



Company report

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LAGENDA PROPERTIES

(LAGENDA MK EQUITY, LAGE.KL)

23 Feb 2022

Strong earnings growth of 42% in FY21

BUY

(Maintained)

Rationale for report: Company results

Price RM1.45
Fair Value RM1.90
52-week High/Low RM1.74/RM1.15

Key Changes

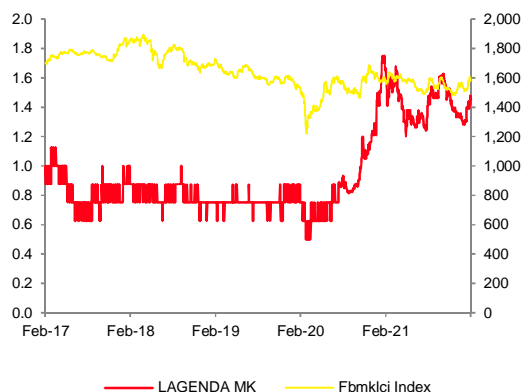
Fair value
EPS

YE to Dec	FY21	FY22F	FY23F	FY24F
Revenue (RM mil)	835.5	1,068.8	1,217.4	1,439.3
Core net profit (RM mil)	200.5	261.0	304.6	362.1
FD Core EPS (sen)	25.0	32.5	38.0	45.1
FD Core EPS growth (%)	42.3	30.2	16.7	18.9
Consensus Net Profit (RM mil)	-	270	322	-
DPS (sen)	6.5	9.8	11.4	13.5
PE (x)	5.8	4.5	3.8	3.2
Div yield (%)	3.9	5.9	6.9	8.2
ROE (%)	26.8	25.4	22.6	21.1
Net Gearing (%)	nm	nm	nm	nm

Stock and Financial Data

Shares Outstanding (million)	250.0
Market Cap (RM mil)	362.5
Book Value (RM/share)	1.10
P/BV (x)	1.3
ROE (%)	26.8
Net Gearing (%)	-
Major Shareholders	Lagenda Land Sdn Bhd (69.6%) Doh Properties (4.6%) Chew Soon Kui (0.4%)
Free Float	-
Avg Daily Value (RM mil)	0.6

Price performance	3mth	6mth	12mth
Absolute (%)	(4.0)	2.8	(13.2)
Relative (%)	(7.0)	(1.0)	(13.5)



Investment Highlights

- We maintain our BUY call and earnings forecasts with a lower fair value (FV) of RM1.90 (previously RM1.94). Our FV is based on a 20% discount to its RNAV (Exhibit 2), and includes a 3% premium to reflect its 4-star ESG rating (Exhibit 3).
- Earnings estimates reduced. FY22/FY23 earnings have been reduced by 9%/7% to RM261mil/RM305mil. We have adjusted the timing for its progressive billings. Accordingly, our FV has been lowered to RM1.90.
- Lagenda's FY21 net profit of RM200.5mil made up 88% and 94% of our and consensus earnings estimates respectively. The earnings miss was attributed to slower-than-expected revenue recognition.
- Recall that Perak has only moved into the National Recovery Plan's Phase 3 on 18 Oct 2021 and subsequently Phase 4 on 8 Nov 2021. A dividend of 3.5 sen was announced bringing total dividend in FY21 to 6.5 sen. This is higher than FY20's 2.5 sen.
- YoY, FY21 earnings improved 42% YoY in line with better revenue (+20% YoY to RM835.5mil). The higher revenue was attributed to strong sales and higher completion of development work done. QoQ, 4QFY21 earnings climbed 24% as Lagenda's catch-up initiative has resulted in higher revenue recognized (+36% QoQ to RM251.1mil).
- Strong sales and bookings of RM1.41bil in FY21. Breaking ~~these~~ it down, RM757mil comprised confirmed sales with booking at RM649mil. Unbilled sales stood at a higher RM604mil vs. RM591mil in end-3QFY21. 4QFY21's confirmed sales of RM261mil rose 39% YoY.
- We continue to like Lagenda due to: i) expected earnings growth of 30% in FY22 backed by its unbilled sales and good sales prospect; ii) its niche in the affordable market which bodes well for its prospects as this is the segment with the strongest demand in the property market; and iii) its focus on ESG (via the installation of PV solar system in its projects) is a step in the right direction.
- Risks to our call are: i) weaker-than-expected property sales; ii) slower-than-expected progress billings due to Covid-19 related disruption affecting efficiency and lower-than-expected margins.

EXHIBIT 1: RESULTS SUMMARY

YE December	4Q FY20	3Q FY21	4Q FY21	YoY	QoQ	12M FY20	12M FY21	YoY
Revenue	272.6	185.2	251.1	-8%	36%	696.1	835.5	20%
Cost of Sales	-172.9	-111.9	-155.0	-10%	39%	-427.0	-512.3	20%
Gross Profit	99.7	73.4	96.1	-4%	31%	269.1	323.2	20%
Other income	9.5	4.4	15.3	61%	251%	14.1	36.2	156%
Admin expenses	-6.1	-8.0	-19.9	227%	149%	-25.5	-45.3	78%
Selling and marketing expenses	-5.1	-4.0	-8.6	68%	114%	-17.9	-21.7	21%
Other expenses	-8.9	0.1	-0.9	-90%	-1548%	-8.9	-1.3	-85%
Finance costs	-6.4	-3.4	-2.8	-56%	-16%	-18.0	-13.3	-26%
Share of associates, net of tax	0.0	0.0	0.0	nm	nm	-0.6	0.0	-100%
Profit Before Tax (PBT)	82.7	62.4	79.2	-4%	27%	212.4	277.9	31%
Taxation	-27.0	-16.9	-22.8	-16%	35%	-62.3	-77.4	24%
Profit After Tax (PAT)	55.7	45.5	56.4	1%	24%	150.1	200.4	34%
Minority Interest	9.2	0.0	0.0	-100%	3300%	9.2	0.0	-100%
Net Profit	46.5	45.5	56.5	21%	24%	140.9	200.5	42%
EPS (sen)	5.8	5.7	7.0	21%	24%	17.6	25.0	42%
<u>Margins</u>								
GP margin	36.6%	39.6%	38.3%			38.7%	38.7%	
PBT margin	30.3%	33.7%	31.6%			30.5%	33.3%	
Net Profit margin	17.1%	24.6%	22.5%			20.2%	24.0%	
Effective Tax Rate	32.7%	27.0%	28.8%			29.3%	27.9%	

Source: AmInvestment Bank Bhd

EXHIBIT 2: RNAV

	Outstanding GDV RM (mil)	NPV @ 8%
Developments		
BBSAP	2,096.8	625.1
Lagenda Teluk Intan	1,949.1	581.1
Lagenda Tapah -100% owned	1,603.8	478.1
Lagenda Tapah- 50% owned	294.5	87.8
Lagenda Sungai Petani (Kedah)	565.0	84.2
Lagenda Kuantan Township (Pahang)	1,080.2	322.0
Lagenda Mersing Township	985.0	205.6
Others	383.6	114.4
Total NPV	8958.0	2498.3
Net Cash / (Debt)		(19.3)
Other Assets		329.0
Other Liabilities		(178.9)
Total		2629.1
No of shares		1137.9
RNAV/share		2.31
Less 20% discount		(0.46)
Fair Value		1.85
(+) 3% premium for 4-star ESG rating		0.05
Fair Value/share (RM) + ESG Premium		1.90

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

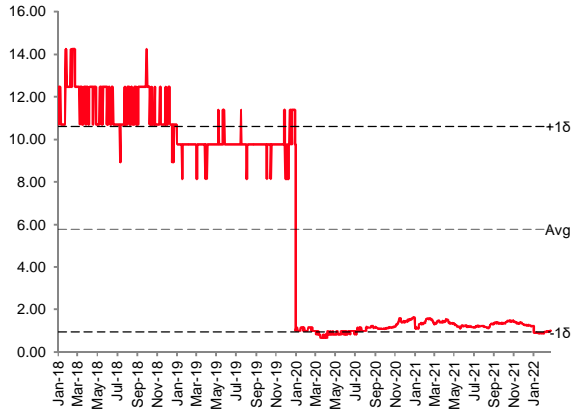


EXHIBIT 5: PE BAND CHART

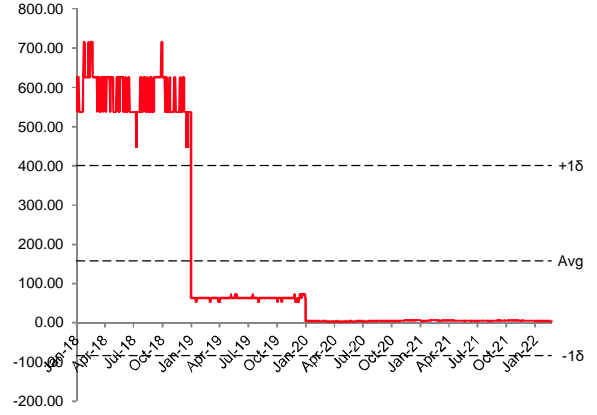


EXHIBIT 6: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY20	FY21	FY22F	FY23F	FY24F
Revenue	696.1	835.5	1,068.8	1,217.4	1,439.3
EBITDA	232.8	293.5	374.0	427.5	508.6
Depreciation/Amortisation	(1.8)	(2.4)	(3.0)	(3.5)	(4.0)
Operating income (EBIT)	231.0	291.1	371.0	424.0	504.6
Other income & associates	4.6	34.8	38.5	42.4	46.8
Net interest	(18.0)	(13.3)	(18.3)	(23.3)	(28.3)
Exceptional items	-	-	-	-	-
Pretax profit	212.4	277.9	352.7	400.8	476.4
Taxation	(62.3)	(77.4)	(91.7)	(96.2)	(114.3)
Minorities/pref dividends	-	-	-	-	-
Net profit	140.9	200.5	261.0	304.6	362.1
Core net profit	140.9	200.5	261.0	304.6	362.1
Balance Sheet (RMmil, YE 31 Dec)	FY20	FY21	FY22F	FY23F	FY24F
Fixed assets	13.5	12.3	11.9	10.9	9.3
Intangible assets	24.5	25.6	25.6	25.6	25.6
Other long-term assets	110.5	139.0	139.0	139.0	139.0
Total non-current assets	173.6	199.3	198.8	197.8	196.3
Cash & equivalent	214.3	191.5	429.4	667.1	980.1
Stock	361.4	462.1	462.1	462.1	462.1
Trade debtors	203.3	271.1	271.1	271.1	271.1
Other current assets	209.8	318.3	533.8	659.5	803.3
Total current assets	988.8	1,243.0	1,696.3	2,059.8	2,516.5
Trade creditors	182.7	182.0	182.0	182.0	182.0
Short-term borrowings	41.5	40.9	35.9	30.9	25.9
Other current liabilities	112.4	176.8	176.8	176.8	176.8
Total current liabilities	336.7	399.7	394.7	389.7	384.7
Long-term borrowings	180.7	159.1	154.1	149.1	144.1
Other long-term liabilities	18.7	3.8	3.8	3.8	3.8
Total long-term liabilities	199.4	162.9	157.9	152.9	147.9
Shareholders' funds	618.5	879.7	1,177.0	1,513.1	1,913.1
Minority interests	7.8	-	-	-	-
BV/share (RM)	0.76	1.10	1.47	1.89	2.38
Cash Flow (RMmil, YE 31 Dec)	FY20	FY21	FY22F	FY23F	FY24F
Pretax profit	212.4	277.9	352.7	400.8	476.4
Depreciation/Amortisation	1.8	2.4	3.0	3.5	4.0
Net change in working capital	39.2	(150.8)	-	-	27.3
Others	(35.2)	(94.5)	(128.2)	(142.7)	(170.9)
Cash flow from operations	218.2	35.0	227.5	261.6	336.8
Capital expenditure	-	-	-	-	-
Net investments & sale of fixed assets	(118.7)	4.7	-	-	-
Others	-	-	-	-	-
Cash flow from investing	(104.9)	(40.2)	(2.0)	(2.0)	(2.0)
Debt raised/(repaid)	98.4	(21.9)	(21.9)	(21.9)	(21.9)
Equity raised/(repaid)	39.3	97.6	-	-	-
Dividends paid	-	-	-	-	-
Others	(48.3)	97.6	-	-	-
Cash flow from financing	11.1	42.0	(21.9)	(21.9)	(21.9)
Net cash flow	124.3	36.8	203.6	237.7	313.0
Net cash/(debt) b/f	64.6	188.9	225.8	429.4	667.1
Net cash/(debt) c/f	188.9	225.8	429.4	667.1	980.1
Key Ratios (YE 31 Dec)	FY20	FY21	FY22F	FY23F	FY24F
Revenue growth (%)	869.2	20.0	27.9	13.9	18.2
EBITDA growth (%)	1,040.6	26.1	27.4	14.3	19.0
Pretax margin (%)	30.5	33.3	33.0	32.9	33.1
Net profit margin (%)	20.2	24.0	24.4	25.0	25.2
Interest cover (x)	12.8	21.9	20.3	18.2	17.9
Effective tax rate (%)	29.3	27.9	26.0	24.0	24.0
Dividend payout (%)	14.2	26.0	30.0	30.0	30.0
Debtors turnover (days)	56	104	93	81	69
Stock turnover (days)	105	180	158	139	117
Creditors turnover (days)	56	80	62	55	46

Source: Company, AmInvestment Bank Bhd estimates

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