

Glomac Berhad

(5020 | GLMC MK) Main | Property

Earnings Impacted by Lower Margin Product

KEY INVESTMENT HIGHLIGHTS

- **1HFY24 earnings below expectations**
- **Earnings impacted by lower margin product**
- **1HFY24 new sales at RM138m**
- **Earnings estimates revised downwards**
- **Maintain BUY with a revised TP of RM0.43**

1HFY24 earnings below expectations. Glomac Berhad (Glomac) 1HFY24 core net income of RM4.55m came in below expectations, making up 13% of our consensus full year estimates. The negative deviation was mainly due to the weak earnings in 2QFY24 which were dragged by higher costs.

Earnings impacted by lower margin product. Sequentially, 2QFY24 core net income plummeted to RM0.48m (-88%qoq) while topline eased on a milder quantum (-7.2%qoq) mainly due to earnings recognition from lower margin projects such as Seri Kenanga RSKU at Saujana Utama. Besides, earnings were dragged by higher marketing expenses and higher finance cost. On yearly basis, 2QFY24 core net income was weak (-95.9%yoy), bringing cumulative 1HFY24 core net income to RM4.55m (-73.3%yoy). Earnings were weak in 1HFY24 due to lower margin projects recognized in 2QFY24 and higher finance cost following increase in OPR. Moving forward, we expect better earnings in 2HFY24 as pick up in progress billing should offset the higher expenses.

1HFY24 new sales at RM138m. Glomac recorded new sales of RM38m in 2QFY24, lower than new sales of RM101m in 1QFY24. That brought total new sales to RM138m in 1HFY24 which contributed mainly by shop offices at Lakeside Boulevard II, 121 Residences and Plaza @ Kelana Jaya. On the other hand, unbilled sales eased to RM451m in 2QFY24 from RM497m in 1QFY24, providing more than one-year earnings visibility. Looking ahead, we expect stronger new sales in 2HFY24 due to launches of Loop City Puchong (GDV: RM338m) and Lakeside Residence (GDV: RM288m).

Maintain BUY with a revised TP of RM0.43. We revise our FY24F/25F/26F earnings forecast by -57%/-29%/-19% to factor in the lower margin. We revise our **TP** for Glomac to **RM0.43** from RM0.47 as we update RNAV figures and widen our RNAV discount to 80% from 73%. Nevertheless, we maintain our **BUY** call on Glomac as we see stronger new sales outlook in FY24 and stronger earnings visibility beyond FY25. Balance sheet of Glomac remains healthy with low net gearing of 0.1x. Besides, valuation of Glomac is undemanding, trading at 76% discount to latest NTA of RM1.55 per share.

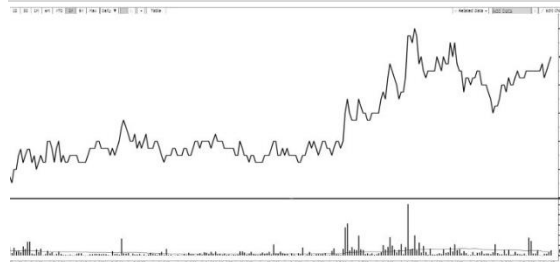
Maintain BUY

Revised Target Price: RM0.43
 (Previously RM0.47)

RETURN STATISTICS

Price @ 29 Nov 2023 (RM)	0.375
Expected share price return (%)	+14.7
Expected dividend yield (%)	3.4
Expected total return (%)	+18.1

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	5.6	5.2
3 months	1.3	-3.3
12 months	22.6	25.2

INVESTMENT STATISTICS

FYE April	2024E	2025F	2026F
Revenue	327	400	442
Gross Profit	80	110	130
Profit Before Tax	15	33	44
Core PATAMI	15	33	44
Core EPS	2.00	4.25	5.69
DPS	1.30	1.30	1.50
Dividend Yield	3.4%	3.4%	4.0%

KEY STATISTICS

FBM KLCI	1,446.07
Issue shares (m)	767.49
Estimated free float (%)	25.79
Market Capitalisation (RM'm)	300
52-wk price range	RM0.29-RM0.40
3-mth average daily volume (m)	0.46
3-mth average daily value (RM'm)	017
Top Shareholders (%)	
Bin Fateh Din Mohamed	21.01
Mohamed Mansor Fateh	19.14
Fong Loong Tuck	17.05
Shapadu Capital Sdn Bhd	11.45

Analyst

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Glomac Berhad: 2Q24 RESULTS SUMMARY

FYE April (RM'm, unless otherwise stated)	Quarterly Results			Cumulative Results	
	2QFY24	%YoY	%QoQ	1HFY24	%YoY
Revenue	55.80	-28.9%	-7.2%	115.91	-19.5%
Gross profit	12.18	-57.1%	-21.9%	27.78	-40.0%
Profit before tax	0.66	-96.2%	-89.4%	6.87	-72.9%
Core PBT	0.66	-96.2%	-89.4%	6.87	-73.0%
Net income	0.48	-95.9%	-88.1%	4.55	-73.2%
Core net income	0.48	-95.9%	-88.1%	4.55	-73.3%
EPS (sen)	0.06	-95.9%	-88.1%	0.59	-73.3%
Core EPS	0.06	-95.9%	-88.1%	0.59	-73.3%
Net DPS	0.00	N/A	N/A	0.00	N/A
NTA/share (RM)	1.55	3%	0.0%	1.55	-48.7%
Net gearing (x)	0.10	-56%	-17.6%	0.10	-56.3%
Core PBT margin (%)	1.2%	N/A	N/A	5.9%	N/A

GLOMAC RNAV

	Stake	Est remaining GDV (RM m)	WACC (%)	Value (RM m)
Projects				
Lakeside Residences	100%	3446	10%	159.68
Loop City, Puchong	51%	1555	10%	50.17
Saujana KLIA	100%	835	10%	65.65
Saujana Perdana	100%	182	10%	9.63
Saujana Utama 5	100%	325	10%	23.93
Saujana Rawang	100%	290	10%	22.37
Sri Saujana, Johor	100%	178	10%	14.06
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		451		33.50
Total				443.79

	Stake	Est remaining GDV (RM m)	WACC (%)	Value (RM m)
Shareholders Funds				1193.54
Number of shares (m)				768.07
RNAV per share				2.13
Discount				80%
Target Price (RM)				0.43

Source: MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	259	341	327	400	442
Gross Profit	96	107	80	110	130
Core PBT	58	51	24	52	69
Net Income	36	31	15	33	44
Core Net Income	37	31	15	33	44
Core EPS (sen)	4.8	4.1	2.0	4.3	5.7
Core PER (x)	7.9	9.2	18.7	8.8	6.6
NTA/share	1.49	1.53	1.54	1.57	1.62
P/NTA	0.25	0.24	0.24	0.24	0.23

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	95.60	66.71	66.40
Total Current Assets	742.77	766.59	771.38	751.70	761.35
TOTAL ASSETS	1944.40	2031.21	2047.93	2087.61	2153.29
EQUITY & LIABILITIES					
Capital and Reserves					
Issued capital	418.63	418.63	418.63	418.63	418.63
Retained earnings	740.10	772.68	778.06	800.74	844.52
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	1182.54	1204.51	1247.55
Non-controlling interests	66.56	66.45	68.45	70.50	72.62
Total Equity	1212.04	1244.29	1250.98	1275.01	1320.16
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	2047.93	2087.61	2153.29

Cash Flow (RM'm)	2022A	2023A	2024E	2025F	2026F
Cash Flows From/(Used In) Operating Activities					
Profit before tax	57.51	50.45	24.38	51.87	69.50
Adjustments	38.51	31.91	59.63	33.83	17.91
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	102.62	76.97	79.12
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	131.36	102.23	101.21
Cash and Cash Equivalents at Beginning of FY	194.11	191.69	263.74	395.10	497.33
Cash and Cash Equivalents at End of FY	191.69	263.74	395.10	497.33	598.54

Profitability Margins	2022A	2023A	2024E	2025F	2026F
EBIT margin	37.1%	31.4%	24.5%	27.5%	29.5%
PBT margin	22.2%	14.8%	7.5%	13.0%	15.7%
Core PATAMI margin	14.1%	9.2%	4.7%	8.2%	9.9%
ROE	3.2%	2.7%	1.3%	2.7%	3.5%
ROA	1.9%	1.5%	0.8%	1.6%	2.0%

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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

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology