

**HLIB Research**

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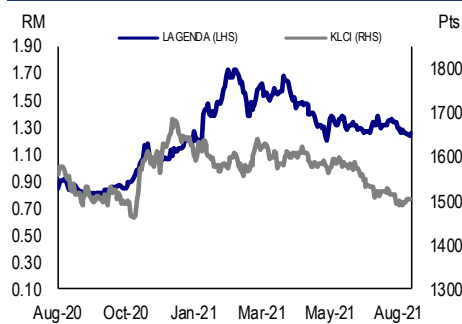
**BUY** (Maintain)

**Target Price:** **RM2.01**  
**Previously:** **RM2.01**  
**Current Price:** **RM1.26**

Capital upside	59.5%
Dividend yield	4.6%
Expected total return	64.1%

**Sector coverage:** Property

**Company description:** Lagenda involved in property development and construction businesses primarily focusing in providing affordable homes at ≤RM200k to cater the B40 and M40 income group.

**Share price**


	1M	3M	12M
Historical return (%)	1M	3M	12M
Absolute	-4.5	-2.3	45.7
Relative	-4.6	2.0	50.9

**Stock information**

Bloomberg ticker	LAGENDA MK
Bursa code	7179
Issued shares (m)	818
Market capitalisation (RM m)	1,031
3-mth average volume ('000)	848
SC Shariah compliant	Yes
F4GBM Index member	No
ESG rating	N.M

**Major shareholders**

Lagenda Land	69.6%
Doh Properties	4.6%

**Earnings summary**

	FY20	FY21f	FY22f
FYE (Dec)	FY20	FY21f	FY22f
PAT – core (RM m)	142.5	219.3	264.6
FD EPS – core (sen)	12.5	19.3	23.3
FD P/E (x)	10.1	6.5	5.4

# Lagenda Properties

## A slight blip

Lagenda's 1H21 core PATMI of RM98.5m (+14.2x YoY) were within our and consensus expectation. For QoQ, bottom line showed a decrease by 22.8% mainly due to lower progressive billings from the halted in construction activities during NRP Phase 1. However, we believe Lagenda should be able to ramp up its construction activities later as more of its workforce is vaccinated. Elsewhere, the company secured a strong confirmed sales and booking of RM700m (70% of its full year target) in 1H21 despite the lockdown. We are expecting a stable showing from the company backed by its robust take-up rates on the affordable landed market. Maintain our forecast and BUY recommendation with unchanged TP of RM2.01 based on 20% discount on estimated RNAV of RM2.52 per share.

**Within expectations.** Lagenda recorded 2Q21 core PATMI of RM42.9m (-22.8% QoQ, +16.6x YoY) which brought 1H21 core PATMI to RM98.5m (+14.2x YoY). The results were within our and consensus expectation at 45% of full year forecast.

**Dividend.** Declared first interim single-tier dividend of 3.0 sen per share going ex on 6 Sept 2021.

**QoQ.** Top-line decreased by -25.4% owing to lower progressive billings due to halted construction activities during NRP Phase 1. In turn, core PATMI was also lower by 22.8% in tandem with lower revenue.

**YoY/YTD.** Higher revenue by >100% was attributable revenue recognition from the asset injection of Blossom Eastland, Rantau Urusan and Yik Wang Trading (part of their restructuring exercise into property development), which in turn increased the core PATMI by multiple folds.

**Sales and launches.** c.RM700m of confirmed sales and booking were achieved in 1H21, representing c.70% of full year target of RM1bn where mostly came from the Bandar Baru Setiawan Perdana (BBSAP) township. With historical conversion rate of >90%, management is confident of achieving this sales target, thus no revision is expected despite the lockdown. Unbilled sales stood at RM561m as of 2Q21, representing a cover ratio of 1.05x. Management is targeting to launch a new township in Tapah with a GDV worth RM357m as well as RM226m at existing township in BBSAP for the rest of the year.

**Outlook.** We expect a stable showing backed by its robust take-up rates on the affordable landed market. Lagenda has engaged in various vaccination programs and 88% of its employees have been vaccinated. Management targets to achieve 100% vaccination in the coming months. As such, we reckon Lagenda should be able to ramp up its construction activities in tandem with the higher workforce vaccination (in line with the recent reopening measures).

**Forecast.** Unchanged.

**Maintain BUY; TP: RM2.01.** We maintain our BUY recommendation with unchanged TP of RM2.01 based on 20% discount on estimated RNAV of RM2.52 per share. We like Lagenda for its exposure to the underserved affordable housing segment, stable clientele base (public sector workers with government financing access), low land cost, high booking conversion rate and superior margins.

## Financial Forecast

All items in (RM m) unless otherwise stated

### Balance Sheet

FYE Dec	FY19	FY20	FY21f	FY22f	FY23f
Cash	69.2	214.3	266.1	363.5	461.2
Receivables	182.1	254.7	279.8	329.6	357.4
Inventories	330.3	471.9	571.1	621.1	676.7
Others	125.9	221.5	311.1	423.4	546.0
<b>Assets</b>	<b>707.5</b>	<b>1,162.4</b>	<b>1,428.2</b>	<b>1,737.6</b>	<b>2,041.2</b>
Payables	254.3	278.2	361.5	452.1	492.5
Debt	91.1	222.2	222.2	222.2	222.2
Others	40.4	35.6	35.6	35.6	35.6
<b>Liabilities</b>	<b>385.9</b>	<b>536.1</b>	<b>619.3</b>	<b>709.9</b>	<b>750.4</b>
Shareholder's equity	311.9	618.5	808.9	1,027.7	1,290.9
Minority interest	9.7	7.8	14.0	20.2	26.4
<b>Equity</b>	<b>321.6</b>	<b>626.3</b>	<b>808.9</b>	<b>1,027.7</b>	<b>1,290.9</b>
<b>Liabilities &amp; Equity</b>	<b>707.5</b>	<b>1,162.4</b>	<b>1,428.2</b>	<b>1,737.6</b>	<b>2,041.2</b>

### Cash Flow Statement

FYE Dec	FY19	FY20	FY21f	FY22f	FY23f
Profit before taxation	140.2	215.9	307.7	369.4	444.5
D&A	1.5	1.8	1.0	1.0	1.0
Working capital	(260.5)	(171.3)	(41.0)	(9.2)	(42.9)
Taxation	(40.9)	(64.3)	(82.1)	(98.6)	(118.7)
Others	137.8	236.1	-	-	-
<b>CFO</b>	<b>(21.9)</b>	<b>218.2</b>	<b>185.5</b>	<b>262.6</b>	<b>283.9</b>
Capex	(1.3)	(142.5)	(90.6)	(113.4)	(123.5)
Others	24.8	37.5	-	-	-
<b>CFI</b>	<b>23.5</b>	<b>(104.9)</b>	<b>(90.6)</b>	<b>(113.4)</b>	<b>(123.5)</b>
Changes in debt	(11.7)	-	-	-	-
Shares issued	-	-	-	-	-
Dividends	-	(15.9)	(43.0)	(51.9)	(62.7)
Others	57.5	26.9	-	-	-
<b>CFF</b>	<b>45.8</b>	<b>11.1</b>	<b>(43.0)</b>	<b>(51.9)</b>	<b>(62.7)</b>
<b>Net cash flow</b>	<b>47.4</b>	<b>124.3</b>	<b>51.8</b>	<b>97.4</b>	<b>97.7</b>
Others	4.6	20.8	-	-	-
Beginning cash	17.2	69.2	214.3	266.1	363.5
Ending cash	69.2	214.3	266.1	363.5	461.2

### Income statement

FYE Dec	FY19	FY20	FY21f	FY22f	FY23f
<b>Revenue</b>	<b>462.8</b>	<b>697.6</b>	<b>906.4</b>	<b>1133.5</b>	<b>1234.9</b>
Operating cost	(311.0)	(469.7)	(588.2)	(753.5)	(779.9)
<b>EBITDA</b>	<b>151.8</b>	<b>227.9</b>	<b>318.2</b>	<b>380.0</b>	<b>455.0</b>
D&A	(1.5)	(1.8)	(1.0)	(1.0)	(1.0)
Net Interest	(10.1)	(9.6)	(9.6)	(9.6)	(9.6)
<b>Pretax profit</b>	<b>140.2</b>	<b>215.9</b>	<b>307.7</b>	<b>369.4</b>	<b>444.5</b>
Taxation	(40.9)	(64.3)	(82.1)	(98.6)	(118.7)
Minority Interest	3.3	9.2	6.2	6.2	6.2
PATMI	96.1	142.5	219.3	264.6	319.6
Exceptionals	0.0	0.0	0.0	0.0	0.0
<b>Core Earning</b>	<b>96.1</b>	<b>142.5</b>	<b>219.3</b>	<b>264.6</b>	<b>319.6</b>
Basic shares (m)	744.0	744.0	744.0	744.0	744.0
Diluted shares (m)	1137.9	1137.9	1137.9	1137.9	1137.9
Consensus core PATMI			224.0	275.5	324.5
HLIB/ Consensus			98%	96%	98%

### Valuation ratios

FYE Dec	FY19	FY20	FY21f	FY22f	FY23f
Net DPS (sen)	0.0	2.5	5.8	7.0	8.4
Yield (%)	0.0	2.0	4.6	5.5	6.7
Core EPS (sen)	12.9	19.2	29.5	35.6	43.0
Fully Diluted EPS (sen)	8.4	12.5	19.3	23.3	28.1
P/E (x)	9.8	6.6	4.3	3.5	2.9
FD P/E (x)	14.9	10.1	6.5	5.4	4.5
Market capitalization (m)	937.5	937.5	937.5	937.5	937.5
Net cash (m)	(21.9)	(7.9)	43.9	141.3	238.9
Net gearing (%)	0.07	0.01	CASH	CASH	CASH
BV / share	0.4	0.8	1.1	1.4	1.7
P/BV (x)	3.0	1.5	1.2	0.9	0.7
ROA (%)	13.6	12.3	15.4	15.2	15.7
ROE (%)	29.9	22.7	27.1	25.7	24.8
Enterprise value	959.4	945.4	923.4	826.0	728.3
EV/ EBITDA (x)	6.3	4.1	2.9	2.2	1.6

### Margin ratios

FYE Dec	FY19	FY20	FY21f	FY22f	FY23f
EBITDA Margin	32.8	32.7	35.1	33.5	36.8
PBT Margin	30.3	31.0	33.9	32.6	36.0
PATMI	20.8	20.4	24.2	23.3	25.9

**Figure #1** Quarterly result comparison

FYE Dec (RM m)	2Q20	1Q21	2Q21	QoQ	YoY	1H20	1H21	YoY
Revenue	10.5	228.7	170.5	-25.4%	1530.9%	30.7	399.2	1200.9%
COGS	(6.9)	(140.7)	(104.8)	-25.5%	1413.3%	(20.7)	(245.5)	1083.9%
Gross Profit	3.5	88.0	65.7	-25.3%	1761.3%	10.0	153.7	1444.6%
Other income	0.1	8.1	8.4	3.9%	10960.5%	0.1	16.5	11123.8%
Other expenses	(0.9)	(14.0)	(13.0)	-6.8%	1278.7%	(2.7)	(27.0)	896.3%
EBIT	2.7	82.1	61.1	-25.6%	2194.4%	7.0	143.3	1960.9%
Net Interest	-	(4.0)	(3.1)	-22.1%	N.M.	-	(7.1)	N.M.
Share of JVs and associates	0.7	-	-	N.M.	N.M.	2.2	-	N.M.
PBT	3.4	78.2	58.1	-25.7%	1625.7%	9.1	136.2	1390.4%
Tax	(0.8)	(22.6)	(15.1)	-33.1%	1844.6%	(2.2)	(37.7)	1619.0%
MI	-	-	-	N.M.	N.M.	-	-	N.M.
<b>Core PATAMI</b>	<b>2.6</b>	<b>55.6</b>	<b>42.9</b>	<b>-22.8%</b>	<b>1559.8%</b>	<b>6.9</b>	<b>98.5</b>	<b>1318.2%</b>
EI (Gain/(Losses))	-	-	-	N.M.	N.M.	-	-	N.M.
Reported PATAMI	2.6	55.6	42.9	-22.8%	1559.8%	6.9	98.5	1318.2%
<b>Core FD EPS</b>	<b>0.09</b>	<b>5.28</b>	<b>4.08</b>	<b>-22.7%</b>	<b>4433.3%</b>	<b>0.25</b>	<b>9.36</b>	<b>3644.0%</b>
				Ppts change	Ppts change			Ppts change
EBIT margin	25.5%	35.9%	35.9%	-0.1	10.4	22.7%	35.9%	13.2
PBT margin	32.2%	34.2%	34.0%	-0.1	1.9	29.8%	34.1%	4.3
PAT margin	24.7%	24.3%	25.2%	0.9	0.4	22.6%	24.7%	2.0

Bursa, HLIB Research

**Figure #2** RNAV Table

Projects	Remaining GDV (RM m)	Stake (%)	NPV (RM m)
<b>Perak</b>		100%	1,506.0
Bandar Baru Setia Awan Perdana	529.7		
Legenda Teluk Intan	834.8		
Tapah	1898.3		
Taman Mulia	120.9		
Setia Residence	38.8		
Taman Bembam Permai	44.3		
Taman Bembam Indah	33.7		
Pengkalan Prisma	33.0		
Taman Tronoh Akasia	16.2		
<b>Kedah</b>	1800	50%	425.5
<b>Pahang</b>	1000	100%	308.0
Total NPV			2,239.6
Shareholders funds			618.5
<b>RNAV</b>			<b>2,858.1</b>
Share base			1,137.9
RNAV/share			2.51
Discount			20%
<b>Discounted RNAV/share</b>			<b>2.01</b>

Company, HLIB

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<b>BUY</b>	Expected absolute return of +10% or more over the next 12 months.
<b>HOLD</b>	Expected absolute return of -10% to +10% over the next 12 months.
<b>SELL</b>	Expected absolute return of -10% or less over the next 12 months.
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