3QFY23 Results Review (Below)| Thursday, 30 March 2023

Glomac Berhad

(5020| GLMC MK) Property | Property

Maintain BUY

Brighter New Sales Outlook

***Revised* Target Price: RM0.43**
(Previously RM0.48)

KEY INVESTMENT HIGHLIGHTS

- **9MFY23 earnings below expectations**
- **Earnings dipped in 9MFY23**
- **Brighter new sales outlook**
- **Earnings forecast revised downwards**
- **Maintain BUY with a revised TP of RM0.43**

9MFY23 earnings below expectations. Glomac Berhad (Glomac) 9MFY23 core net earnings of RM17.5m came in below expectations, making up 42% and 47% of our and consensus full year forecast respectively. The negative deviation was mainly due to lower than expected progress billing, higher than expected tax expenses and higher than expected operating expenses in 3QFY23.

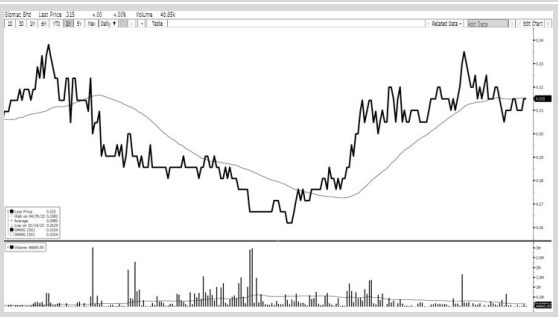
Earnings dipped in 9MFY23. Sequentially, 3QFY23 core net earnings tumbled to RM0.4m (-94.8%qoq), in line with lower topline (-15.8%qoq). The decline in earnings were mainly due to lower progress billing, higher operating expenses and higher marketing expenses. Besides, earnings were also impacted by higher tax rate due to effect of non-recognition of deferred tax assets on loss-making companies. That led cumulative earnings in 9MFY23 lower at RM17.5m (-18.3%yoy) despite higher topline (+12.9%yoy). Revenue was higher in 9MFY23 due to higher progress billing as construction activities resumed from lockdown in 9MFY22. Key projects that contributed to earnings in 9MFY23 include ongoing phases at Saujana Perdana, 121 Residences and Plaza @ Kelana Jaya.

Brighter new sales outlook. Glomac recorded new property sales of RM48m in 3QFY23, lower than new sales of RM54m in 2QFY23. That brought total new sales to RM154m in 9MFY23. Meanwhile, unbilled sales eased marginally to RM448m in 3QFY23 from RM491m in 2QFY23, providing 2 years earnings visibility. Looking forward, we expect new sales in FY23 to be higher than new sales of RM160m in FY22, underpinned by planned launches with total GDV of RM510m in 4QFY23. Planned launches in 4QFY23 includes GreenTec (GDV: RM340m), Saujana KLIA (GDV: RM100m) and Lakeside Residences (RM70m).

Maintain BUY with a revised TP of RM0.43. We revise earnings forecast for FY23F/24F/25F by -36%/-17%/-3% to factor in the lower progress billing and higher expenses. We revise our **TP** for Glomac to **RM0.43** from RM0.48, as we widened RNAV discount to 75% from 72% due to weaker earnings visibility in the near-term. Nevertheless, we maintain **BUY** call on Glomac as we are positive on its new sales outlook, driven by launches of its township projects that target mid-market and affordable segment. Besides, balance sheet of Glomac is healthy with net gearing of 0.2x in 3QFY23. Valuation is also undemanding, trading at 79% discount to its latest NTA per share of RM1.52.

RETURN STATISTICS	
Price @ 29 March 2023 (RM)	0.315
Expected share price return (%)	36.5
Expected dividend yield (%)	4.8
Expected total return (%)	**41.3**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-1.6	0.8
3 months	-1.6	3.6
12 months	-3.1	8.0

KEY STATISTICS	
FBM KLCI	1,420.35
Syariah compliant	Yes
Issue shares (m)	768.07
F4BGM Index	N/A
ESG Grading Band (Star rating)	N/A
Estimated free float (%)	23.52
Market Capitalisation (RM'm)	241.76
52-wk price range	RM0.27- RM0.36
Beta vs FBM KLCI (x)	0.79
3-mth average daily volume (m)	0.15
3-mth average daily value (RM'm)	0.05
Top Shareholders (%)	
Bin Fateh Din Mohamed Mansor	21.01
Mohamed Mansor Fateh Iskandar Bin	19.14
Fong Loong Tuck	17.05
Shapadu Capital Sdn Bhd	10.75

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INVESTMENT STATISTICS

FYE April (RM m)	FY21	FY22	FY23F	FY24F	FY25F
Revenue	366.9	259.5	316.2	370.3	438.6
Gross profit	114.2	96.3	99.0	115.5	138.2
Core Profit Before Tax	71.1	57.7	42.9	58.7	78.5
Net Income	28.9	36.5	27.0	37.0	49.4
Core Net Income	41.9	36.7	27.0	37.0	49.4
EPS (sen)	3.8	4.8	3.5	4.8	6.4
Core EPS (sen)	5.5	4.8	3.5	4.8	6.4
Net DPS (sen)	1.00	1.50	1.50	1.50	1.50
Net Dvd Yield	3.2%	4.8%	4.8%	4.8%	4.8%
Core PER	5.75	6.60	8.95	6.54	4.89
NTA/share (RM)	1.46	1.49	1.51	1.54	1.61
P/NTA	0.22	0.21	0.21	0.20	0.20
Core ROE	3.8%	3.2%	2.3%	3.1%	4.0%
Core ROA	2.2%	1.9%	1.4%	1.8%	2.3%
Net Gearing	0.25	0.24	0.23	0.20	0.20

Source: Company, MIDFR

GLOMAC: 3QFY23 RESULTS SUMMARY

FYE April (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	3QFY23	*%YoY*	*%QoQ*	FY23	*%YoY*
Revenue	66.00	-19.2%	-15.8%	209.93	12.9%
Gross profit	18.12	-10.6%	-36.2%	64.42	6.4%
Profit before tax	4.25	-53.7%	-75.7%	29.60	-8.8%
Core PBT	4.25	-53.7%	-75.8%	29.66	-8.6%
Net income	0.42	-94.8%	-96.5%	17.41	-18.5%
Core net income	0.42	-94.8%	-96.5%	17.47	-18.3%
EPS (sen)	0.05	-94.8%	-96.5%	2.27	-18.3%
Core EPS	0.05	-94.8%	-96.5%	2.27	-18.3%
Net DPS	0.00	N/A	N/A	0.00	N/A
NTA/share (RM)	1.52	3%	0.1%	1.52	3.0%
Net gearing (x)	0.20	-22%	-6.3%	0.20	-22.0%
Core PBT margin (%)	6.4%	N/A	N/A	14.1%	N/A

Source: Company, MIDFR

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				75%
Target Price				0.43

Source: MIDFR

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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 *rise* 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 *fall* 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