

HLIB Research

PP 9484/12/2012 (031413)

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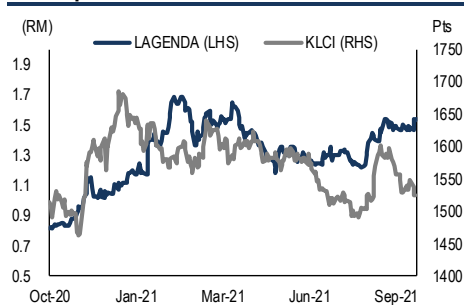
BUY (Maintain)

Target Price: RM2.01
Previously: RM2.01
Current Price: RM1.54

Capital upside	30.5%
Dividend yield	3.8%
Expected total return	34.3%

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


Historical return (%)	1M	3M	12M
Absolute	0.0	14.9	82.2
Relative	1.4	12.6	73.9

Stock information

Bloomberg ticker	LAGENDA MK
Bursa code	7179
Issued shares (m)	818
Market capitalisation (RM m)	1,260
3-mth average volume ('000)	954
SC Shariah compliant	Yes
F4GBM Index member	No
ESG rating	N.M

Major shareholders

Lagenda Land	69.6%
Doh Properties	4.6%

Earnings summary

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)	12.3	8.0	6.6

Lagenda Properties

Affordable housing demand still strong

Despite longer restrictions from NRP Phase 1 in 3Q, sales momentum were strong evidenced by c.RM1bn of bookings and confirmed sales achieved YTD. With historical conversion rate of >90%, we believe Lagenda may exceed its sales target of RM1bn. With regard to rising raw material cost, we noted that the impact is minimal. Management indicated that they are able to adjust their property price to cover such impacts by increasing the selling price by RM3k-5k and would still be able to price its properties <RM200k. We expect 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 RM2.51 per share.

We attended a meeting with Lagenda recently with the following key takeaways:

3Q updates and expectations. Despite longer restrictions from NRP Phase 1, management shared that sales and construction activities have been better QoQ driven by strong demand for affordable housing. We gathered that it will be a flattish QoQ (if not better) as the company is ramping up its operation activities following the higher workforce vaccination level (close to 100% fully vaccinated) and easing of restrictions since mid-Aug. Management shared that sales momentum were strong since July despite the lockdown evidenced by c.RM1bn of bookings and confirmed sales achieved YTD. With historical conversion rate of >90%, we believe Lagenda may exceed its sales target of RM1bn.

Minimal impact from high raw material price. As Covid-19 has disrupted the supply chain of raw materials which has resulted in increase in raw material cost, we understand that it has a minimal impact to Lagenda. For ongoing construction, cost increase is absorbed by the contractors. For illustration, management shared that a 30% increase in steel prices will only impact Lagenda's gross profit by 0.5%, whereas impact from increase in cement prices is minimal. Management indicated that they are able to adjust their property price to cover such impacts by increasing the selling price by RM3k-5k and would still be able to sell their properties at <RM200k.

Launches. In light of multiple series of lockdowns throughout the year, management has been putting off some of the launches. Lagenda is targeting to launch a new township in Tapah with a GDV worth RM357m as well as RM226m at its existing township in Bandar Baru Setiawan Perdana (BBSAP) only during this 4Q period. Management also shared that they recently acquired a small parcel of land that in Tapah from the government, which they intend to build 600 units of houses (known as Program Khas Perumahan Perwira) and will contribute positively starting next year at JV level (margin for this project remain the same as other projects at c.25%) .

Outlook. We expect a stable showing backed by its robust take-up rates on the affordable landed market. The latest government measure on 12MP focusing to build more affordable house and ease the access of financing should bode well with Lagenda's business model.

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 RM2.51 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
Assets	707.5	1,162.4	1,428.2	1,737.6	2,041.2
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
Liabilities	385.9	536.1	619.3	709.9	750.4
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
Equity	321.6	626.3	808.9	1,027.7	1,290.9
Liabilities & Equity	707.5	1,162.4	1,428.2	1,737.6	2,041.2

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	-	-	-
CFO	(21.9)	218.2	185.5	262.6	283.9
Capex	(1.3)	(142.5)	(90.6)	(113.4)	(123.5)
Others	24.8	37.5	-	-	-
CFI	23.5	(104.9)	(90.6)	(113.4)	(123.5)
Changes in debt	(11.7)	-	-	-	-
Shares issued	-	-	-	-	-
Dividends	-	(15.9)	(43.0)	(51.9)	(62.7)
Others	57.5	26.9	-	-	-
CFF	45.8	11.1	(43.0)	(51.9)	(62.7)
Net cash flow	47.4	124.3	51.8	97.4	97.7
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
Revenue	462.8	697.6	906.4	1133.5	1234.9
Operating cost	(311.0)	(469.7)	(588.2)	(753.5)	(779.9)
EBITDA	151.8	227.9	318.2	380.0	455.0
D&A	(1.5)	(1.8)	(1.0)	(1.0)	(1.0)
Net Interest	(10.1)	(9.6)	(9.6)	(9.6)	(9.6)
Pretax profit	140.2	215.9	307.7	369.4	444.5
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
Core Earning	96.1	142.5	219.3	264.6	319.6
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	1.6	3.8	4.5	5.5
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)	11.9	8.0	5.2	4.3	3.6
FD P/E (x)	18.2	12.3	8.0	6.6	5.5
Market capitalization (m)	1145.8	1145.8	1145.8	1145.8	1145.8
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)	3.7	1.9	1.4	1.1	0.9
ROA (%)	13.6	12.3	15.4	15.2	15.7
ROE (%)	29.9	22.7	27.1	25.7	24.8
Enterprise value	1167.8	1153.8	923.4	826.0	728.3
EV/ EBITDA (x)	7.7	5.1	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 RNAV Table

Projects	Remaining GDV (RM m)	Stake (%)	NPV (RM m)
Perak		100%	1,506.0
Bandar Baru Setia Awan Perdana	529.7		
Lagenda 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		
Kedah	1800	50%	425.5
Pahang	1000	100%	308.0
Total NPV			2,239.6
Shareholders funds			618.5
RNAV			2,858.1
Share base			1,137.9
RNAV/share			2.51
Discount			20%
Discounted RNAV/share			2.01

Company, HLIB

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Published & printed by:**Hong Leong Investment Bank Berhad (10209-W)**

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BUY	Expected absolute return of +10% or more over the next 12 months.
HOLD	Expected absolute return of -10% to +10% over the next 12 months.
SELL	Expected absolute return of -10% or less over the next 12 months.
UNDER REVIEW	Rating on the stock is temporarily under review which may or may not result in a change from the previous rating.
NOT RATED	Stock is not or no longer within regular coverage.

Sector rating guide

OVERWEIGHT	Sector expected to outperform the market over the next 12 months.
NEUTRAL	Sector expected to perform in-line with the market over the next 12 months.
UNDERWEIGHT	Sector expected to underperform the market over the next 12 months.

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