



AmInvestment Bank

Company report

LAGENDA PROPERTIES

(LAGENDA MK EQUITY, LAGE.KL)

28 Feb 2023

FY22 property launches were within expectation

BUY

(Maintained)

Khoo Zing Sheng

khoo.zing-sheng@ambankgroup.com

03-2036 2299

Rationale for report: Company results

Price	RM1.32
Fair Value	RM1.81
52-week High/Low	RM1.57/RM1.05

Key Changes

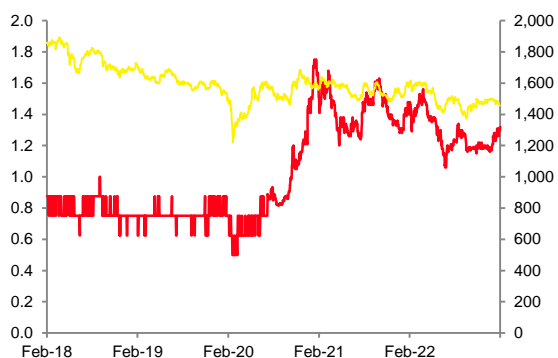
Fair value	⬇️
EPS	⬇️

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)	6.5	5.4	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)	1,105.3
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 (%)	10.0	7.3	(5.7)
Relative (%)	12.3	10.6	3.1



— LAGENDA MK — Fbmkici Index

Investment Highlights

- We maintain BUY on Lagenda Properties (Lagenda) with a lower fair value (FV) of RM1.81/share (from RM1.82/share previously) due to rolled forward RNAV-based valuation to FY24F. Our FV is based on a discount rate of 30% to our RNAV (Exhibit 4), and a 3% premium to reflect its 4-star ESG rating (Exhibit 5).
- The lower FV stems from the lowering of FY23F/FY24F core net profit (CNP) by 10%/8% to account for a 2%-point decline in net profit margin in view of higher upfront costs in preparation for multi-state project launches.
- We also take the opportunity to introduce FY25F earnings with a faster growth of 18% on expectation of higher revenue recognition from the launches of its new townships in Johor, Pahang and Selangor.
- Lagenda's FY22 core net profit (CNP) of RM171mil came in within expectations. It was 4% below our forecast.
- YoY, Lagenda's FY22 revenue improved 4% as a result of higher sales of its completed inventories. However, FY22 CNP dropped 7% YoY due to upfront costs incurred in preparation for multi-state project launches in the coming quarters and a RM9mil provision for prosperity tax.
- QoQ, Lagenda's 4QFY22 revenue rose 31% while CNP surged 63%. This was mainly due to a higher sales conversion from completed units as compared to 3QFY22.
- Lagenda registered FY22 new sales of RM788mil (+4% YoY), attaining 88% of its earlier target of RM900mil (Exhibit 2).
- In FY22, Lagenda launched 4,800 homes with a total gross development value (GDV) of RM1.1bil, in line with its previous guidance.
- The FY22 launches comprise 1,400 units (GDV: RM370mil) in its newly launched township, Darulaman Lagenda, Sungai Petani. To date, Darulaman Lagenda received an overwhelming response with 98% of the units booked within 2 months.

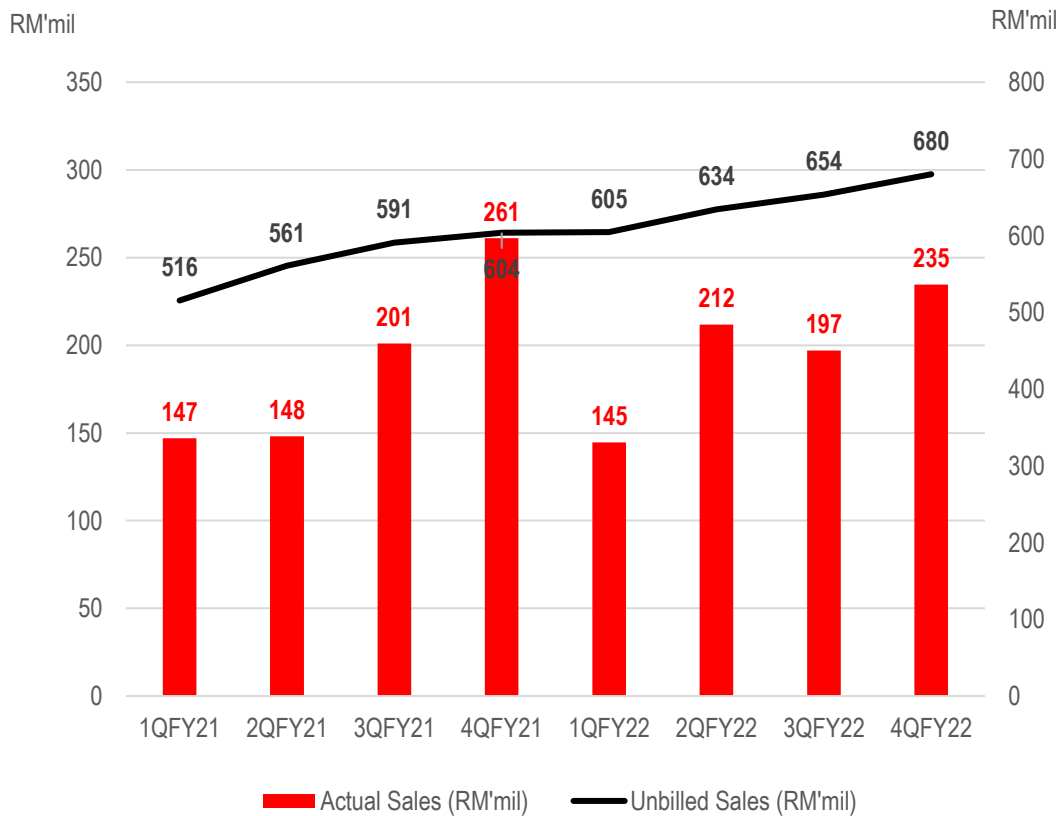
- Management will disclose its FY23F sales target and planned launches during a briefing tomorrow. We gather that Lagenda launched 1,700 units (GDV: RM380mil) of house in BBSAP 4B and LTI 3B in January-February 2023.
- With the upcoming maiden debut of its Mersing township, coupled with the ongoing launches of properties in existing townships, we believe that FY23F planned launches would fall between the range of RM1.3bil-RM1.5bil. This could support its sales target of >RM900mil in FY23F, which will be partially contributed by the conversion of its current bookings of RM439mil into confirmed sales.
- As at end-December 2022, unbilled sales stood at RM680mil (+13% YoY, +4% QoQ), representing a cover ratio of 0.6x FY23F revenue (Exhibit 2). Driven by the fast turnaround of its projects (2 to 2.5 years), we expect its unbilled sales will mostly be recognised in FY23F.
- 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: EARNINGS SUMMARY

YE to Dec (RM mil)	4QFY21	3QFY22	4QFY22	QoQ %	YoY %	FY21	FY22	YTD %
Revenue	251.1	180.7	236.1	30.6	(6.0)	835.5	868.1	3.9
Operating costs	(169.1)	(124.6)	(165.9)	33.1	(1.9)	(548.4)	(602.0)	9.8
EBIT	82.0	56.1	70.2	25.1	(14.4)	287.1	266.1	(7.3)
Net interest	(2.8)	(4.1)	(4.8)	16.4	68.5	(9.3)	(15.3)	64.7
PBT	79.2	52.0	65.4	25.8	(17.4)	277.9	250.8	(9.7)
Tax	(22.8)	(16.4)	(20.7)	25.8	(9.4)	(77.4)	(73.1)	(5.6)
MI	(0.0)	0.0	0.0	-	-	(0.0)	0.0	-
PATMI	56.4	35.7	44.8	25.6	(20.6)	200.4	177.7	(11.3)
Exceptional (gains)/losses	(10.2)	(7.6)	0.0	>100	>100	(17.2)	(7.0)	(59.3)
Core PATMI	46.2	28.0	44.8	59.8	(3.0)	183.2	170.7	(6.8)
EPS (sen)	5.8	3.3	5.4	63.0	(5.5)	22.8	20.4	(10.6)
EBIT Margin (%)	32.7	31.1	29.7	(1.3)	(2.9)	34.4	30.7	(3.7)
Effective tax rate (%)	28.8	31.6	31.6	0.0	2.8	27.9	29.1	1.3
Net Profit Margin (%)	22.5	19.7	19.0	(0.8)	(3.5)	24.0	20.5	(3.5)

Source: AmInvestment Bank Bhd

EXHIBIT 2: ACTUAL SALES AND UNBILLED SALES



Source: AmInvestment Bank Bhd

EXHIBIT 3: PROJECT TIMELINE

Existing Township	Launch Date
Bandar Baru Setia Awan Perdana (BBSAP)	2016
Lagenda Teluk Intan	2018
Lagenda Tropika (Tapah)	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: AmlInvestment Bank Bhd

EXHIBIT 4: RNAV CALCULATIONS

Developments	Outstanding GDV	NPV @ 8%
	RM (mil)	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: AmlInvestment Bank Bhd

EXHIBIT 5: 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 6: 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

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