

17 March 2014 | Corporate Update

## Glomac Berhad

*Inexpensive land acquisition to yield thicker margin*

**Maintain BUY**

**Unchanged Target Price: RM1.40**

### INVESTMENT HIGHLIGHTS

- **Buying 62.6 acres extension in Bandar Saujana Utama for RM23.0m.**
- **Inexpensive land cost should yield a fatter margin.**
- **Potential development likely to be mass market residences targeted at owner occupiers.**
- **Maintain BUY with a potential upside of +33.0%**

**Acquiring Bandar Saujana Utama land extension:** Glomac Berhad (Glomac or the Group) had, via its wholly owned subsidiary, entered into a sale and purchase agreement on 14 Mar 2014 (SPA), to acquire 6 pieces of 99-years leasehold land aggregating 62.6 acres within the Group's existing Bandar Saujana Utama township in Sungai Buloh (the Lands). The tenure of the lease expires 24 March 2095.

**Inexpensive acquisition to yield fatter margin:** The Lands come with a price tag of RM23.0m (or RM8.40 psf). Based on the Gross Development Value (GDV) of Glomac's Bandar Saujana Utama phase 4, the potential GDV of the Lands could be circa RM300m. This makes the acquisition rather inexpensive, accounting for a mere 7.7% of the assumed GDV. Hence, expect a fatter net margin for this particular development.

**Ample flexibility in funding:** With 10% of the consideration having been paid in deposit upon the signing of the SPA, 90% of the consideration or RM20.7m remains outstanding. The outstanding consideration is expected to become due in FY15. However, with cash standing at RM301.6m and net gearing of merely 0.2x as at 31 Oct 2013, Glomac has ample flexibility to settle the remaining consideration.

**Development potentially mass market landed residences:** In keeping with the general concept of Bandar Saujana Utama, the development of the Lands will likely lean towards mass market landed residences i.e. terraces, but may also include semi-Ds and bungalows (Potential Development). When launched, the Potential Development could become Phase Five of the Group's Bandar Saujana Utama township.

**Target market likely to be owner occupiers:** Taking into account the locality of the Lands which is within 40km radius of KL city centre, and the current prices of Bandar Saujana Utama's launched products, the target market of the Potential Development would likely continue to be owner occupiers and possibly also first-time home buyers.

**Valuation:** We reiterate our BUY recommendation on Glomac as we believe that the Group's sales will be sustainable in a more challenging market. Glomac's core developments (80% of outstanding GDV) are mainly landed residential projects located at Prime locations (Lakeside Residence in Puchong) or new growth areas (Bandar Saujana Utama in Sungai Buloh as well as Saujana Rawang in Rawang) with the bulk of them comprising mass market products. Our target price remains unchanged at RM1.39, arrived at by attaching Price-Earnings Ratio of 8.7x against FY15 EPS of 16.1 sen.

RETURN STATS	
Price (14 Mar 2014)	RM1.08
Target Price	RM1.40
Expected Share Price Return	+29.6%
Expected Dividend Yield	+4.3%
<b>Expected Total Return</b>	<b>+33.9%</b>

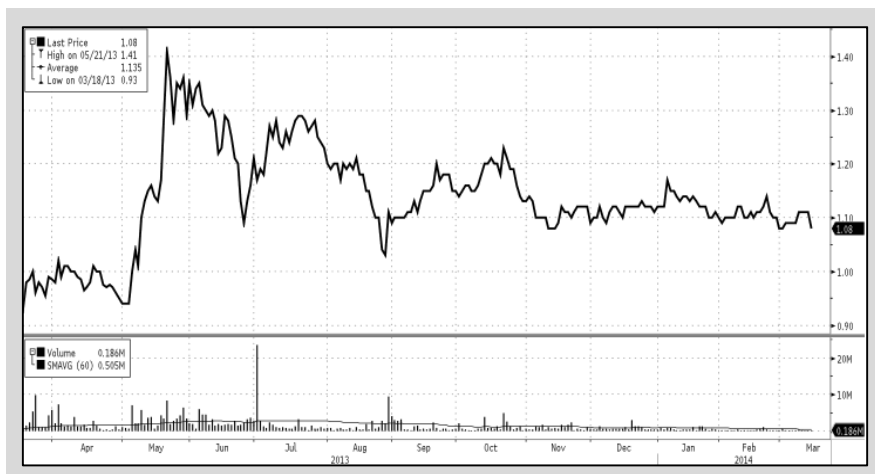
STOCK INFO	
KLCI	1,805.1
Bursa / Bloomberg	5020 / GLMC MK
Board / Sector	Main / Properties
Syariah Compliant	Yes
Issued shares (mil)	726.8
Par Value (RM)	0.50
Market cap. (RM'm)	785.0
Price over NA	0.9x
52-wk price Range	RM0.93 – RM1.41
Beta (against KLCI)	1.4
3-mth Avg Daily Vol	0.5m
3-mth Avg Daily Value	RM0.6m
Major Shareholders	
Tan Sri Dato' Mohd Mansor	19.9%
Datuk Fong Loong Tuck	16.8%
Dato' Fateh Iskandar	15.7%
Lembaga Tabung Haji	10.2%

## INVESTMENT STATISTICS

FYE Apr (RM'm, unless otherwise stated)	FY12	FY13	FY14F	FY15F
Revenue	652.4	665.9	700.2	757.5
EBITDA	170.0	158.3	161.0	167.9
Pre-tax profit	161.1	152.9	157.6	164.5
Net profit	85.2	101.5	111.1	116.1
Net profit margin (%)	13.1	15.2	15.9	15.3
EPS (sen)	13.8	14.7	15.4	16.1
EPS growth (%)	39.8	6.8	4.5	4.5
PER (x)	7.8	7.3	7.0	6.7
Net DPS(sen)	4.2	4.9	4.6	4.8
Dividend yield (%)	3.9	4.5	4.3	4.5

Source: Group, Forecast by MIDFR

## DAILY PRICE CHART



Kelly Tan  
 kelly.tan@midf.com.my  
 03-2173 8392

## APPENDIX 1: Realisable Net Asset Value

Project	Total Outstanding GDV (RM'm)	Ownership Stake	NPV (RM'm, unless otherwise stated)
Glomac Damansara	350	100.0%	51.8
Glomac Cyberjaya	100	100.0%	14.8
Glomac Cyberjaya 2	120	100.0%	17.8
Glomac Centro	150	100.0%	22.2
Bandar Saujana Utama	211	100.0%	31.2
Saujana Rawang	588	100.0%	77.9
Sri Saujana	289	100.0%	41.2
Lakeside Residences	2318	100.0%	296.3
Others	401	100.0%	57.2
Plaza Kelana Jaya, Phase 4	250	100.0%	37.0
Saujana Utama 4 (SU Extension @ Sg Buloh)	800	100.0%	106.0
Cyberjaya/Putrajaya	1200	100.0%	133.3
<i>Saujana Utama land extension</i>	<i>TBC</i>	<i>TBC</i>	<i>TBC</i>
<b>Total</b>	<b>6,777</b>		<b>886.8</b>
Unbilled sales			132.8
Shareholders' equity			778.1
<b>Total RNAV</b>			<b>1,797.7</b>
No. of shares outstanding			722.4
<b>RNAV per shares (RM)</b>			<b>2.49</b>

Source: Group, MIDFR estimation

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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.