

Sustained improvement in margin for Glomac

► GLOMAC BHD				
	2010	2011F	2012F	2013F
REVENUE (RM mil)	316.8	459.8	483.0	472.4
NET PROFIT (RM mil)	42.7	58.4	68.1	75.8
EPS (sen)	14.8	19.3	22.5	25.1
PER (x)	9.9	7.6	6.5	5.8

► **Recommendation: Buy**
Target Price: RM1.93
 By ECM Libra Investment
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Above Expectations

GLOMAC Bhd's 1QFY11 results came in above house and market expectations as net profit of RM15.6 million already made up 33% and 35% of house and consensus full-year estimates respectively.

As expected, no interim dividends were declared in 1QFY11.

Improved Margin

Its 1QFY11 revenue of RM126.3 million was 114.1% higher YoY as the Glomac Tower project is now in full swing.

EBIT margin of 22.2% was 4-ppt lower YoY and 0.7-ppt higher QoQ. However, if we remove RM4.9 million fair value adjustment in 1QFY10, EBIT margin actually improve by 4.2-ppt.

We view this positively as the company has now shown sustained margin improvement due to higher end product launches.

We expect this to continue given the slew of commercial projects in the pipeline.

High Unbilled Sales

Glomac achieved decent property sales of RM80 million in 1QFY11, which was significantly lower compared to RM277 million in 4QFY10.

Unbilled sales was margin-

ally lower at RM585 million (4QFY10: RM588 million) but otherwise is near record high and will provide earnings visibility over next 2-3 years.

Reiterate 'Buy'

We raised our FY11 and FY12 estimates by 24% and 19% respectively after imputing higher margins. We also introduced FY13 numbers into our earnings model.

Glomac remains a 'Buy' premise upon its 3-year earnings CAGR of 19.4%.

Our earnings upgrade led to TP revision from RM1.87 to RM1.93 but we peg a lower P/E target of 10x (previously 12x) to account for risk for mortgage lending restriction.