

19 March 2015 | 3QFY15 Results Review

Glomac Berhad

Disappointing new sales but expect better pace in 4QFY15

Maintain NEUTRAL

**Adjusted Target Price: RM1.06
(from RM1.17)**

INVESTMENT HIGHLIGHTS

- **Cumulative results came in below expectation due to higher than expected effective tax rate.**
- **Disappointing new sales for 9MFY15 but we expect a pick-up in the final quarter of FY15.**
- **Township and landed residential projects to make up 68% of the RM822m in GDV of new launches.**
- **Maintain NEUTRAL with adjusted Target Price (TP) of RM1.06 (previously RM1.17).**

Results below expectation. Glomac Berhad (GLOMAC)'s 9MFY15 Core Net Income (CNI) of RM34.7m was below our expectation as it makes up only 36% of our FY15 full year estimate of RM97.3m and 40% of consensus' RM86.6m. We believe that the shortfall was due to a higher than expected effective tax rate of 39.3% in 3QFY15. Taxes from its sale of Australian investment in FY14 were taken into account in the quarter. Recall that in Oct-2013, GLOMAC's 45.85% owned associate company in Australia (VIP Glomac Unit Trust) realised a share of profit from associate company of AUD5.2m or RM15.4m due to the disposal of an investment property in Melbourne. The Group announced an interim dividend of 2.0 sen. For the full FY15, we expect its net dividend to be 3.5 sen.

Disappointing new sales in 9MFY15 but expect momentum to pick up in 4QFY15. The Company secured new sales of RM86m in 9MFY15. This was lower by -76%yoy than 9MFY14's RM352m. While the figure was below our expectation so far (18% of our FY15 full year estimate of RM481m), we are maintaining our numbers. We understand that GLOMAC is poised to launch five projects with GDV of RM822m in 4QFY15.

Township and landed residential projects to make up 68% of the RM822m in GDV of new launches. The biggest contributor for FY15 news sales is expected to come from Saujana KLIA (Total GDV RM283m with RM222m from terrace houses and the balance shop houses). Other landed residential projects include Lakeside Residences (GDV: RM151m), Saujana Rawang (GDV: RM63m) and Sri Saujana Johor (GDV: RM62m). There is only one service apartment project, i.e. Glomac Centro (GDV: RM263m). Overall, the demand for GLOMAC projects should be relatively resilient given that RM559m or 68% of the launches are township and landed residential projects.

Our sales estimate is conservative. We believe that sales from these projects should support our sales target of RM481m for FY15. Even a conservative take-up rate assumption of 50% is expected to result in RM411m of new sales in 4QFY15. This shall lift the cumulative new sales to RM497m which represents 103% of our full year estimate for FY15. Our estimate on its new sales of RM481m is more conservative than management's guidance of RM500m for full year FY15. We already assumed a decline of -5%yoy in new sales for FY15 due to the challenging property market outlook.

RM537m unbilled sales to provide earnings visibility in FY16. GLOMAC has unbilled sales of RM537m as of end-9MFY15 and this will provide earnings visibility for less than a year. We expect its new property launches in 4QFY15 to boost its unbilled sales.

Maintain NEUTRAL with adjusted Target Price (TP) of RM1.06. We like GLOMAC's high exposure to township and landed residential projects which are in strategic locations. Hence we expect it to achieve decent new sales despite of the current challenging environment. Its FY15 dividend yield of 3.5% is on par with peers' average level of 3.3%. We expect GLOMAC's new sales to decline -5%yoy in FY15. On FY17 earnings, we expect it to depend on the new sales garnered in FY15 due to the 2-year lagging effect on earnings. This is in view of progressive billing nature of property development business. Overall, we maintain our NEUTRAL recommendation. Our TP is adjusted to RM1.06 based on 20% discount to RNAV. The adjustment in TP is due to a change in valuation method to RNAV in line with the valuation method of all stocks under our property sector coverage (previously PER valuation method).

RETURN STATS

Price (18 Mar 2015)	RM1.02
Target Price	RM1.06
Expected Share Price Return	+3.8%
Expected Dividend Yield	+3.5%
Expected Total Return	+7.3%

STOCK INFO

KLCI	1,797.57
Bursa / Bloomberg	5020 / GLMC MK
Board / Sector	Main / Properties
Syariah Compliant	Yes
Issued shares (mil)	726.81
Par Value (RM)	0.50
Market cap. (RM'm)	741.35
Price over NA	0.82
52-wk price Range	RM0.9 - RM1.21
Beta (against KLCI)	1.16
3-mth Avg Daily Vol	0.11m
3-mth Avg Daily Value	RM0.11m

Major Shareholders

Tan Sri Dato' Mohamed Mansor	19.89%
Datuk Fong Loong Tuck	16.01%
Datuk Seri Fateh Iskandar	15.65%
Lembaga Tabung Haji	10.25%

INVESTMENT STATISTICS

FYE Apr (RM'm, unless otherwise stated)	FY12	FY13	FY14	FY15F	FY16F
Revenue	652	681	677	379	545
Core EBIT	183	160	165	100	116
Core PBT	176	157	172	107	123
Net Income	85	102	108	78	85
Core Net Income	100	106	124	55	85
EPS (sen)	14.78	14.84	14.97	10.68	11.66
Core EPS (sen)	17.35	15.32	17.07	7.56	11.66
Net DPS (sen)	4.13	4.88	4.90	3.52	3.85
Net Dvd Yield	4.0%	4.8%	4.8%	3.5%	3.8%
Core PER	5.9	6.7	6.0	13.5	8.7
NTA/share (RM)	1.10	1.15	1.22	1.32	1.39
P/NTA	0.92	0.89	0.84	0.77	0.73
Core ROE	15.7%	13.3%	13.9%	5.8%	8.5%
Core ROA	7.4%	6.6%	7.2%	3.1%	4.7%

Source: Company, MIDF Research Forecast

GLOMAC 3QFY15 Results Summary

FYE Apr (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	3QFY15	%YoY	%QoQ	9MFY15	%YoY	
Revenue	111.0	-40%	29%	303.8	-39%	9MFY15 revenue declined 39%yoy due to lower recognition as a result of completion of Damansara Residences. The Bandar Saujana Utama project is also at tail-end stage.
Core EBIT	22.0	-40%	-6%	77.6	-27%	Core figure exclude RM22.7m Fair Value Gain on Investment Properties net of tax which was recognized in 3QFY15 due to a change in accounting treatment for 'Glo Damansara' mall. The mall has been reclassified as Investment Property from Property Development Projects.
Core PBT	19.8	-44%	-6%	71.8	-40%	
Net Income	23.4	3%	78%	57.4	-33%	
Core Net Income	0.7	-97%	-95%	34.7	-60%	Below expectation at 36% of our full year forecast (40% of consensus).
EPS (sen)	3.23	3%	78%	7.91	-33%	
Core EPS (sen)	0.10	-97%	-94%	4.79	-60%	
Net DPS (sen)	2.00	-11%	NA	2.00	-11%	
NTA/share (RM)	1.27	5%	2%	1.27	4%	
Net Gearing (x)	0.34	NA	NA	0.34	NA	
Core EBIT Margin	19.8%	NA	NA	25.5%	NA	
Core PBT Margin	17.9%	NA	NA	23.6%	NA	

Source: Company, MIDF Research Forecast

GLOMAC RNAV

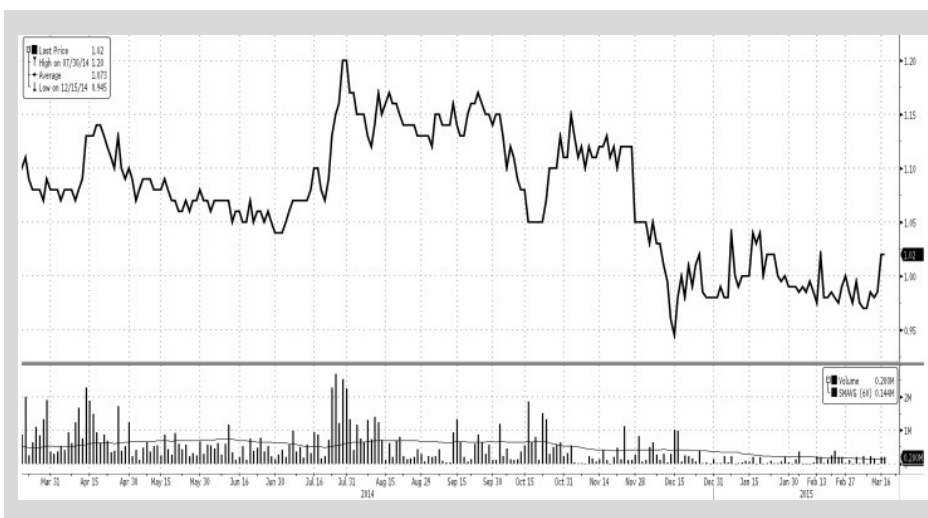
Landbank/Buildings	Location	Remaining GDV (RM m)	Methodology		Stake	Value (RM m)
Ongoing Projects						
Lakeside Residences	Puchong, Selangor	2436	DCF @ WACC 10%		100%	355.0
Saujana Rawang	Rawang, Selangor	560	DCF @ WACC 10%		100%	99.1
Glomac Damansara	Kuala Lumpur	378	DCF @ WACC 10%		100%	72.8
Bandar Saujana Utama	Sungai Buloh, Selangor	130	DCF @ WACC 10%		100%	26.3
Glomac Centro	Petaling Jaya, Selangor	263	DCF @ WACC 10%		100%	48.7
Reflection Residences Mutiara Damansara	Petaling Jaya, Selangor	122	DCF @ WACC 10%		100%	25.0
Remaining Landbank		Size (ac)	Size (Sq ft)	Price (RM/sqft)	Stake	Value (RM m)
Suria Residen	Ulu Langat, Selangor	43	1,873,080	72	100%	135.3
Pekan Kayu Ara	Shah Alam, Selangor	3	135,036	110	100%	14.9
Saujana KLIA	Sepang, Selangor	230	10,018,800	30	100%	300.6
Glomac Cyberjaya	Cyberjaya, Selangor	6	239,580	109	100%	26.2
Sri Saujana	Kota Tinggi, Johor	84	3,672,108	6	100%	22.0
Taman Kota Laksamana	Melaka	10	435,600	85	100%	37.0
Completed Buildings			Size (Sq ft)	Price (RM/sqft)	Stake	Value (RM m)
Menara Glomac	Kuala Lumpur Petaling Jaya, Selangor		98,619	750	100%	74.0
Plaza Kelana Jaya			28,012	500	100%	14.0
Suria Stonor	Kuala Lumpur		86,514	900	100%	77.9
Total Properties Value						1328.6
Investment Properties						19.2
Fixed Assets						56.5
Cash						333.1
Total Liabilities (excl. deferred tax liabilities)						-775.3
Total RNAV (RM m)						962.2
No of shares (m)						726.8
RNAV per share (RM)						1.32
Discount						20%
FD RNAV (RM)						1.06

Source: MIDF Research Forecast

KEY LAUNCHES IN 4QFY15

Projects	Details	Launch Amount (RM	
		'm)	% Of Total Launch
Lakeside Residences	Residential	151	18%
Saujana Rawang	Residential	63	8%
Sri Saujana, Johor	Residential	62	8%
Saujana KLIA	Residential	283	34%
Subtotal Residential		559	68%
Glomac Centro	Service Apartments	263	32%
Total		822	100%

DAILY PRICE CHART



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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	<i>Negative</i> total return is expected to be -15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.