

Glomac Berhad

(5020 | GLMC MK) Main | Property

Positive Outlook Intact

KEY INVESTMENT HIGHLIGHTS

- Meeting with Glomac Berhad
- Earnings to pick up in 2HFY24
- Better new sales in FY24
- On the lookout for land
- Maintain BUY with an unchanged TP of RM0.47

We met with management of Glomac Berhad and came away feeling reaffirmed on the positive outlook for earnings and new property sales in the near-term. Key highlights from the meeting as below:

Earnings to pick up in 2HFY24. Glomac recorded lower core net earnings of RM4.06m (-21.5%yoy) in 1QFY24 which was mainly dragged by higher finance costs and lower progress billing of projects. Looking forward, earnings are expected to pick up in 2HFY24 due to pick up in progress billing of its unbilled sales. Note that unbilled sales stood at RM497m in 1QFY24. Besides, progress billing is expected to accelerate as labour shortage issue is resolved. Overall, we see better earnings prospect for Glomac in FY24.

Better new sales in FY24. Glomac reported encouraging new property sales of RM101m in 1QFY24 which was higher than new sales of RM52m in 1QFY23. Looking forward, management expect new sales momentum to be stronger in 2HFY24 mainly due to maiden launch of Loop City in Puchong with GDV of RM338m. Note that management targets to launch first phase of Loop City which is a high-rise project in October or early November. Besides, Glomac will also launch project at its existing township Lakeside Residence with GDV of RM288m. Overall, we expect new property sales in FY24 to surpass new sales of RM302m in FY23. The strong property sales should underpin earnings growth going forward.

On the lookout for land. Net gearing of Glomac is low at 0.12x as of 1QFY24 as compared to 0.23x in 1QFY23. Meanwhile, management views that the low net gearing of Glomac provides debt headroom for future landbanking exercise. As such, Glomac is on the lookout for land particularly in Klang Valley. We view the potential landbanking to further support earnings and new sales outlook for Glomac going forward.

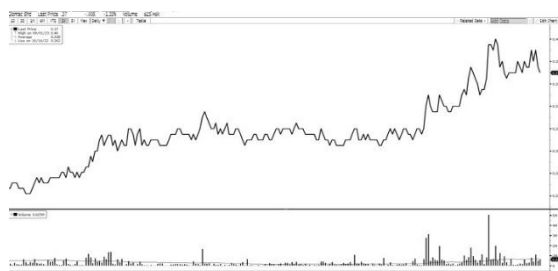
Maintain BUY with an unchanged TP of RM0.47. We make no changes to our earnings forecast. We also maintain our TP for Glomac at RM0.47 based on 73% discount to RNAV. Overall, we maintain our BUY call on Glomac due to positive new sales outlook and better earnings prospect. Besides, valuation of Glomac is undemanding, trading at 76% discount to latest NTA of RM1.55 per share.


Maintain BUY
Unchanged Target Price: RM0.47

RETURN STATISTICS

Price @ 2 Oct 2023 (RM)	0.37
Expected share price return (%)	27.0
Expected dividend yield (%)	3.5
Expected total return (%)	30.5

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-7.5	-4.6
3 months	-1.3	15.6
12 months	32.1	30.2

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	3.51%	3.51%	4.05%

KEY STATISTICS

FBM KLCI	1,418.76
Issue shares (m)	767.49
Estimated free float (%)	25.79
Market Capitalisation (RM'm)	283.97
52-wk price range	RM0.27-RM0.40
3-mth average daily volume (m)	0.66
3-mth average daily value (RM'm)	0.24
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 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)	7.8	9.0	8.0	6.2	5.2
NTA/share	1.49	1.53	1.57	1.61	1.68
P/NTA	0.25	0.24	0.24	0.23	0.22

Balance Sheet (RM'm)	2022A	2023A	2024E	2025F	2026F
ASSETS					
Non-current Assets					
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