



AmInvestment Bank

## Company report

# LAGENDA PROPERTIES

(LAGENDA MK EQUITY, LAGE.KL)

24 June 2021

Acquires 500-acre land in Kuantan for RM33mil cash

BUY

(Maintained)

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Rationale for report: Company update

Price	RM1.29
Fair Value	RM1.84
52-week High/Low	RM1.80/RM0.63

## Key Changes

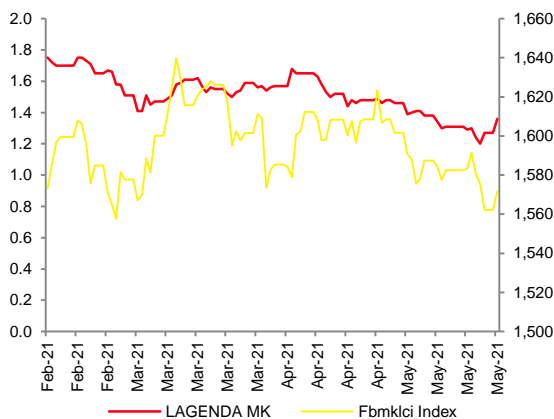
Fair value	↕
EPS	↔

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 (%)	nm	62.2	25.0	15.0
Consensus Net Profit (RM mil)	-	222.7	273.7	324.5
DPS (sen)	3.7	6.0	7.5	8.7
PE (x)	10.4	6.4	5.1	4.5
EV/EBITDA (x)	4.6	2.8	2.0	1.3
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 (RM mil)	1,055.9
Book Value (RM/share)	1.01
P/BV (x)	1.3
ROE (%)	41.5
Net Gearing (%)	1.8
Major Shareholders	Lagenda Land Sdn Bhd (69.6%) Doh Properties (4.6%) Chew Soon Kui (0.4%)
Free Float	-
Avg Daily Value (RM mil)	3.0

Price performance	3mth	6mth	12mth
Absolute (%)	(14.0)	9.3	72.0
Relative (%)	(12.3)	15.1	65.7



## Investment Highlights

- We maintain our BUY call and forecasts, while raising our fair value (FV) by 3% to RM1.84/share (from RM1.79/share) based on a 20% discount to its RNAV (Exhibit 1), after reflecting the enhancement from the latest land acquisition and including a 3% premium to reflect its 4-star ESG rating (Exhibit 3). This compares with about 40% discount to RNAV the market generally accords to affordable property developers of a similar size to take into account Lagenda's defensive customer profile of public servants who are less susceptible to economic cycles and a strong management team.
- Lagenda is acquiring leasehold land measuring 500 acres in Kuantan, Pahang, for RM33.0mil cash (see Exhibit 2 for the location). Located near the established township of Taman Indera Sempurna and several local landmarks such as the Kuantan Agricultural Machinery Training Centre and Pahang Islamic College, the land is earmarked for a self-contained affordable township development with a GDV of RM1.0bil over 5 years, based on our estimates.
- At about RM1.52 per sq ft (psf), the price tag is at a 28% discount to an April 2021 valuation of RM2.11 psf by independent valuers. From our research, we are aware of only one large tract of land up for sale in the vicinity, i.e. a 93-acre plot in Gambang, Kuantan, with a significantly higher asking price of RM45mil or about RM11 psf. We believe it is not strictly comparable given its: (1) smaller size; (2) development land title (vs. agricultural of the land Lagenda is acquiring).
- We are positive on the latest development. The new acquisition will increase Lagenda's GDV by 23% to RM5.4bil. Lagenda plans to launch its 5<sup>th</sup> township on this newly acquired land.
- Meanwhile, we expect stable profits in the coming quarters driven by: (1) progress billings from unbilled sales (that stood at RM515mil as at end-March 2021); and (2) RM1.1bil new launches in FY21F, comprising 6,300 units of affordable housing units (with an average selling price of c.RM175K/unit) in Sitiawan (BBSAP), Teluk Intan (LTI) and Tapah (3<sup>rd</sup> township), all in Perak.
- We continue to like Lagenda as it offers a good proxy to the resilient affordable housing segment, a defensive public servant customer profile and a highly business-savvy management team.

## EXHIBIT 1: RNAV

## RNAV Valuation

	Outstanding GDV RM (mil)	NPV @ 7.5%
<b>Developments</b>		
BBSAP (Phase 1 - 3)	935.9	234.8
BBSAP (Future Phases)	917.3	230.1
Lagenda Teluk Intan (Phase 1 - 3)	1,121.7	281.4
Lagenda Teluk Intan (Future Phases)	1,345.0	337.4
Tapah (3rd township)	2,045.8	513.2
Sg Petani (4th township)	1,800.0	451.5
	1,000.0	250.8
Tapah Lot 8746	380.0	95.3
Taman Mulia (Phase 3 - 4)	124.6	31.3
Setia Residence (Phase 6)	4.0	1.0
Taman Bemban Indah	60.7	15.2
Pengkalan Prisma	113.3	28.4
<b>SUBTOTAL</b>		<b>2470.4</b>
<b>Net Asset Value</b>		
		<b>RM (mil)</b>
Taman Mulia: Phase 5		14.5
Setia Residence: Plot 438		0.6
Sungai Wangi: 8 parcels of agricultural land		5.3
Kampar: 7 contiguous parcels of agricultural land		13.0
Teluk Rubiah: 2 parcels of agricultural land		2.3
<b>SUBTOTAL</b>		<b>35.7</b>
<b>TOTAL</b>		<b>2506.2</b>
(+) Net Cash / (Debt): as at 31 Mar 2021		7.2
(+) Warrant conversion proceeds		29.0
<b>TOTAL RNAV</b>		<b>2542.4</b>
Less 20% discount		-508.5
<b>Fair Value</b>		<b>2033.9</b>
Fully Diluted Outstanding Share Base		1137.9
<b>Fair Value/share (RM)</b>		<b>1.79</b>
(+) 3% premium for 4-star ESG rating		0.05
<b>Fair Value/share (RM) + ESG Premium</b>		<b>1.84</b>

Source: AmInvestment Bank Bhd

EXHIBIT 2: LAND LOCATION



Source: AmlInvestment 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

EXHIBIT 4: 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)
<b>Exceptional items</b>	-	-	-	-	-
Pretax profit	13.7	212.4	337.0	427.7	493.2
Taxation	(3.9)	(62.3)	(80.9)	(102.7)	(118.4)
<b>Minorities/pref dividends</b>	-	-	-	-	-
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
<b>Other long-term assets</b>	<b>27.4</b>	<b>123.4</b>	<b>123.4</b>	<b>123.4</b>	<b>123.4</b>
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
<b>Other current assets</b>	<b>49.7</b>	<b>229.7</b>	<b>312.8</b>	<b>445.1</b>	<b>570.9</b>
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
<b>Other current liabilities</b>	<b>34.2</b>	<b>132.3</b>	<b>126.3</b>	<b>126.3</b>	<b>126.3</b>
Total current liabilities	66.5	350.6	429.2	493.3	540.1
Long-term borrowings	-	190.7	185.7	180.7	175.7
<b>Other long-term liabilities</b>	<b>-</b>	<b>7.1</b>	<b>7.1</b>	<b>7.1</b>	<b>7.1</b>
<b>Total long-term liabilities</b>	<b>-</b>	<b>197.8</b>	<b>192.8</b>	<b>187.8</b>	<b>182.8</b>
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)
<b>Others</b>	<b>1.8</b>	<b>(47.3)</b>	<b>(126.9)</b>	<b>(158.7)</b>	<b>(184.4)</b>
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	-	-	-
<b>Others</b>	<b>(3.1)</b>	<b>(2.2)</b>	<b>(5.0)</b>	<b>(5.0)</b>	<b>(5.0)</b>
Cash flow from investing	(2.9)	7.8	(5.0)	(5.0)	(5.0)
Debt raised/(repaid)	-	-	-	-	-
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	-	-	-	-	-
<b>Others</b>	<b>(5.6)</b>	<b>(13.2)</b>	<b>(20.1)</b>	<b>(20.1)</b>	<b>(20.1)</b>
<b>Cash flow from financing</b>	<b>(5.6)</b>	<b>(13.2)</b>	<b>(20.1)</b>	<b>(20.1)</b>	<b>(20.1)</b>
<b>Net cash flow</b>	<b>4.4</b>	<b>148.5</b>	<b>2.8</b>	<b>103.1</b>	<b>200.1</b>
<b>Net cash/(debt) b/f</b>	<b>5.5</b>	<b>64.6</b>	<b>213.1</b>	<b>215.9</b>	<b>319.0</b>
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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