



AmInvestment Bank

LAGENDA PROPERTIES

(LAGENDA MK EQUITY, LAGE.KL)

15 Mar 2023

Debut of Mersing township in 1HFY23

Company report

BUY

(Maintained)

Khoo Zing Sheng

khoo.zing-sheng@ambankgroup.com

03-2036 2299

Rationale for report: Company update

Price	RM1.31
Fair Value	RM1.81
52-week High/Low	RM1.57/RM1.05

Key Changes

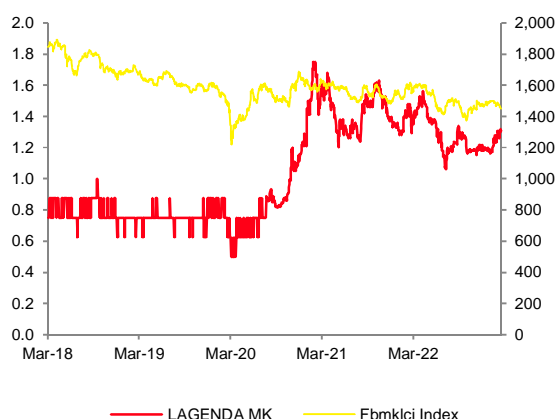
Fair value	↔
EPS	↔

YE to Dec	FY22	FY23F	FY24F	FY25F
Revenue (RM mil)	868.1	1,039.1	1,205.5	1,386.3
Core net profit (RM mil)	170.7	206.3	235.1	277.3
FD Core EPS (sen)	20.4	24.6	28.1	33.1
FD Core EPS growth (%)	(10.7)	20.9	13.9	18.0
Consensus Net Profit (RM mil)	-	-	-	-
DPS (sen)	5.3	6.4	7.3	8.6
PE (x)	6.4	5.3	4.7	4.0
EV/EBITDA (x)	3.9	2.4	2.4	2.2
Div yield (%)	4.0	4.9	5.5	6.5
ROE (%)	18.0	17.7	15.9	14.9
Net Gearing (%)	nm	nm	nm	nm

Stock and Financial Data

Shares Outstanding (million)	837.3
Market Cap (RMmil)	1,096.9
Book Value (RM/share)	1.21
P/BV (x)	1.1
ROE (%)	18.0
Net Gearing (%)	nm
Major Shareholders	Lagenda Land (68.1%) Doh Properties (4.5%) Etiqa Life Insurance (1.5%)
Free Float	25.9
Avg Daily Value (RMmil)	0.1

Price performance	3mth	6mth	12mth
Absolute (%)	8.3	6.5	(11.5)
Relative (%)	11.3	9.6	(2.6)



Investment Highlights

- We maintain BUY on Lagenda Properties (Lagenda) with an unchanged fair value (FV) of RM1.81/share. Our FV is based on a discount rate of 30% to our RNAV (Exhibit 2), and a 3% premium to reflect its 4-star ESG rating (Exhibit 3).
- We also maintain our earnings forecast following our recent meet up with Lagenda's management for updates. Here are the key takeaways:
 - (i) To date, Lagenda launched RM370mil worth of properties in Darulaman Lagenda, which constitutes 63% to the project's total gross development value. As a result of the overwhelming response with a high percentage of booking, Lagenda is looking to expand its presence in Kedah with the acquisition of additional land in the near term.
 - (ii) Government servants form 80% of Kedah Darulaman's buyers profile (both confirmed sales and booking). Hence, we believe that the bulk of its booking will be converted to sales because public servants have a higher sales conversion ratio of 90% as compared to 50-60% for the buyers from private sector.
 - (iii) Lagenda plans to launch its Mersing township in 1HFY23. We believe that the price mismatch between house price and affordability of the B40 income group in Johor will allow the group to penetrate the Southern Region with affordable landed properties.
 - (iv) The construction of its projects launched before 2022 is nearing completion with construction progresses ranges between 72-97%. Moving forwards, we believe that majority of its FY23 revenue will be contributed by Bandar Baru Setia Awan Perdana (BBSAP) 4A, Lagenda Teluk Intan (LTI) 2, LTI 3A, Lagenda Tropika Phase 1 and Kedah Darulaman Phase 1, 2.
 - (v) Lagenda is partnering Inta Bina to roll out industrialised building system (IBS) for BBSAP 4B, LTI3A/3B and Darulaman Lagenda. This will also shorten construction time and increase efficiency, reducing labour requirements by 60-70%.
- We continue to like Lagenda due to the company's niche in the underserved landed affordable housing development in second-tier states with a large population of B40 and M40 income groups.
- The stock currently trades at a compelling FY24F PE of 5x vs. the industry average of 9x while FY24F dividend yields are attractive at 6%.

EXHIBIT 1: PROJECT TIMELINE

Existing Township	Launch Date
Bandar Baru Setia Awan Perdana (BBSAP)	2016
Lagenda Teluk Intan	2018
Lagenda Tropika (Tengah)	2022
Darulaman Lagenda, Sg. Petani	2022

Upcoming Township	Estimated Launch Date
Mersing, Johor	2023
Penor, Pahang	2024
Bernam Jaya, Selangor	2024
Kulai, Johor	2025

Source: AmInvestment Bank Bhd

EXHIBIT 2: RNAV CALCULATIONS

Developments	Outstanding GDV RM (mil)	NPV @ 8% RM mil
BBSAP	636.3	150.2
Lagenda Teluk Intan	2,072.4	489.1
Lagenda Tapah -100% owned	2,134.7	512.2
Lagenda Sungai Petani (Kedah)	592.9	70.0
Lagenda Kuantan Township (Pahang)	1,260.0	297.4
Lagenda Mersing Township	985.0	152.7
Lagenda Bernam Jaya Township	500.0	67.2
Lagenda Kulai Township	4,000.0	296.6
Others	458.8	104.7
Total NPV		2,140.2
Net Cash / (Debt)		125.9
Other Assets		589.0
Total		2,855.2
No of shares		1,137.9
RNAV/share (RM)		2.51
Less 30% discount		(0.75)
Fair Value (RM)		1.76
(+) 3% premium for 4-star ESG rating		0.05
Fair Value/share (RM) + ESG Premium		1.81

Source: AmInvestment Bank Bhd

EXHIBIT 3: ESG RATING

Overall	★	★	★	★	
Zero-carbon initiatives	★	★	★		
Work site safety	★	★	★	★	
Worker welfare	★	★	★	★	
Corporate social responsibility	★	★	★		
Pollution control	★	★	★		
Supply chain auditing	★	★	★	★	
Corruption-free pledge	★	★	★		
Accessibility & transparency	★	★	★	★	★

We accord a discount/premium of -6%, -3%, 0%, +3% and +6% on fundamental fair value based on the overall ESG rating as appraised by us, from 1-star to 5-star

Source: AmInvestment Bank

EXHIBIT 4: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY21	FY22	FY23F	FY24F	FY25F
Revenue	835.5	868.1	1,039.1	1,205.5	1,386.3
EBITDA	293.5	269.4	338.6	408.1	471.2
Depreciation/Amortisation	(2.4)	(3.3)	(3.5)	(4.0)	(4.5)
Operating income (EBIT)	291.1	266.1	335.1	404.1	466.7
Other income & associates	34.8	26.5	30.1	33.0	36.3
Net interest	(13.3)	(15.3)	(63.6)	(94.7)	(101.8)
Exceptional items	(17.2)	(7.0)	-	-	-
Pretax profit	277.9	250.8	271.5	309.3	364.9
Taxation	(77.4)	(73.1)	(65.2)	(74.2)	(87.6)
Minorities/pref dividends	-	-	-	-	-
Net profit	183.2	170.7	206.3	235.1	277.3
Core net profit	183.2	170.7	206.3	235.1	277.3
Balance Sheet (RMmil, YE 31 Dec)	FY21	FY22	FY23F	FY24F	FY25F
Fixed assets	12.3	17.2	19.9	22.3	24.3
Intangible assets	25.6	25.6	25.6	25.6	25.6
Other long-term assets	139.0	203.8	203.8	601.8	601.8
Total non-current assets	199.3	270.8	273.5	673.9	675.9
Cash & equivalent	191.5	383.6	583.2	725.4	636.2
Stock	462.1	488.8	555.6	589.0	736.3
Trade debtors	271.1	272.7	337.2	391.2	449.9
Other current assets	318.3	379.5	389.7	478.8	824.6
Total current assets	1,243.0	1,524.6	1,865.7	2,184.4	2,646.9
Trade creditors	182.0	178.8	239.0	301.2	376.5
Short-term borrowings	40.9	82.1	77.1	72.1	67.1
Other current liabilities	176.8	211.8	211.8	211.8	211.8
Total current liabilities	399.7	472.7	527.9	585.0	655.3
Long-term borrowings	159.1	300.9	295.9	610.9	605.9
Other long-term liabilities	3.8	6.2	6.2	6.2	6.2
Total long-term liabilities	162.9	307.1	302.1	617.1	612.1
Shareholders' funds	879.7	1,015.7	1,309.3	1,656.2	2,055.3
Minority interests	-	-	-	-	-
BV/share (RM)	1.10	1.21	1.56	1.98	2.45
Cash Flow (RMmil, YE 31 Dec)	FY21	FY22	FY23F	FY24F	FY25F
Pretax profit	277.9	250.8	271.5	309.3	364.9
Depreciation/Amortisation	2.4	3.3	3.5	4.0	4.5
Net change in working capital	(150.8)	(43.8)	(69.2)	(12.1)	(149.5)
Others	(94.5)	(94.3)	(128.8)	(169.0)	(189.4)
Cash flow from operations	35.0	116.0	77.0	132.3	30.5
Capital expenditure	-	-	-	-	-
Net investments & sale of fixed assets	4.7	7.8	-	(398.0)	-
Others	(44.8)	(45.8)	(5.9)	(5.9)	(5.9)
Cash flow from investing	(40.2)	(38.0)	(5.9)	(403.9)	(5.9)
Debt raised/(repaid)	(21.9)	181.9	181.9	501.9	(10.0)
Equity raised/(repaid)	97.6	18.6	-	-	-
Dividends paid	(53.4)	(63.9)	(77.2)	(88.0)	(103.8)
Others	97.6	18.6	-	-	-
Cash flow from financing	42.0	103.7	104.7	413.9	(113.8)
Net cash flow	36.8	181.7	175.7	142.2	(89.2)
Net cash/(debt) b/f	188.9	225.8	407.4	583.2	725.4
Net cash/(debt) c/f	225.8	407.4	583.2	725.4	636.2
Key Ratios (YE 31 Dec)	FY21	FY22	FY23F	FY24F	FY25F
Revenue growth (%)	20.0	3.9	19.7	16.0	15.0
EBITDA growth (%)	12.0	(8.2)	25.7	20.5	15.5
Pretax margin (%)	33.3	28.9	26.1	25.7	26.3
Net profit margin (%)	21.9	19.7	19.9	19.5	20.0
Interest cover (x)	21.9	17.4	5.3	4.3	4.6
Effective tax rate (%)	27.9	29.1	24.0	24.0	24.0
Dividend payout (%)	28.5	26.0	26.0	26.0	26.0
Debtors turnover (days)	104	114	107	110	111
Stock turnover (days)	180	200	183	173	174
Creditors turnover (days)	80	76	73	82	89

Source: Company, AmlInvestment Bank Bhd estimates

DISCLOSURE AND DISCLAIMER

This report is prepared for information purposes only and it is issued by AmInvestment Bank Berhad (“AmInvestment”) without regard to your individual financial circumstances and objectives. Nothing in this report shall constitute an offer to sell, warranty, representation, recommendation, legal, accounting or tax advice, solicitation or expression of views to influence any one to buy or sell any real estate, securities, stocks, foreign exchange, futures or investment products. AmInvestment recommends that you evaluate a particular investment or strategy based on your individual circumstances and objectives and/or seek financial, legal or other advice on the appropriateness of the particular investment or strategy.

The information in this report was obtained or derived from sources that AmInvestment believes are reliable and correct at the time of issue. While all reasonable care has been taken to ensure that the stated facts are accurate and views are fair and reasonable, AmInvestment has not independently verified the information and does not warrant or represent that they are accurate, adequate, complete or up-to-date and they should not be relied upon as such. All information included in this report constitute AmInvestment’s views as of this date and are subject to change without notice. Notwithstanding that, AmInvestment has no obligation to update its opinion or information in this report. Facts and views presented in this report may not reflect the views of or information known to other business units of AmInvestment’s affiliates and/or related corporations (collectively, “AmBank Group”).

This report is prepared for the clients of AmBank Group and it cannot be altered, copied, reproduced, distributed or republished for any purpose without AmInvestment’s prior written consent. AmInvestment, AmBank Group and its respective directors, officers, employees and agents (“Relevant Person”) accept no liability whatsoever for any direct, indirect or consequential losses, loss of profits and/or damages arising from the use or reliance of this report and/or further communications given in relation to this report. Any such responsibility is hereby expressly disclaimed.

AmInvestment is not acting as your advisor and does not owe you any fiduciary duties in connection with this report. The Relevant Person may provide services to any company and affiliates of such companies in or related to the securities or products and/or may trade or otherwise effect transactions for their own account or the accounts of their customers which may give rise to real or potential conflicts of interest.

This report is not directed to or intended for distribution or publication outside Malaysia. If you are outside Malaysia, you should have regard to the laws of the jurisdiction in which you are located.

If any provision of this disclosure and disclaimer is held to be invalid in whole or in part, such provision will be deemed not to form part of this disclosure and disclaimer. The validity and enforceability of the remainder of this disclosure and disclaimer will not be affected.