

Glomac Berhad

(5020 | GLMC MK) Main | Property

Earnings Dragged by Lower Progress Billing

KEY INVESTMENT HIGHLIGHTS

- **1QFY24 earnings below expectations**
- **Earnings dragged by lower progress billing**
- **Healthy new sales**
- **Earnings estimates revised downwards**
- **Maintain BUY with a revised TP of RM0.47**

1QFY24 earnings below expectations. Glomac Berhad (Glomac) 1QFY24 core net income of RM4.06m came in below expectations, making up 10% of our and consensus full year estimates. The negative deviation was due to slower than expected progress billing in 1QFY24.

Earnings dragged by lower progress billing. Sequentially, 1QFY24 core net income was lower at RM4.06m (-70.8%qoq) mainly due to seasonal lower progress billing in 1Q which dragged topline lower at RM60.1m (-54%qoq). On yearly basis, 1QFY24 core net income was lower (-21.5%yoy) in line with lower revenue (-8.2%yoy) as progress billing was slower than expected. Projects that contributed to earnings in 1QFY24 include 121 Residences and ongoing phases at Saujana KLIA. Besides, earnings were also partly dragged by higher finance costs (+24.7%yoy) due to higher financing rate. Looking ahead, we expect earnings in the coming quarters to be stronger due to pick up in progress billing.

Healthy new sales. Glomac recorded new sales of RM101m in 1QFY24 which was higher than new sales of RM52m in 1QFY23 but lower than new sales of RM148m in 4QFY23. New sales in 1QFY24 were mainly contributed by shop offices at Lakeside Boulevard II which contributed to 64% to total new sales. Meanwhile, new sales were also contributed by Glomac's high rise projects namely 121 Residences and Plaza @ Kelana Jaya. On the other hand, unbilled sales eased to RM497m in 1QFY24 from RM528m in 4QFY23, providing more than one-year earnings visibility. Moving forward, new sales outlook is positive as Glomac targets to launch projects with total GDV of RM691m in FY24. Key launches include Loop City Puchong (GDV: RM338m) and Lakeside Residence (GDV: RM288m).

Maintain BUY with a revised TP of RM0.47. We revise our FY24F/25F/26F earnings forecast by -12%/-14%/-3.7% to factor in the lower progress billing. We revise our **TP** for Glomac to **RM0.47** from RM0.52 as we increase our RNAV discount to 73% from 70% in view of the lower progress billing. Overall, we are positive on earnings outlook for Glomac due to pick up in progress billing and higher new property sales. Besides, valuation of Glomac is undemanding, trading at 75% discount to latest NTA of RM1.55 per share.

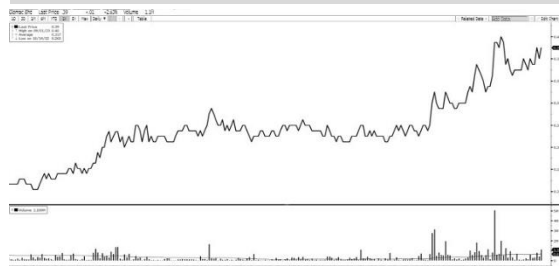
Maintain BUY

Revised Target Price: RM0.47
(Previously RM0.52)

RETURN STATISTICS

Price @ 27 Sept 2023 (RM)	0.39
Expected share price return (%)	20.5
Expected dividend yield (%)	3.3
Expected total return (%)	23.8

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	4.1	4.6
3 months	22.6	14.6
12 months	35.7	33.2

INVESTMENT STATISTICS

FYE April	2024E	2025F	2026F
Revenue	359	415	456
Gross Profit	112	131	147
Profit Before Tax	36	46	54
Core PATAMI	36	46	54
Core EPS	4.63	5.95	7.05
DPS	1.30	1.30	1.50
Dividend Yield	3.33%	3.33%	3.85%

KEY STATISTICS

FBM KLCI	1,440.11
Issue shares (m)	768.07
Estimated free float (%)	25.79
Market Capitalisation (RM'm)	312
52-wk price range	RM0.27-RM0.40
3-mth average daily volume (m)	0.62
3-mth average daily value (RM'm)	0.22
Top Shareholders (%)	
Bin Fateh Din Mohamed	21.01
Mohamed Mansor Fateh	19.14
Fong Loong Tuck	17.05
Shapadu Capital Sdn Bhd	11.45

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Glomac Berhad: 1Q24 RESULTS SUMMARY

FYE April (RM'm, unless otherwise stated)	Quarterly Results			FY24	%YoY
	1QFY24	%YoY	%QoQ		
Revenue	60.11	-8.2%	-54.1%	60.11	-8.2%
Gross profit	15.60	-12.9%	-63.5%	15.60	-12.9%
Profit before tax	6.21	-20.9%	-70.2%	6.21	-20.9%
Core PBT	6.21	-20.9%	-70.2%	6.21	-20.9%
Net income	4.06	-21.5%	-70.8%	4.06	-21.5%
Core net income	4.06	-21.5%	-70.8%	4.06	-21.5%
EPS (sen)	0.53	-21.5%	-70.8%	0.53	-21.5%
Core EPS	0.53	-21.5%	-70.8%	0.53	-21.5%
Net DPS	0.00	N/A	-100.0%	0.00	N/A
NTA/share (RM)	1.55	3%	1.3%	1.55	2.6%
Net gearing (x)	0.12	-50%	-28.1%	0.12	-50.1%
Core PBT margin (%)	10.3%	N/A	N/A	10.3%	N/A

GLOMAC RNAV

	Stake	Est remaining GDV (RM m)	WACC (%)	Value (RM m)
Projects				
Lakeside Residences	100%	3446	10%	163.76
GreenTec, Puchong	51%	1555	10%	49.60
Saujana KLIA	100%	835	10%	64.84
Saujana Perdana	100%	182	10%	14.14
Saujana Utama 5	100%	325	10%	25.33
Saujana Rawang	100%	290	10%	22.53
Sri Saujana, Johor	100%	178	10%	13.83
Saujana Jaya, Johor	100%	612	10%	45.45
Glomac Cyberjaya	100%	123	10%	9.56
Glomac Cyberjaya 2	100%	126	10%	9.79
Unbilled sales		542		40.25
Total				459.07

Shareholders Funds	1145.48
Net cash/(debt)	-276.25
Total RNAV	1328.31
Number of shares (m)	768.07
RNAV per share	1.73
Discount	73%
Target Price	0.47

Source: MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	259	341	359	415	456
Gross Profit	96	107	112	131	147
Core PBT	58	51	56	73	86
Net Income	36	31	36	46	54
Core Net Income	37	31	36	46	54
Core EPS (sen)	4.8	4.1	4.6	6.0	7.0
Core PER (x)	8.2	9.5	8.4	6.5	5.5
NTA/share	1.49	1.53	1.57	1.61	1.68
P/NTA	0.26	0.25	0.25	0.24	0.23

Balance Sheet (RM'm)	2022A	2023A	2024E	2025F	2026F
ASSETS				2022A	
Non-current Assets				2022A	
Property, plant and equipment	40.18	39.23	41.19	43.25	45.42
Investment properties	345.10	344.80	348.25	351.73	355.25
Inventories	719.66	766.44	791.73	839.23	889.59
Other non-current assets	96.70	114.15	95.38	101.69	101.69
Total Non-current Assets	1201.64	1264.62	1276.55	1335.91	1391.94
Current Assets					
Inventories	238.35	167.34	165.67	164.01	162.37
Contract assets	169.28	189.76	185.97	182.25	178.60
Deposits, cash and bank balances	215.41	288.84	324.14	338.73	353.97
Other current assets	119.74	120.64	119.09	109.36	121.58
Total Current Assets	742.77	766.59	794.87	794.35	816.52
TOTAL ASSETS	1944.40	2031.21	2071.42	2130.26	2208.46
EQUITY & LIABILITIES					
Capital and Reserves					
Issued capital	418.63	418.63	418.63	418.63	418.63
Retained earnings	740.10	772.68	801.55	843.39	899.69
Other capital and reserves	-13.25	-13.48	-14.15	-14.86	-15.60
Equity att. To owners of the company	1145.48	1177.83	1206.03	1247.16	1302.72
Non-controlling interests	66.56	66.45	68.45	70.50	72.62
Total Equity	1212.04	1244.29	1274.48	1317.66	1375.34

Non-current Liabilities					
Borrowings	240.01	147.42	143.00	147.58	152.30
Other non-current liabilities	0.45	1.91	1.97	2.03	2.09
Total Non-current Liabilities	240.46	149.34	144.97	149.61	154.39
Current Liabilities					
Trade payables	85.43	106.13	108.25	110.42	112.62
Borrowings	251.64	331.17	341.44	348.27	359.76
Other current liabilities	154.84	200.28	202.28	204.31	206.35
Total Current Liabilities	491.91	637.58	651.97	662.99	678.73
Total Liabilities	732.36	786.92	796.95	812.60	833.13
TOTAL EQUITY & LIABILITIES	1944.40	2031.21	2071.42	2130.26	2208.46
Cash Flow (RM'm)	2022A	2023A	2024E	2025F	2026F
Cash Flows From/(Used In) Operating Activities					
Profit before tax	57.51	50.45	64.11	84.72	89.38
Adjustments	38.51	31.91	19.90	0.98	-1.97
Operating Profit/(Loss) Before Working Capital Changes	96.02	82.37	84.01	85.69	87.41
Cash Generated From/(Used In) Operations	47.87	145.55	126.63	130.43	134.34
Net Cash From/(Used In) Operating Activities	13.61	101.40	103.94	89.39	91.89
Cash Flows (Used In)/From Investing Activities					
Purchase of PPE	-0.36	-1.11	-1.15	-1.20	-1.24
Interest Received	2.68	3.70	3.77	3.98	4.20
Others	0.68	1.08	1.10	1.14	1.18
Net Cash (Used In)/From Investing Activities	3.00	3.67	3.72	3.92	4.13
Cash Flows From/(Used In) Financing Activities					
Net Cash From/(Used In) Financing Activities	-19.00	-30.74	25.02	21.34	17.96
Net Increase In Cash and Cash Equivalents	-2.39	74.33	132.68	114.65	113.98
Cash and Cash Equivalents at Beginning of FY	194.11	191.69	263.74	396.42	511.07
Cash and Cash Equivalents at End of FY	191.69	263.74	396.42	511.07	625.05
Profitability Margins	2022A	2023A	2024E	2025F	2026F
EBIT margin	37.1%	31.4%	31.2%	31.5%	32.2%
PBT margin	22.2%	14.8%	15.7%	17.5%	18.9%
Core PATAMI margin	14.1%	9.2%	9.9%	11.0%	11.9%
ROE	3.2%	2.7%	3.0%	3.7%	4.2%
ROA	1.9%	1.5%	1.7%	2.2%	2.5%

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% 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.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell