



AmInvestment Bank

LAGENDA PROPERTIES

(LAGENDA MK EQUITY, LAGE.KL)

16 Nov 2021

9MFY21: Sales And Booking Exceeded RM1 billion

Company report

BUY

(Maintained)

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Rationale for report: Company result

Price	RM1.48
Fair Value	RM1.94
52-week High/Low	RM1.80/RM1.03

Key Changes

Fair value	↔
EPS	↔

YE to Dec	FY20	FY21F	FY22F	FY23F
Revenue (RM mil)	696.1	914.2	1,142.7	1,314.1
Core net profit (RM mil)	140.9	228.5	285.7	328.5
FD Core EPS (sen)	12.4	20.1	25.1	28.9
FD Core EPS growth (%)	936.5	62.2	25.0	15.0
Consensus Net Profit (RM mil)	-	224	275	324
DPS (sen)	3.7	6.0	7.5	8.7
PE (x)	12.0	7.4	5.9	5.1
EV/EBITDA (x)	5.2	3.2	2.3	1.6
Div yield (%)	2.2	3.6	4.5	5.2
ROE (%)	41.5	29.9	26.0	21.9
Net Gearing (%)	1.8	nm	nm	nm

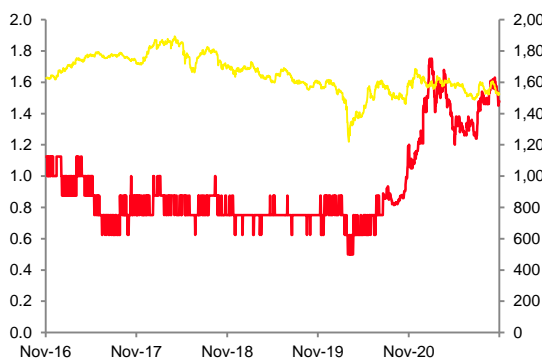
Stock and Financial Data

Shares Outstanding (million)	818.5
Market Cap (RMmil)	1,211.4
Book Value (RM/share)	1.01
P/BV (x)	1.5
ROE (%)	41.5
Net Gearing (%)	1.8

Major Shareholders	Lagenda Land Sdn Bhd (69.6%) Doh Properties (4.6%) Chew Soon Kui (0.4%)
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Free Float	-
Avg Daily Value (RMmil)	1.7

Price performance	3mth	6mth	12mth
Absolute (%)	19.4	13.0	24.4
Relative (%)	18.0	17.4	29.9



— LAGENDA MK — Fbmkklci Index

Investment Highlights

- We maintain our BUY call and earnings forecasts with unchanged Fair Value (FV) of RM1.94. Our FV is based on a 20% discount to its RNAV (Exhibit 2), and after including a 3% premium to reflect its 4-star ESG rating (Exhibit 3). Lagenda 9MFY21 earnings was within expectation. Excluding non-cash accounting adjustment effect, 3QFY21 earnings improved 6% QoQ and 11% YoY.
- Earnings in line. Lagenda's 9MFY21 net profit of RM144.0m made up 63% and 64% of our and consensus earnings estimates. We deem the result to be in line as we expect 4Q earnings to be stronger. Recall that Perak has moved into National Recovery Plan Phase 3 on 18-Oct and subsequently Phase 4 on 8-Nov. This should translate into higher progress billing and revenue from the construction segment. As expected, no dividend was announced.
- YoY, 3QFY21 earnings declined 9% due to high base effect in 3QFY20. Recall that in 3QFY20, there was an accounting gain of RM14.3m recognized as "inter-group elimination" arising from the restructuring exercise back then. Excluding this, we estimate that 3QFY21 net profit increased by 11% YoY. QoQ, earnings improved 6% as its newly acquired subsidiary Maxitanah Sdn. Bhd. Has started its contribution.
- Achieved strong sales and bookings of RM1.18 billion in 9MFY21. For the breakdown, RM496m was confirmed sales with booking at RM648m. Due to the Movement Control Order (MCO) in 3QFY21, we understand that there was delay in converting the booking into sales. As the Company has strong conversion rate of 90% historically, we believe that it is likely to meet the target sales of RM1.0 billion in FY21. Unbilled sales stands at RM591m which is an improvement as compared to end-2QFY21's RM561m.
- Lagenda is optimistic that its property launches will continue to register high take-up rates. Hence, it plans to launch 6,000 affordable house in the next 12 months.
- Maintain BUY on Lagenda. For FY21, Lagenda is poised to achieve its sales target of RM1 billion. Over the long run, the Company's niche in the affordable market bodes well for its prospect as this is the segment with the strongest demand in the property market. Its focus on ESG (via installation of PV solar system in the home that it build) is also a step in the right direction. Risks to our call are weaker than expected property sales and margins.

EXHIBIT 1: RESULTS SUMMARY

YE December	3Q FY20	2Q FY21	3Q FY21	YoY	QoQ	9M FY20	9M FY21
Revenue	194.7	170.5	185.2	-5%	9%	423.6	584.4
Cost of Sales	-102.4	-104.8	-111.9	9%	7%	-254.1	-357.3
Gross Profit	92.4	65.7	73.4	-21%	12%	169.5	227.1
Other income	4.3	8.4	4.4	1%	-48%	4.6	20.9
Admin expenses	-14.0	-8.2	-8.0	-43%	-3%	-19.4	-25.4
Selling and marketing expenses	-4.7	-4.3	-4.0	-14%	-6%	-12.7	-13.0
Other expenses	0.0	-0.5	0.1	nm	nm	0.0	-4.4
Finance costs	-7.6	-3.1	-3.4	-56%	9%	-11.6	-6.5
Share of associates, net of tax	-0.6	0.0	0.0	-100%	nm	-0.6	0.0
Profit Before Tax (PBT)	69.8	58.1	62.4	-11%	7%	129.7	198.6
Taxation	-20.0	-15.1	-16.9	-16%	11%	-35.3	-54.6
Profit After Tax (PAT)	49.8	42.9	45.5	-9%	6%	94.4	144.0
Minority Interest	0.0	0.0	0.0	nm	nm	0.0	0.0
Net Profit	49.8	42.9	45.5	-9%	6%	94.4	144.0
EPS (sen)	0.00	0.00	0.00	nm	nm	11.5	17.6
<u>Margins</u>							
GP margin	47%	39%	40%			40%	39%
PBT margin	36%	34%	34%			31%	34%
Net Profit margin	26%	25%	25%			22%	25%
Effective Tax Rate	29%	26%	27%			27%	27%

Source: AmlInvestment Bank Bhd

EXHIBIT 2: RNAV

	Outstanding GDV RM (mil)	NPV @ 8%
Developments		
BBSAP	2,096.8	636.9
Lagenda Teluk Intan	1,949.1	592.0
Lagenda Tapah -100% owned	1,603.8	487.1
Lagenda Tapah- 50% owned	294.5	89.4
Lagenda Sungai Petani (Kedah)	565.0	85.8
Lagenda Kuantan Township (Pahang)	1,080.2	328.1
Lagenda Mersing Township	985.0	209.4
Others	383.6	116.5
Total NPV	8958.0	2545.2
Net Cash / (Debt)		(19.3)
Other Assets		329.0
Other Liabilities		(178.9)
Total		2676.1
No of shares		1137.9
RNAV/share		2.35
Less 20% discount		(0.47)
Fair Value		1.88
(+) 3% premium for 4-star ESG rating		0.06
Fair Value/share (RM) + ESG Premium		1.94

Source: Company

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

EXHIBIT 4: PB BAND CHART

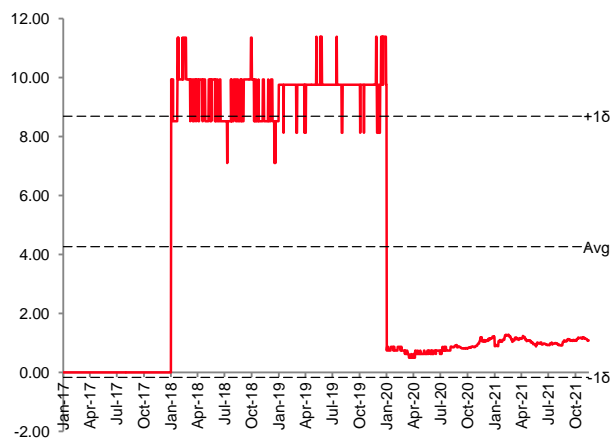


EXHIBIT 5: PE BAND CHART

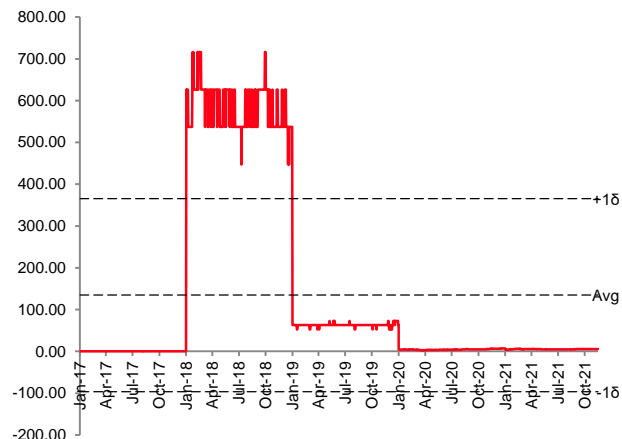


EXHIBIT 6: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY19	FY20	FY21F	FY22F	FY23F
Revenue	71.8	696.1	914.2	1,142.7	1,314.1
EBITDA	20.4	233.0	363.8	460.2	531.3
Depreciation/Amortisation	(6.5)	(2.0)	(2.5)	(3.0)	(3.5)
Operating income (EBIT)	14.0	231.0	361.3	457.2	527.8
Other income & associates	(0.8)	4.6	13.7	13.1	13.6
Net interest	(0.2)	(18.0)	(23.0)	(28.0)	(33.0)
Exceptional items	-	-	-	-	-
Pretax profit	13.7	212.4	337.0	427.7	493.2
Taxation	(3.9)	(62.3)	(80.9)	(102.7)	(118.4)
Minorities/pref dividends	-	-	-	-	-
Net profit	9.8	140.9	228.5	285.7	328.5
Core net profit	9.8	140.9	228.5	285.7	328.5
Balance Sheet (RMmil, YE 31 Dec)	FY19	FY20	FY21F	FY22F	FY23F
Fixed assets	-	14.8	15.0	17.5	19.5
Intangible assets	-	75.3	75.3	75.3	75.3
Other long-term assets	27.4	123.4	123.4	123.4	123.4
Total non-current assets	27.4	230.5	230.7	233.2	235.2
Cash & equivalent	1.8	184.1	215.9	319.0	519.0
Stock	40.0	317.6	470.1	587.6	675.8
Trade debtors	10.4	211.2	312.6	390.8	449.4
Other current assets	49.7	229.7	312.8	445.1	570.9
Total current assets	102.0	942.7	1,311.4	1,742.5	2,215.1
Trade creditors	32.3	186.7	276.4	345.5	397.3
Short-term borrowings	-	31.5	26.5	21.5	16.5
Other current liabilities	34.2	132.3	126.3	126.3	126.3
Total current liabilities	66.5	350.6	429.2	493.3	540.1
Long-term borrowings	-	190.7	185.7	180.7	175.7
Other long-term liabilities	-	7.1	7.1	7.1	7.1
Total long-term liabilities	-	197.8	192.8	187.8	182.8
Shareholders' funds	62.9	617.0	912.2	1,286.7	1,719.5
Minority interests	-	7.8	7.8	7.8	7.8
BV/share (RM)	0.08	1.01	1.36	1.81	2.33
Cash Flow (RMmil, YE 31 Dec)	FY19	FY20	FY21F	FY22F	FY23F
Pretax profit	13.7	212.4	337.0	427.7	493.2
Depreciation/Amortisation	6.5	2.0	2.5	3.0	3.5
Net change in working capital	(9.2)	(13.2)	(184.8)	(143.9)	(87.2)
Others	1.8	(47.3)	(126.9)	(158.7)	(184.4)
Cash flow from operations	12.8	153.9	27.8	128.2	225.1
Capital expenditure	-	-	-	-	-
Net investments & sale of fixed assets	0.3	1.0	-	-	-
Others	(3.1)	(2.2)	(5.0)	(5.0)	(5.0)
Cash flow from investing	(2.9)	7.8	(5.0)	(5.0)	(5.0)
Debt raised/(repaid)	-	-	-	-	-
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	-	-	-	-	-
Others	(5.6)	(13.2)	(20.1)	(20.1)	(20.1)
Cash flow from financing	(5.6)	(13.2)	(20.1)	(20.1)	(20.1)
Net cash flow	4.4	148.5	2.8	103.1	200.1
Net cash/(debt) b/f	5.5	64.6	213.1	215.9	319.0
Net cash/(debt) c/f	9.8	213.1	215.9	319.0	519.0
Key Ratios (YE 31 Dec)	FY19	FY20	FY21F	FY22F	FY23F
Revenue growth (%)	463.7	869.2	31.3	25.0	15.0
EBITDA growth (%)	133.5	1,041.8	56.1	26.5	15.5
Pretax margin (%)	19.1	30.5	36.9	37.4	37.5
Net profit margin (%)	13.6	20.2	25.0	25.0	25.0
Interest cover (x)	57.3	12.8	15.7	16.3	16.0
Effective tax rate (%)	28.7	29.3	24.0	24.0	24.0
Dividend payout (%)	-	30.0	30.0	30.0	30.0
Debtors turnover (days)	59	58	105	112	117
Stock turnover (days)	138	94	157	169	175
Creditors turnover (days)	122	57	92	99	103

Source: Company, AmlInvestment Bank Bhd estimates

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