

## Glomac Berhad

(5020 | GLMC MK) Main | Property

### Earnings Dragged by Lower Margin

#### KEY INVESTMENT HIGHLIGHTS

- **9MFY24 earnings deemed within our expectation**
- **Lower margin in 9MFY24**
- **9MFY24 new sales at RM142m**
- **Earnings estimates maintained**
- **Maintain BUY with an unchanged TP of RM0.43**

**9MFY24 earnings deemed within our expectation.** Glomac Berhad (Glomac) 9MFY24 core net income of RM4.3m came in slightly below consensus expectation but deemed within our expectation despite it makes up 60% of our full year forecast as we expect stronger earnings in 4Q as historically 4Q is a stronger quarter while progress billing is expected to pick up.

**Lower margin in 9MFY24.** Sequentially, 3QFY24 core net income surged to RM4.3m (+796%qoq), in line with higher topline (+60.1%qoq). The jump in earnings was due to low base in 2QFY24 which dragged by earnings recognition from lower margin projects namely Seri Kenanga RSKU at Saujana Utama. The higher earnings recognition from projects offset the higher marketing and administrative expenses. On yearly basis, 3QFY24 core net income was higher (+932.5%yoy), bringing cumulative core net income in 9MFY24 to RM8.9m (-48.9%yoy). The lower earnings in 9MFY24 were due to lower gross profit margin achieved of 25% against 31% in 9MFY23. Besides, earnings decline was also partly attributed to higher financing costs due to increase in interest rate.

**9MFY24 new sales at RM142m.** Glomac recorded new sales of RM142m in 9MFY24, contributed mainly by Lakeside Residences and 121 Residences. Meanwhile, new sales momentum is expected to pick up in 4QFY24 on the back of launches of Allamanda at Saujana KLIA and Keys at Lakeside Residences (GDV: RM234m). In addition, the upcoming launch of Loop City Residences (GDV: RM338m) should support new sales momentum beyond FY25. On the other hand, unbilled sales eased to RM347m in 3QFY24 from RM451m in 2QFY24, providing one year earnings visibility.

**Maintain BUY with an unchanged TP of RM0.43.** We maintain our earnings forecast for FY24F/25F/26F. We also maintain our **TP** for Glomac at **RM0.43**, based on 80% discount to RNAV. We see better new sales prospect for Glomac as launch of Loop Residence and projects at its existing township should sustain new sales growth. Balance sheet of Glomac remains sturdy with low net gearing of 0.08x. Besides, valuation of Glomac is undemanding, trading at 76% discount to latest NTA of RM1.55 per share. Hence, we maintain our **BUY** call on Glomac.

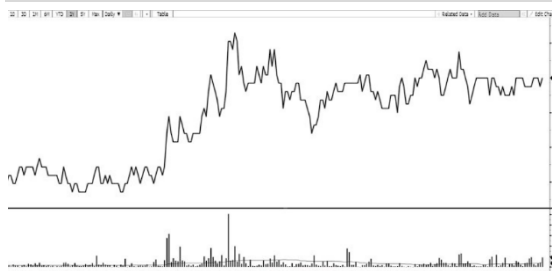
**Maintain BUY**

**Unchanged Target Price: RM0.43**

#### RETURN STATISTICS

Price @ 26 March 2024 (RM)	0.37
Expected share price return (%)	+16.2
Expected dividend yield (%)	+3.5
<b>Expected total return (%)</b>	<b>+19.7</b>

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	1.4	2.1
3 months	0.0	-1.5
12 months	16.1	5.7

#### 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	3.5%	3.5%	4.0%

#### KEY STATISTICS

FBM KLCI	1,538.42
Issue shares (m)	767.49
Estimated free float (%)	25.65
Market Capitalisation (RM'm)	296
52-wk price range	RM0.29-RM0.40
3-mth average daily volume (m)	0.34
3-mth average daily value (RM'm)	0.12
Top Shareholders (%)	
Bin Fateh Din Mohamed	21.01
Mohamed Mansor Fateh	19.14
Fong Loong Tuck	17.05
Shapadu Capital Sdn Bhd	11.59

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## Glomac Berhad: 3Q24 RESULTS SUMMARY

FYE April (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	3QFY24	%YoY	%QoQ	FY24	%YoY
Revenue	89.35	35.4%	60.1%	205.26	-2.2%
Gross profit	23.92	32.0%	96.3%	51.70	-19.7%
Profit before tax	6.16	45.1%	834.7%	13.03	-56.0%
Core PBT	6.68	57.2%	912.9%	13.54	-54.3%
Net income	3.81	809.5%	689.0%	8.41	-51.7%
Core net income	4.33	932.5%	795.7%	8.93	-48.9%
EPS (sen)	0.56	932.5%	795.7%	1.16	-49.2%
Core EPS	0.56	932.5%	795.7%	1.16	-49.2%
Net DPS	0.0	N/A	N/A	0.0	N/A
NTA/share (RM)	1.55	2%	-0.5%	4.66	2.4%
Net gearing (x)	0.08	-60%	-13.9%	0.08	-59.9%
Core PBT margin (%)	7.5%	N/A	N/A	6.6%	N/A

## GLOMAC RNAV

	Stake	Est remaining GDV (RM m)	WACC (%)	Value (RM m)
<b>Projects</b>				
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

	Stake	Est remaining GDV (RM m)	WACC (%)	Value (RM m)
<b>Total</b>				<b>443.79</b>
Shareholders Funds				1,193.54
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)	7.8	9.0	18.5	8.7	6.5
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
<b>ASSETS</b>					
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
<b>TOTAL ASSETS</b>	<b>1944.40</b>	<b>2031.21</b>	<b>2047.93</b>	<b>2087.61</b>	<b>2153.29</b>
<b>EQUITY &amp; LIABILITIES</b>					
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
<b>Total Liabilities</b>	<b>732.36</b>	<b>786.92</b>	<b>796.95</b>	<b>812.60</b>	<b>833.13</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>1944.40</b>	<b>2031.21</b>	<b>2047.93</b>	<b>2087.61</b>	<b>2153.29</b>
<b>Cash Flow (RM'm)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025F</b>	<b>2026F</b>
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
<b>Net Increase in Cash and Cash Equivalents</b>	<b>-2.39</b>	<b>74.33</b>	<b>131.36</b>	<b>102.23</b>	<b>101.21</b>
<b>Cash and Cash Equivalents at Beginning of FY</b>	<b>194.11</b>	<b>191.69</b>	<b>263.74</b>	<b>395.10</b>	<b>497.33</b>
<b>Cash and Cash Equivalents at End of FY</b>	<b>191.69</b>	<b>263.74</b>	<b>395.10</b>	<b>497.33</b>	<b>598.54</b>
<b>Profitability Margins</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025F</b>	<b>2026F</b>
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