group reversed to a core net loss of RM2mil in 4QFY24 from a CNP of RM4mil in 3QFY24 mainly due to lower property development activities as well as increased finance cost and taxation.
- We believe that Glomac's FY25F revenue and CNP will be largely supported by its unbilled sales of RM504mil (+45% QoQ), which represents a cover ratio of 1.4x FY25F revenue (Exhibits 3 & 5). We expect the group's unbilled sales to be replenished with planned launches totaling RM425mil in FY25F.
- As Glomac is currently trading at an unexciting FY25F PE of 22x vs. a 4-year average of 14x, we see limited upside for the group.

EXHIBIT 1: EARNINGS SUMMARY

YE 30 Apr (RM mil)	4QFY23	3QFY24	4QFY24	QoQ %	YoY %	FY23	FY24	YTD %
Revenue	131.1	89.4	61.5	(31.2)	(53.1)	341.0	266.7	(21.8)
Operating costs	(108.7)	(78.5)	(51.7)	(34.1)	(52.4)	(277.8)	(230.4)	(17.1)
EBITDA	22.4	10.9	9.7	(10.6)	(56.5)	63.2	36.4	(42.5)
Depreciation	(1.5)	(1.4)	(1.5)	1.0	(3.1)	(6.2)	(5.8)	(7.2)
Net finance costs	(0.0)	(4.1)	(5.8)	41.5	>100	(7.2)	(16.2)	>100
Other income	0.2	0.6	0.5	(19.9)	99.1	1.3	1.5	18.9
Associate contributions	(0.3)	0.2	(0.1)	(>100)	(54.4)	(0.6)	(0.0)	(94.7)
Exceptional item	0.0	0.0	17.0	N/A	N/A	0.0	17.0	>100
Profit before tax	20.9	6.2	19.8	>100	(5.0)	50.5	32.9	(34.9)
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	>100	(1.1)	1.1	>100
PATMI	13.9	3.8	15.2	>100	9.4	31.3	23.6	(24.7)
Adjustments	0.0	0.5	(17.5)	(>100)	(>100)	0.0	(17.0)	(>100)
Core PATMI	13.9	4.3	(2.3)	(>100)	(>100)	31.3	6.6	(79.0)
EPS (sen)	1.8	0.6	(0.3)	(>100)	(>100)	4.1	0.9	(79.0)
EBITDA margin (%)	17.1	12.2	15.9	3.7	(1.2)	18.5	13.6	(4.9)
Effective tax rate (%)	26.5	44.4	26.6	(17.8)	0.1	35.6	31.7	(4.0)
Core PATMI margin (%)	10.6	4.8	(3.7)	(8.5)	(14.3)	9.2	2.5	(6.7)

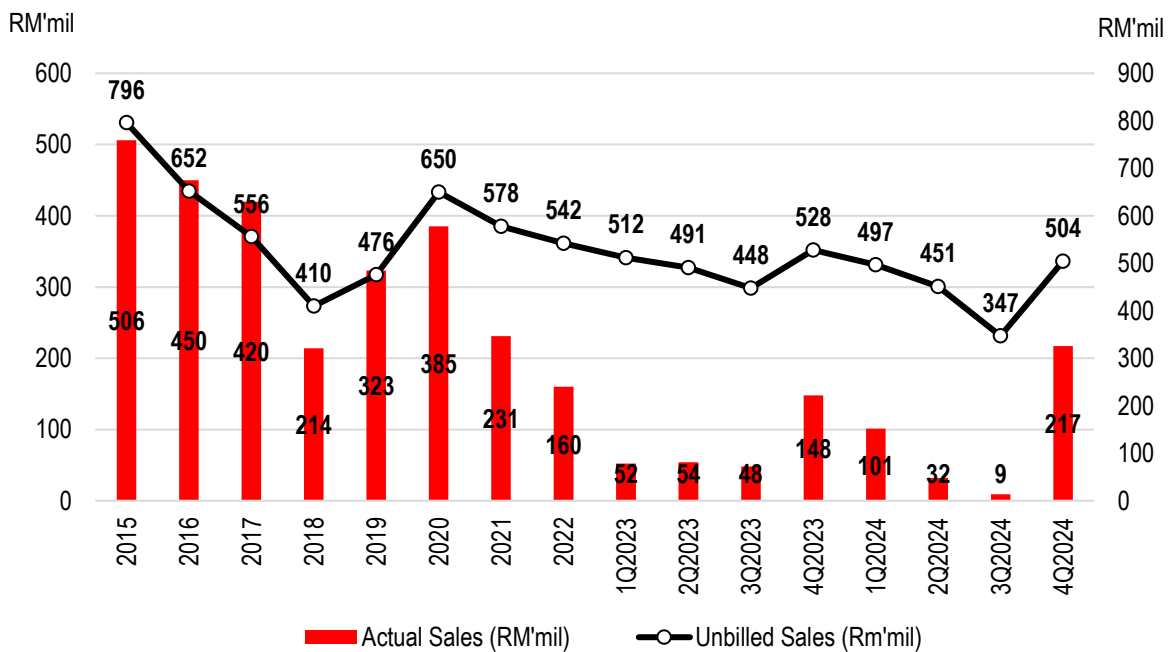
Source: AmlInvestment Bank Bhd

EXHIBIT 2: SEGMENTAL BREAKDOWN

FY 30 Apr (RM mil)	4QFY23	3QFY24	4QFY24	QoQ %	YoY %	FY23	FY24	YTD %
Property development	125.5	82.4	55.0	(33.3)	(56.2)	319.4	242.0	(24.2)
Property investment	5.4	6.7	6.2	(7.0)	15.5	20.5	23.7	15.5
Other operations	0.2	0.3	0.2	(2.4)	0.8	1.1	1.0	(5.2)
Revenue	131.1	89.4	61.5	(31.2)	(53.1)	341.0	266.7	(21.8)
Property development	20.3	9.5	6.4	(32.7)	(68.6)	59.0	32.3	(45.2)
Property investment	0.5	0.6	0.6	(10.0)	1.7	0.9	1.0	14.5
Other operations	(0.9)	19.4	6.6	(66.0)	>100	2.1	47.2	>100
Operating profit	19.9	29.5	13.5	(54.1)	(32.1)	62.0	80.5	29.9
Operating margin (%)								
Property development	16.2	11.5	11.6	0.1	(4.6)	18.5	13.4	(5.1)
Property investment	10.1	9.2	8.9	(0.3)	(1.2)	4.3	4.3	(0.0)
Other operations	(376.5)	7,729.9	2,691.4	>100	>100	200.3	4,736.2	>100

Source: AmlInvestment Bank Bhd

EXHIBIT 3: ACTUAL SALES AND UNBILLED SALES TREND



Source: Glomac, AmlInvestment Bank Bhd

EXHIBIT 4: FY25F PLANNED LAUNCHES

FY25 Launches	GDV (RM mil)	Project Type	Targeted Launch Period
Saujana KLIA	65	Double-storey Terrace	1Q
Lakeside Residences	158	Semi-Ds	3Q
Saujana Utama 5	66	Double-storey Terrace	3Q/4Q
Saujana Perdana	93	Shop House	4Q
Saujana Jaya, Kulai	43	Double-storey Terrace	3Q
Total	425		

Source: Glomac, AmlInvestment Bank Bhd

EXHIBIT 5: BREAKDOWN OF TAKE-UP RATE, SALES AND UNBILLED SALES

Project	Take-up rate (%)		Sales (RM mil)		Unbilled sales (RM mil)	
	31-Jan-24	30-Apr-24	31-Jan-24	30-Apr-24	31-Jan-24	30-Apr-24
Bandar Saujana Utama	99	99	-	1	113	88
Sri Saujana, Johor	100	100	-	-	10	-
Saujana Rawang	99	99	-	-	1	1
Lakeside Residences	73	90	-	150	86	233
Saujana KLIA	96	99	8	17	12	29
Plaza@Kelana Jaya	92	94	-	7	1	7
Saujana Jaya, Johor	95	100	1	1	1	1
Loop City Puchong	-	9	-	31	-	31
121 Residences	100	100	-	1	123	105
Others	-	-	-	9	-	9
Average	94	88	9	217	347	504

Source: Glomac, AmlInvestment Bank Bhd

EXHIBIT 6: RNAV CALCULATION

DEVELOPMENT PROPERTIES	Outstanding GDV (RM mil)	NPV @12% (RM mil)
Lakeside Residences	3,360.0	83.8
Loop City, Puchong	1,574.0	20.2
Saujana KLIA	842.0	19.7
Saujana Perdana	111.0	2.8
Saujana Utama 5	308.0	7.8
Saujana Rawang	288.0	7.3
Sri Saujana, Johor	181.0	4.6
Saujana Jaya, Johor	609.0	15.3
Glomac Cyberjaya	123.0	3.1
Glomac Cyberjaya 2	126.0	3.2
Unbilled sales	504.0	20.4
DCF of future profits	8,026.0	188.0
Inventories		139.6
Investment properties		364.4
Other investments		26.4
Net debt		(188.7)
Total		529.7
Less 40% discount		(211.9)
Total		317.8
Enlarged share base (mil shares)		800.1
Fair value/share (RM)		0.40
(+) no adjustment for 3-star ESG rating		0.00
Fair value/share (RM)+ ESG Premium		0.40

Source: AmlInvestment Bank Bhd

EXHIBIT 7: ESG MATRIX

Environmental assessment		Parameters	Weightage	Rating					Rationale
1	Scope 1 GHG Emissions	Co2e reduction	25%	*	*	*	*	*	Reduced to 0 tonne in FY23 from 0.52 tonne in FY22
2	Scope 2 GHG Emissions	Co2e reduction	25%	*	*	*			Increased 3% YoY in FY23
3	Water usage	Water consumption	25%	*	*				Increased 38% YoY in FY23 due to recovery in footfall in Glo Damansara.
4	Energy usage	Energy consumption	25%	*	*	*			Increased 3% YoY in FY23
Weighted score for environmental assessment			100%	*	*	*			
Social assessment									
1	Health, safety & well-being	Recorded injuries	25%	*	*	*	*	*	0 in FY22, FY23
2	Women in workforce	% of total workforce in management	25%	*	*				9.8% in management & 1.6% in top management
3	Investment in employee training	Average number of hours of training per year per employee trained	25%	*	*				Down to 8 hours in FY23 from 12 hours in FY22
4	Procurement sourcing from local vendors	% of total procurement	25%	*	*	*	*	*	100% for all non-township projects
Weighted score for social assessment			100%	*	*	*			
Governance assessment									
1	Board age diversity	% under 60 years old	20%	*	*	*			50%
2	Board women representation	% of total board directors	20%	*	*				17% representation
3	Directors with tenure below 6 years	% below 6 years category	20%	*	*				33%
4	Independent board directors	% of total board directors	20%	*	*	*			50% - independent non-exec
5	Remuneration to directors	% of total staff costs	20%	*	*				RM4mil - 21% of 2023 staff costs
Weighted score for governance assessment			100%	*	*				
Environmental score			40%	*	*	*			
Social score			30%	*	*	*			
Governance score			30%	*	*				
Overall ESG Score			100%	*	*	*			

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 8: PB BAND CHART

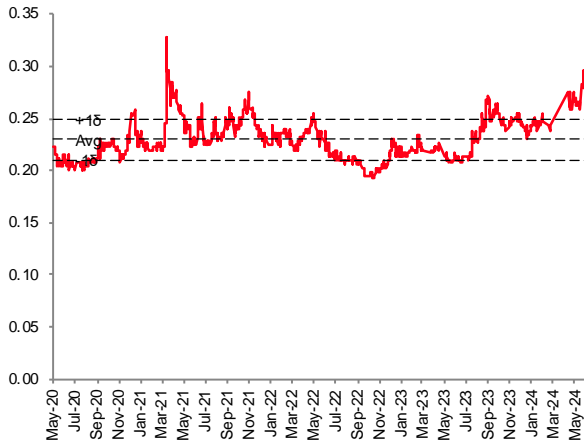


EXHIBIT 9: PE BAND CHART

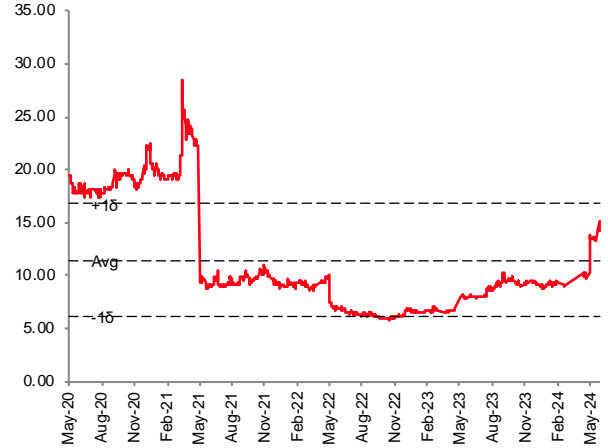


EXHIBIT 10: FINANCIAL DATA

Income Statement (RMmil, YE 31 Apr)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	341.0	266.7	360.4	385.2	511.6
EBITDA	69.9	36.4	53.7	60.7	83.5
Depreciation/Amortisation	(6.2)	(5.8)	(7.8)	(8.3)	(11.1)
Operating income (EBIT)	63.6	30.6	45.9	52.3	72.4
Other income & associates	0.7	1.5	2.6	2.1	3.1
Net interest	(13.9)	(16.2)	(21.9)	(23.4)	(31.1)
Exceptional items	-	17.0	-	-	-
Pretax profit	50.5	32.9	26.6	31.0	44.5
Taxation	(18.0)	(10.4)	(8.1)	(9.7)	(13.9)
Minorities/pref dividends	(1.1)	1.1	(1.9)	(2.1)	(2.8)
Net profit	31.3	23.6	16.6	19.2	27.8
Core net profit	31.3	6.6	16.6	19.2	27.8
Balance Sheet (RMmil, YE 31 Apr)	FY23	FY24	FY25F	FY26F	FY27F
Fixed assets	39.2	36.9	37.3	37.7	39.6
Intangible assets	766.8	750.7	758.2	765.8	773.5
Other long-term assets	458.6	471.1	473.7	481.3	481.3
Total non-current assets	1,264.6	1,258.8	1,269.2	1,284.8	1,294.4
Cash & equivalent	288.8	314.3	262.9	218.6	98.8
Stock	167.3	197.7	229.4	245.1	463.9
Trade debtors	59.7	67.3	95.8	102.3	168.2
Other current assets	250.7	140.3	223.4	235.6	133.9
Total current assets	766.6	719.7	811.5	801.7	864.8
Trade creditors	106.1	80.5	123.4	139.6	206.0
Short-term borrowings	331.2	256.4	301.8	303.6	61.8
Other current liabilities	200.3	260.5	264.5	268.1	211.3
Total current liabilities	637.6	597.3	689.7	711.3	479.1
Long-term borrowings	147.4	134.6	130.1	103.7	369.7
Other long-term liabilities	1.9	2.2	2.2	2.2	2.2
Total long-term liabilities	149.3	136.9	132.3	105.9	371.9
Shareholders' funds	1,177.8	1,202.7	1,207.3	1,214.5	1,235.3
Minority interests	66.5	38.0	51.4	54.9	72.9
BV/share (RM)	1.47	1.50	1.51	1.52	1.54
Cash Flow (RMmil, YE 31 Apr)	FY23	FY24	FY25F	FY26F	FY27F
Pretax profit	50.5	32.9	26.6	31.0	44.5
Depreciation/Amortisation	6.2	5.8	7.8	8.3	11.1
Net change in working capital	63.2	128.4	(15.1)	(4.6)	(173.0)
Others	(18.5)	(28.8)	(99.2)	(42.0)	(17.7)
Cash flow from operations	101.4	138.2	(79.9)	(7.2)	(135.1)
Capital expenditure	(1.1)	(0.4)	(0.4)	(0.4)	(1.9)
Net investments & sale of fixed assets	-	(4.1)	-	-	-
Others	4.8	-	-	-	-
Cash flow from investing	3.7	(21.2)	(0.4)	(0.4)	(1.9)
Debt raised/(repaid)	(13.6)	(87.5)	40.9	(24.7)	24.2
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	(13.1)	(10.0)	(12.0)	(12.0)	(6.9)
Others	(4.0)	(2.9)	-	-	-
Cash flow from financing	(30.7)	(100.4)	28.9	(36.7)	17.2
Net cash flow	99.4	25.4	(51.4)	(44.3)	(119.8)
Net cash/(debt) b/f	189.5	288.8	314.3	262.9	218.6
Net cash/(debt) c/f	288.8	314.3	262.9	218.6	98.8
Key Ratios (YE 31 Apr)	FY23	FY24	FY25F	FY26F	FY27F
Revenue growth (%)	31.4	(21.8)	35.1	6.9	32.8
EBITDA growth (%)	(10.2)	(48.0)	47.7	13.0	37.7
Pretax margin (%)	14.8	12.3	7.4	8.1	8.7
Net profit margin (%)	9.2	8.8	4.6	5.0	5.4
Interest cover (x)	4.6	1.9	2.1	2.2	2.3
Effective tax rate (%)	35.6	31.7	30.4	31.3	31.3
Dividend payout (%)	31.9	151.7	72.4	62.4	25.0
Debtors turnover (days)	64	92	97	97	120
Stock turnover (days)	217	250	216	225	253
Creditors turnover (days)	103	128	103	125	123

Source: Company, AmlInvestment Bank Bhd estimates

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