



AmInvestment Bank

## Company report

# LAGENDA PROPERTIES

(LAGENDA MK EQUITY, LAGE.KL)

21 Oct 2021

*High chance of exceeding RM1bil sales target*

## BUY

(Maintained)

Alan Lim Seong Chun, CFA

Lee Ching Poh

alan.lim@ambankgroup.com

ching-poh.lee@ambankgroup.com

*Rationale for report: Company update*

Price	RM1.62
Fair Value	RM1.94
52-week High/Low	RM1.80/RM0.85

### Key Changes

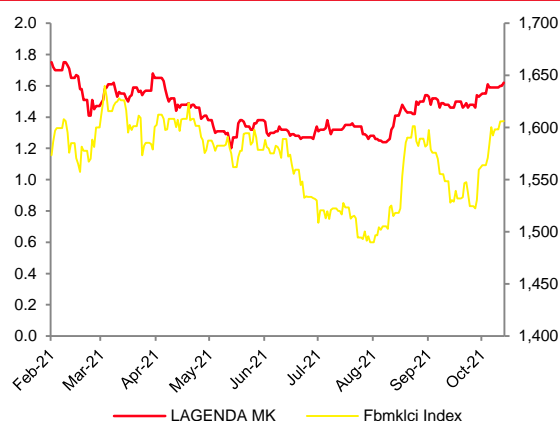
Fair value	↔
EPS	↔

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)	-	219.0	265.0	320.0
DPS (sen)	3.7	6.0	7.5	8.7
PE (x)	13.1	8.1	6.5	5.6
EV/EBITDA (x)	5.7	3.6	2.6	1.8
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)	1,326.0
Book Value (RM/share)	1.01
P/BV (x)	1.6
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)	1.5

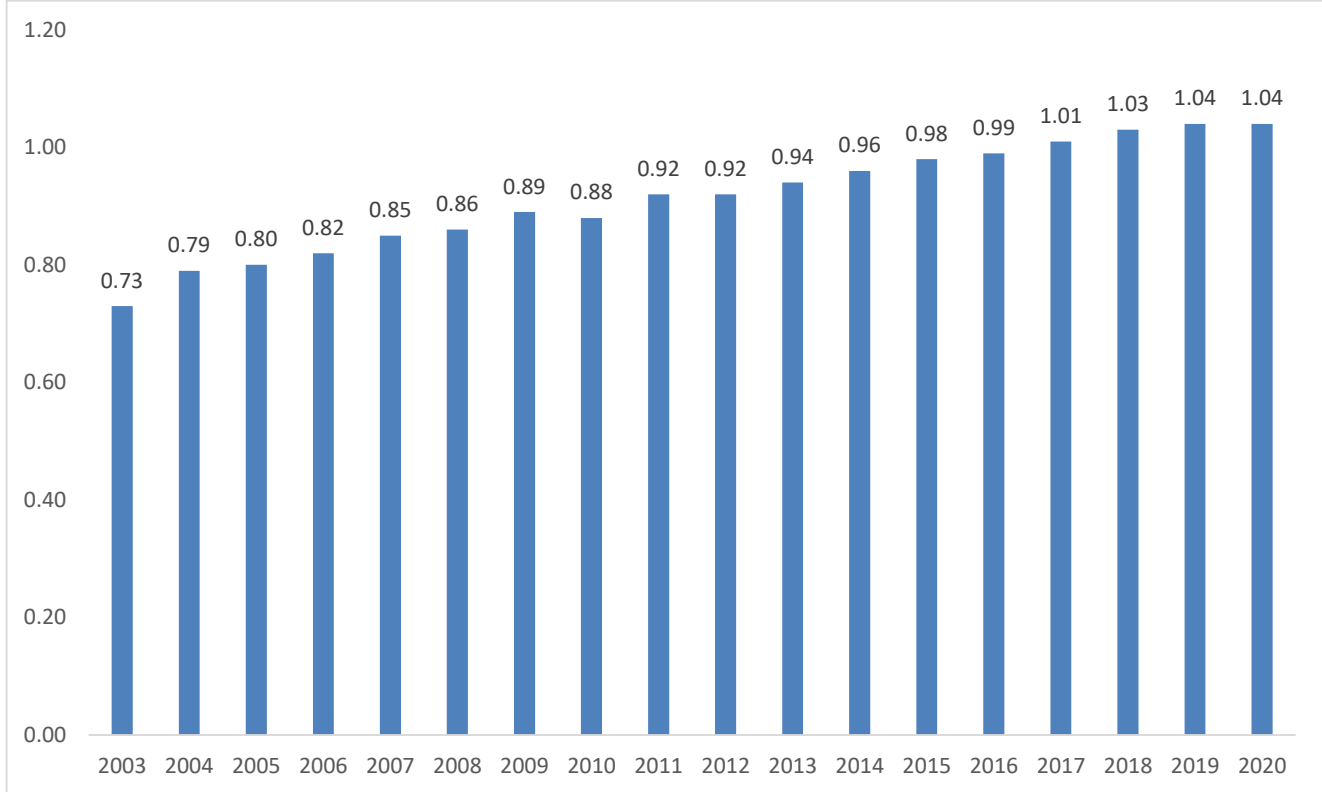
Price performance	3mth	6mth	12mth
Absolute (%)	22.7	9.5	84.1
Relative (%)	16.1	9.0	74.0



### Investment Highlights

- We maintain BUY on Lagenda Properties with an unchanged fair value (FV) of RM1.94. This is based on a 20% discount to its RNAV (Exhibit 4). Incorporated in our FV is a 3% premium for our ESG rating of 4 stars. We expect Lagenda to register strong sales in 3QFY21. Separately, the company's plan to install 1,000 residential solar photovoltaic (PV) systems at its housing projects is positive for its ESG rating.
- High chance of achieving Lagenda sales target of RM1.0bil. With 1HFY21 sales already hitting RM700mil, the company has achieved 70% of its full-year target in the first half of the year. For 3QFY21, we expect the company to register strong sales despite MCO 3.0 due to the attractive pricing of homes at below RM200K per unit.
- Recall that Perak is one of the earliest states to move into Phase 2 of National Recovery Plan (NRP) on 5 July. The outlook for 4QFY21 is further brightened as Perak moved into Phase 3 on 18 Oct. With more economic activities being allowed, these should translate into higher income for the B40 group and boost Lagenda's property sales outlook.
- Perak's GDP has improved by a 5-year CAGR of 3.3% for 2015–2020. Total employment has increased by a 5-year CAGR of 1.2% to 1.04mil. We believe that these economic indicators could have been stronger if not for Covid-19, which has affected 2020 growth. These are positive for Lagenda's long-term sales prospects for Bandar Baru Setia Awan Perdana in Sitiawan, Perak.
- On 25 Aug, Lagenda appointed Solarvest Holdings to install 1,000 residential solar photovoltaic (PV) systems across three township projects in Perak. We gather that the PV system is able to produce up to 98% of the monthly electricity usage. We are positive on this as solar energy is one of the most sustainable energy sources and it does not generate air pollutants or carbon dioxide. Accordingly, we have raised our "zero-carbon initiatives" rating to 3 stars from 2 stars. However, the overall ESG rating stays at 4 stars which is at a premium.
- Why Lagenda is a BUY? In the short term, we believe that there is a high chance of Lagenda exceeding its initial sales target of RM1bil for FY21. Over the long run, we like the company for its niche in the affordable market which has the strongest demand in the property market. Its focus on ESG (the installation of PV solar system in its township projects) is a step in the right direction. Risks to our call are weaker-than-expected property sales and margins.

**EXHIBIT 1: STEADY EMPLOYMENT GROWTH IN PERAK (MIL)**



Source: Department Of Statistics Malaysia, CEIC

**EXHIBIT 2: BANDAR BARU SETIA AWAN PERDANA (BBSAP) IN SITIAWAN**



Source: Company

EXHIBIT 3: EXAMPLE OF HOMES INSTALLED WITH PV SYSTEM



Source: Company

EXHIBIT 4: RNAV

	Outstanding GDV RM (mil)	NPV @ 8%
<b>Developments</b>		
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
<b>Total NPV</b>	<b>8958.0</b>	<b>2545.2</b>
Net Cash / (Debt)		(19.3)
Other Assets		329.0
Other Liabilities		(178.9)
<b>Total</b>		<b>2676.1</b>
No of shares		1137.9
RNAV/share		2.35
Less 20% discount		(0.47)
<b>Fair Value</b>		<b>1.88</b>
(+) 3% premium for 4-star ESG rating		0.06
<b>Fair Value/share (RM) + ESG Premium</b>		<b>1.94</b>

Source: Company

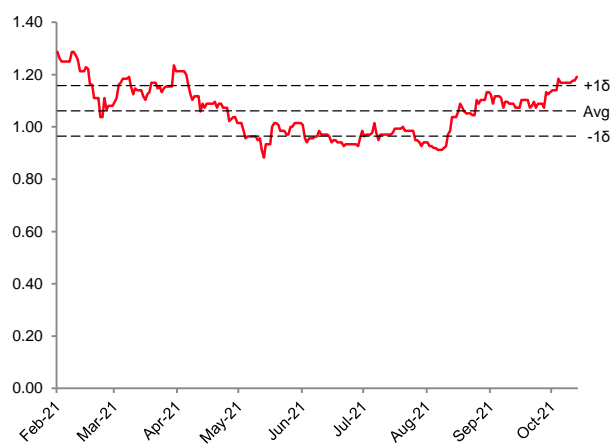


**EXHIBIT 5: ESG RATING**

<b>Overall</b>	★	★	★	★	
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 6: PB BAND CHART**



**EXHIBIT 7: PE BAND CHART**

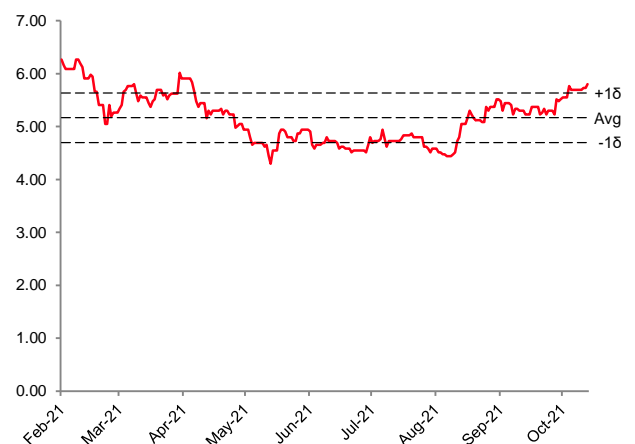


EXHIBIT 8: FINANCIAL DATA

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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