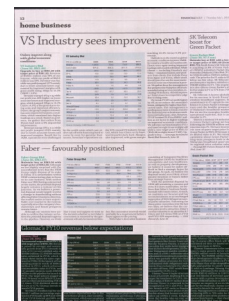


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## Glomac's FY10 revenue below expectations

**Glomac Bhd**  
**(June 30, RM1.28)**

**Recommend outperform at RM1.26 with target price of RM1.70:**

Glomac is poised for stronger and sustainable growth from FY11 onwards in view of (1) record unbilled sales of RM588 million; (2) RM508 million sales achieved in FY10, which is about three times the sales registered in FY09; (3) the launch of four existing projects worth of RM621 million in FY11, which achieved commendable sales in FY10; and (4) sizeable projects worth RM930 million in the pipeline for launch in FY12. Our target price is pegged at RM1.70 based on an EPS of 15.3 sen and ascribed undemanding PER of 11 times. FY10 dividend stands at 8.5 sen or 6.7%. Glomac intends to match FY10 payout.

The RM317.8 million top line and RM40.7 million net earnings registered in FY10 made up 81% and 105% of our FY10 forecast and 88% and 106% of consensus. FY10 revenue was below expectations due to the Suria Stonor project, a key contributor to revenue, which was completed in FY09. This, coupled with the full

impact of new projects like Glomac Damansara and Glomac Cyberjaya, will start yielding positive contribution from FY11 onwards.

Growth in PBT (profit before tax) margin was due to (1) better earnings from projects like Glomac Tower and Bandar Saujana Utama, a mature township that yields better margins than its new developments; (2) Glomac Damansara's maiden contribution; and (3) a RM9.1 million fair value adjustment to investment properties, which was partially offset by a final RM1.85 million provision for CLO (collateralised debt obligations) subbonds. If we exclude item (3), which is a one-off item, PBT would have increased by 19.5% y-o-y.

Glomac Tower's super structure is now at Level 20, implying it is on target for handover in CY11. Unbilled sales of RM147 million from Glomac Tower is expected to be

recognised in FY11 and FY12. The first launch of 87 units in Bandar Saujana Utama's new phase of 262 double-storey link houses was fully taken up within a week. Judging from the healthy take-up rate, we expect Glomac to achieve its RM82 million sales target for the development. Glomac Cyberjaya's remaining 15-storey office block will be marketed en-bloc or leased on a long-term basis to MNCs.

Glomac Damansara is the company's main growth driver with RM385 million worth of launches in FY11. The RM800 million flagship development chalked up total sales of RM216 million in FY10, with Phase One of the shopoffices fully sold and the 25-storey Tower D sold to Lembaga Tabung Haji. Glomac will launch the retail mall worth RM145 million in 1HFY11 and two blocks of serviced apartments with a gross development value of RM240 million in 2HFY11. Despite an enquiry of an en-bloc sale for the retail mall, Glomac is expected to launch the mall on strata basis. Management is confident of achieving 65% to 70% sales for its retail mall in view of the positive response from buyers. — *Inter-Pacific Research Sdn Bhd, June 30*

### Glomac Bhd

FY Apr (RM m)	2008A	2009A	2010E	2011F	2012F
Revenue	324.3	345.3	317.8	385.0	414.6
Ebitda	49.7	54.7	71.2	79.3	82.4
Pretax profit	50.2	56.2	74.4	82.1	85.2
Net profit	35.1	32.0	40.7	45.1	47.4
Net profit margin (%)	10.8	9.3	12.8	11.7	11.4
EPS (sen)	11.9	10.8	13.8	15.3	16.1
EPS growth (%)	9.2	-9.0	27.4	10.7	5.2
PER (x)	10.6	11.6	9.1	8.2	7.8
Gross DPS (sen)	5.0	5.0	8.5	7.0	7.0
Gross dividend yield (%)	4.0	4.0	6.7	5.6	5.6
Price/Book (x)	0.7	0.7	0.6	0.6	0.6
ROE (%)	7.5	6.0	7.2	7.6	7.8
ROA (%)	3.2	2.7	3.6	3.8	3.8
Net gearing ratio (%)	0.6	0.5	cash	cash	cash

Source: Inter-Pacific Research