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| MALAYSIA COMPANY UPDATE |

LAGENDA PROPERTIES BERHAD (LAGENDA MK)

RATING : **BUY**
TARGET PRICE : **MYR1.54**
CLOSING PRICE (2nd August 2023) : **MYR1.18**

Lagenda BBSAP Township Site Visit Update

- This township has a total span of 1.2k acres with an estimated gross development value (GDV) of MYR3 billion. Out of the total MYR3 billion GDV, MYR2.36 billion GDV have been launched in phases with an average take-up rate of 86% as at 31st March 2023.
- The recent inclusion of Lagenda in the FTSE4Good and F4GBMS indices with a 3-star ESG rating stands as a testament to the group's commitment and continuous efforts towards sustainable practices.
- We maintain our BUY rating with a Target Price of MYR1.54 pegged to mean forward PE of 5.36x for FY2023E, which translates to a 30.28% upside. We believe Lagenda's long-term growth prospects will remain attractive, supported by the ongoing expansion of the group to other states and the resilient demand for its affordable landed houses.

Price Chart

Source: Bloomberg

Price Fundamentals	
Market Capitalization (MYR' bil)	0.98
52-Week High (MYR)	1.34
52-Week Low (MYR)	1.13

Major Shareholders	
Lagenda Land Sdn. Bhd.	63.92%
Setia Awan Plantation Sdn. Bhd.	4.49%
Doh Properties Holdings Sdn. Bhd.	4.49%

Source: Bursamarketplace, Bloomberg as at 2nd August 2023

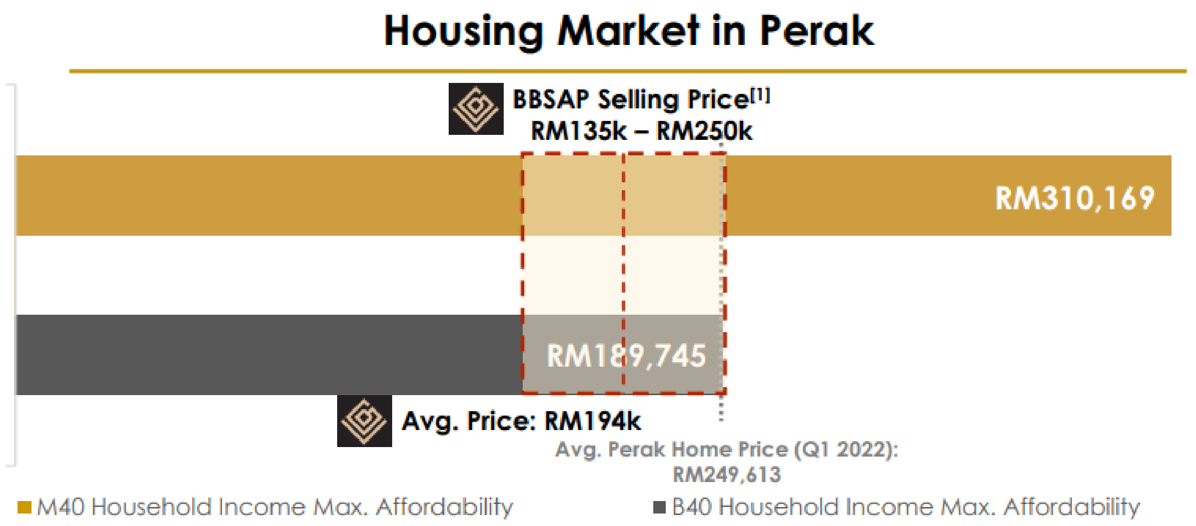
Financial Summary (MYR '000)	FY2020	FY2021	FY2022	FY2023E	FY2024E	FY2025E
Revenue	697,612	835,578	866,940	1,163,572	1,336,563	1,494,251
EBITDA	227,877	294,526	270,182	361,448	410,949	455,889
Net Profit	151,687	201,466	178,226	240,160	256,250	285,020
EPS (sen)	57.8	25.1	21.3	28.7	30.6	34.0
EPS Growth (%)	38.2%	-56.6%	-15.2%	34.7%	6.7%	11.2%
P/E (x)	2.0	4.7	5.5	4.1	3.9	3.5
DPS (sen)	2.5	6.5	6.5	7.2	7.6	8.5
Dividend Yield (%)	2.0%	5.2%	5.2%	5.8%	6.2%	6.9%
BPS (sen)	238.8	109.8	121.4	145.8	174.3	212.3
P/B (x)	0.5	1.1	1.0	0.8	0.7	0.6
ROE (%)	30.1%	26.7%	18.8%	21.5%	19.1%	17.6%
Net Gearing (x)	0.06	Net Cash	Net Cash	Net Cash	0.3	0.3

Source: Company, PRSB

Opinion/Outlook

Lagenda's model. The main mission of Lagenda has always been to provide affordable housing solutions for the underserved market. To achieve that, the group will do a thorough study on the maximum affordability of the B40 group in each respective area so that Lagenda can sell its housing at a price range that is truly affordable to this income group. This strategy was visible in the group's penetration into the Perak Housing market with its first affordable township Bandar Baru Setia Awan Perdana (BBSAP) as shown in Exhibit 1. The key to maintain its profitability by only selling affordable housing lies in its ability to source for large parcels of land in second tier cities that have lower land costs (approximately. 10-20% of GDV). By capitalising on this advantage, the group can efficiently develop thousands of units with consistent designs and layouts, enabling economies of scale across developments. This strategic approach optimises costs and enhances the affordability of homes, contributing to the company's continued success.

Exhibit 1: Housing Market in Perak



Source: Company

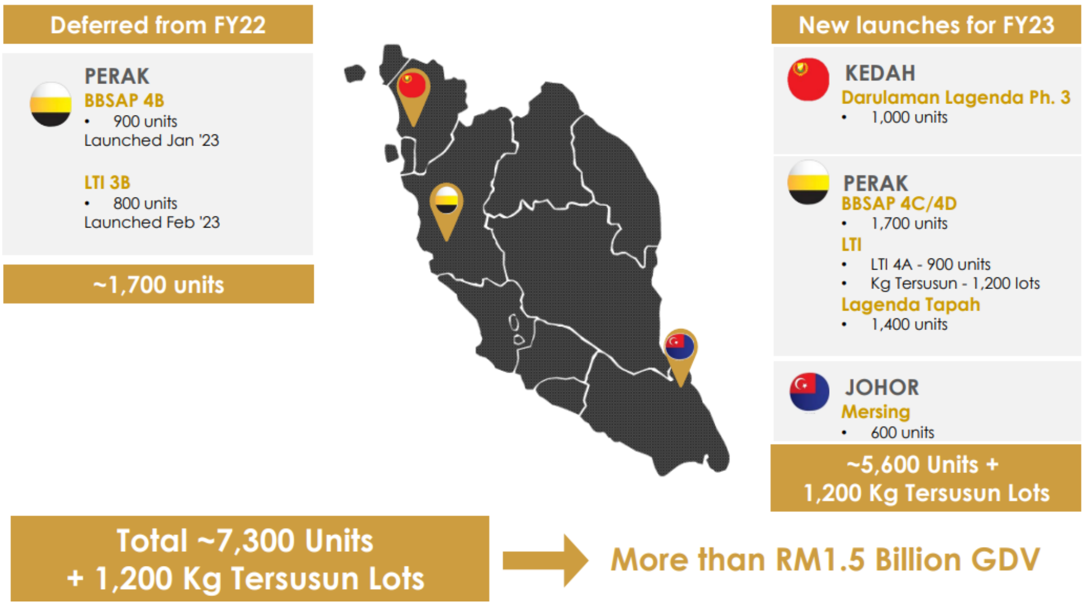
BBSAP township visit. Bandar Baru Setia Awan Perdana (BBSAP) is Lagenda's first affordable township development that commenced back in 2016, which was before Lagenda assumed its listing status in 2020. This township has a total span of 1.2k acres with an estimated gross development value (GDV) of MYR3 billion. Out of the total MYR3 billion GDV, MYR2.36 billion GDV have been launched in phases with an average take-up rate of 86% as at 31st March 2023. The selling price of this township ranges from MYR135k – MYR250k. During our analysts' site visit to the township, it became evident that the development is thoughtfully planned and equipped with essential infrastructure. Furthermore, ample land has been designated for key facilities such as schools, medical centre, and commercial areas.

Moreover, the management's commitment to enhancing residents' living experience extends beyond the basics. Residents can enjoy the recreational facilities conveniently housed within the township's Clubhouse. From an Olympic-sized swimming pool to a fully equipped gym, badminton courts as well and a playground, every amenity is designed to add significant value and delight to the community's lifestyle. The management also shared that they are always engaging with the residents to understand more about how they would like to improve the facilities provided in the hope of creating a sustainable township that addresses the needs of the residents.

ESG recognitions. The recent inclusion of Lagenda in the FTSE4Good and F4GBMS indices with a 3-star ESG rating stands as a testament to the group's commitment and continuous efforts towards sustainable practices.

Expectations. Lagenda is committed to launching 7,300 units of houses and 1,200 Kampung Tersusun lots, which total up to MYR1.5 billion GDV in FY2023 (Exhibit 2). As at 1QFY23, the group has launched 1,700 units with a GDV of MYR347 million. Unbilled sales stood at MYR782 million, which would largely (approximately 50%) be recognised by the end of the year as construction activities ramp up across various projects. While the remaining GDV stood at MYR12.73 billion to ensure a steady project pipeline in the next 5-8 years.

Exhibit 2: Planned launches



Source: Company

Maintain forecasts. We maintain our BUY rating with a Target Price of MYR1.54 pegged to mean forward PE of 5.36x for FY2023E, which translates to a 30.28% upside. We believe Lagenda's long-term growth prospects will remain attractive, supported by the ongoing expansion of the group to other states and the resilient demand for its affordable landed houses.

Exhibit 3: PE Band

Source: Company, PRSB

Income Statement (MYR,000)	2020	2021	2022	2023E	2024E	2025E
Revenue	**697,612**	**835,578**	**868,080**	**1,163,572**	**1,336,563**	**1,494,251**
COGS	-420,630	-511,497	-549,071	-734,214	-855,400	-948,850
Gross profits	**276,982**	**324,081**	**319,009**	**429,358**	**481,163**	**545,402**
SG&A	-57,880	-68,880	-79,864	-100,839	-117,477	-134,057
Other income	7,002	36,928	26,917	29,631	43,216	39,687
Operating profits	**226,105**	**292,129**	**266,062**	**358,151**	**406,902**	**451,032**
Share of results from associated companies and joint venture	-600	-	46	-	-	-
Earnings before interest & tax (EBIT)	**225,504**	**292,129**	**266,108**	**358,151**	**406,902**	**451,032**
Finance cost	-9,562	-13,050	-15,298	-20,374	-46,494	-50,160
Profit before tax	**215,943**	**279,079**	**250,810**	**337,777**	**360,408**	**400,872**
Taxation	-64,256	-77,613	-73,074	-97,618	-104,158	-115,852
Profit for the year	**151,687**	**201,466**	**177,736**	**240,160**	**256,250**	**285,020**
Minority interests	9,200	-40	5,525	-45	-48	-52
Net profits ex-MI	**142,487**	**201,426**	**172,211**	**240,115**	**256,203**	**284,968**
Net profits ex-MI & extraordinary	**142,487**	**201,426**	**172,211**	**240,115**	**256,203**	**284,968**
% y-y	**2020**	**2021**	**2022**	**2023E**	**2024E**	**2025E**
Sales	50.7%	19.8%	3.9%	34.2%	14.9%	11.8%
COGS	49.6%	21.6%	7.3%	34.2%	16.5%	10.9%
Gross profits	52.6%	17.0%	-1.6%	34.3%	12.1%	13.4%
SG&A	72.1%	19.0%	15.9%	23.0%	16.5%	14.1%
Operating profits	50.5%	29.2%	-8.9%	34.3%	13.6%	10.8%
Earnings before interest & tax (EBIT)	50.1%	29.5%	-8.9%	34.2%	13.6%	10.8%
EBITDA	227,877	294,526	269,425	361,448	410,949	455,889
EBITDA Growth	50.1%	29.2%	-8.5%	33.8%	13.7%	10.9%
EBITDA Margin	32.7%	35.2%	31.0%	31.1%	30.7%	30.5%
Profit before tax	54.0%	29.2%	-10.1%	34.3%	6.7%	11.2%
Taxation and zakat	57.2%	20.8%	-5.8%	33.2%	6.7%	11.2%
Net profits ex-MI	48.3%	41.4%	-14.5%	34.7%	6.7%	11.2%
As % of sales	**2020**	**2021**	**2022**	**2023E**	**2024E**	**2025E**
COGS	60.3%	61.2%	63.3%	63.1%	64.0%	63.5%
Gross profits	39.7%	38.8%	36.7%	36.9%	36.0%	36.5%
SG&A	8.3%	8.2%	9.2%	8.7%	8.8%	9.0%
Operating profits	32.4%	35.0%	30.6%	30.8%	30.4%	30.2%
Earnings before interest & tax (EBIT)	32.3%	35.0%	30.7%	30.8%	30.4%	30.2%
Profit before tax	31.0%	33.4%	28.9%	29.0%	27.0%	26.8%
Taxation	29.8%	27.8%	29.1%	28.9%	28.9%	28.9%
Net profits ex-MI	20.4%	24.1%	19.8%	20.6%	19.2%	19.1%
Depreciation & Amortisation	0.3%	0.3%	0.4%	0.3%	0.3%	0.3%
Capex	0.1%	5.3%	5.3%	3.2%	34.3%	4.3%
Depreciation & Amortisation	1,772	2,396	3,363	3,297	4,047	4,856
Capex	1,022	44,477	45,825	37,741	457,943	63,602
Shares out (FY-avg)	262,339	802,299	836,689	837,327	837,327	837,327
EPS (sen)	57.82	25.11	21.24	28.68	30.60	34.04
Core EPS (sen)	54.31	25.11	20.58	28.68	30.60	34.03
EPS Growth	38.2%	-56.6%	-15.4%	34.7%	6.7%	11.2%
DPS (sen)	2.50	6.50	6.50	7.17	7.65	8.51
Dividend payout	4.6%	25.9%	31.6%	25.0%	25.0%	25.0%
BPS (sen)	238.76	109.76	121.39	145.82	174.27	212.32

Source: Company, compiled by PRSB

Balance sheet (MYR,000)	2020	2021	2022	2023E	2024E	2025E
Current assets	***988,828***	***1,248,586***	***1,524,571***	***1,773,645***	***1,853,482***	***2,153,308***
Cash and deposits	188,930	225,778	407,446	475,341	331,063	408,491
Receivables	203,346	271,075	272,650	320,468	372,937	418,351
Other receivables	32,294	53,294	40,797	67,840	85,520	100,496
Inventories	361,434	472,184	488,809	579,306	677,915	772,639
Contract assets	177,474	222,671	280,519	298,295	354,352	418,150
Others	25,350	3,585	34,350	32,394	31,695	35,182
Long-term assets	***173,584***	***199,612***	***270,849***	***263,403***	***708,460***	***517,965***
PPE	8,949	11,054	17,227	16,116	19,570	23,872
Land held and cost for property development	110,510	139,021	203,849	197,879	639,482	444,564
Investment properties	9,514	22,922	23,652	23,287	23,287	23,409
Intangible/Goodwill	24,506	25,576	25,576	25,576	25,576	25,576
Others	20,105	1,038	545	545	545	545
Total assets	**1,162,413**	**1,448,198**	**1,795,420**	**2,037,048**	**2,806,456**	**3,266,336**
Current liabilities	***336,677***	***401,693***	***472,656***	***564,183***	***677,387***	***813,117***
Trade payables	182,714	195,493	178,806	250,773	277,402	314,816
Other payables	81,698	142,450	200,219	177,666	225,737	266,024
Short-term borrowings	41,528	40,861	82,083	113,655	150,972	210,107
Contract liabilities	3,797	2,701	5,853	4,360	4,445	5,233
Lease liabilities	1,310	1,771	1,769	2,402	2,921	3,457
Current tax payable	25,630	18,417	3,926	15,326	15,911	13,481
Long-term Liabilities	***199,386***	***165,883***	***307,092***	***251,896***	***669,874***	***675,411***
Long-term borrowings	180,687	159,138	300,905	237,631	658,247	661,782
Payables	13,808	2,792	-	8,476	4,707	5,653
Lease liabilities	2,655	3,030	4,924	4,629	5,559	6,835
Deferred tax liabilities	2,236	923	1,263	1,160	1,360	1,141
Total Liabilities	**536,063**	**567,575**	**779,748**	**816,078**	**1,347,261**	**1,488,528**
Total Equity	**626,349**	**880,623**	**1,015,672**	**1,220,970**	**1,459,195**	**1,777,808**
Common stock/Share capital	220,520	314,551	333,171	333,171	333,171	333,171
Retained earnings	398,018	566,078	665,792	868,819	1,118,327	1,437,967
Non-controlling interests	7,811	-5	-8	18,980	7,696	6,670
Others	-	-	16,717	-	-	-
Total liabilities & Total Equity	**1,162,413**	**1,448,198**	**1,795,420**	**2,037,048**	**2,806,456**	**3,266,336**
Interest-bearing debt	223,525	201,769	384,757	353,689	812,141	875,346
Net interest-bearing debt	34,595	-24,008	-22,689	-121,652	481,078	466,855
Net debt to equity (%)	5.5%	-2.7%	-2.2%	-10.0%	33.0%	26.3%
Cash and deposits (%)	27.1%	27.0%	46.9%	40.9%	24.8%	27.3%
Receivables (%)	29.1%	32.4%	31.4%	27.5%	27.9%	28.0%
Inventories (%)	51.8%	56.5%	56.3%	49.8%	50.7%	51.7%
Trade and other payables (%)	26.2%	23.4%	24.3%	24.6%	24.1%	24.3%
ATO (%)	74.6%	64.0%	53.5%	61.0%	55.2%	49.2%
ROE (%)	30.1%	26.7%	18.2%	21.5%	19.1%	17.6%
ROA (%)	15.2%	15.4%	10.6%	12.6%	10.6%	9.4%

Source: Company, compiled by PRSB

Cash flow (MYR,000)	2020	2021	2022	2023E	2024E	2025E
Operating cash flow	**218,203**	**56,834**	**116,040**	**188,790**	**-49,991**	**169,348**
Pretax profits	215,943	279,079	250,810	337,777	360,408	400,872
Depreciation & Amortisation	1,772	2,396	3,363	3,297	4,047	4,856
Decrease in Account Receivable	65,757	67,729	1,575	75,056	52,468	45,415
Change in Inventories	148,185	110,750	16,625	107,265	98,609	94,724
Change in Account Payables	75,363	12,779	-16,687	71,962	26,628	37,414
Changes in Contract assets	63,682	45,197	57,848	20,495	56,057	63,798
Changes in Contract liabilities	-640	-1,096	3,152	1,307	85	789
Interest Expense	488	1,401	21,272	20,771	32,993	47,793
Change in Working Capital (WC)	-202,901	-211,992	-89,584	-129,547	-180,421	-165,733
Taxes	64,256	77,613	73,074	97,618	104,158	115,852
Other	267,156	63,563	3,253	54,110	-162,860	-2,589
Investment cash flow	**-104,947**	**-62,099**	**-38,031**	**-54,016**	**-476,885**	**-82,322**
Capex	-1,022	-44,477	-45,825	-37,741	-457,943	-63,602
Investments	-129,439	-18,042	7,655	-16,275	-18,942	-18,720
Proceed from disposal of PPE	10,773	420	139	-	-	-
Repayment from Director's related companies	14,741	-	-	-	-	-
Financial cash flow	**11,059**	**42,112**	**103,659**	**-69,080**	**382,598**	**-9,598**
Change in borrowings	8,124	-24,184	182,990	-28,023	457,933	62,670
Change in equity	39,256	97,570	135,049	18,972	-11,284	-1,026
Dividends paid	-15,857	-52,717	-63,867	-60,029	-64,051	-71,242
Other	-20,464	21,444	-150,513	-	-	-
Change in cash & equivalents	**124,316**	**36,847**	**181,668**	**65,694**	**-144,278**	**77,427**
Cash & equivalent at FY-start	64,615	188,930	225,778	409,647	475,341	331,063
Cash & equivalent at FY-end	188,930	225,778	407,446	475,341	331,063	408,491
Free Cash Flow	113,257	-5,265	78,009	134,774	-526,876	87,026

Source: Company, compiled by PRSB

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Materially mentioned issuers

Issuer	Ticker	Price	Price date	Stock rating	Sector rating	Disclosures

Due to time critical of this report, this information is unavailable at the time of publication.

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