

HLIB Research

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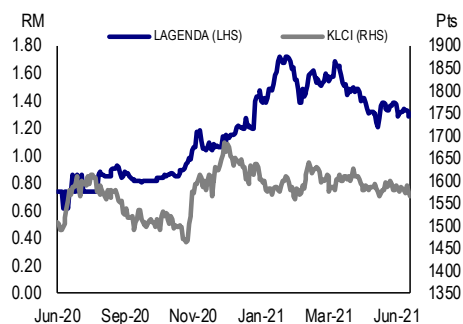
BUY (Maintain)

Target Price: **RM2.01**
Previously: **RM2.01**
Current Price: **RM1.29**

Capital upside	55.8%
Dividend yield	4.5%
Expected total return	60.3%

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	1.6	-14.0	72.0
Relative	2.0	-11.9	65.2

Stock information

Bloomberg ticker	LAGENDA MK
Bursa code	7179
Issued shares (m)	818
Market capitalisation (RM m)	1,056
3-mth average volume ('000)	2,053
SC Shariah compliant	Yes
F4GBM Index member	No
ESG rating	N.M

Major shareholders

Lagenda Land	69.6%
Doh Propertie	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)	10.3	6.7	5.5

Lagenda Properties

Kuantan land acquisition

Lagenda announced a land acquisition measuring 500 acres (21.8m sq ft) for a total cash consideration of RM33m to develop affordable township with estimated GDV of RM1bn. We are positive on the land acquisition as the group's GDV is expected to soar by 22% to RM5.6bn. The implied land cost is RM1.51 psf, which is also only 3% of total GDV. Our pro forma calculation implies net gearing will increase to 0.06x from 0.02x. Maintain our forecast and BUY call with unchanged TP of RM2.01. 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.

NEWSBREAK

Lagenda has entered into a conditional sales and purchase agreement with SST Development Sdn Bhd for the purchase of a parcel of leasehold land in Mukim Penor, Kuantan measuring 500 acres (21.8m sq ft) for a total cash consideration of RM33m. The acquisition is targeted to develop affordable township, consisting single storey semi-detached houses, single storey terrace houses and shop offices with estimated GDV of RM1bn and is expected to commence partly by 2023.

The land is situated off Jalan Kuantan-Pekan, about 16km due south west of Kuantan town centre. Furthermore, the land is easily accessible via Gambang-Kuantan Highways. Notable premises located within the locality are Pusat Latihan Kejenteraan Pertanian Kuantan, Jabatan Penjara Penor, Kolej Islam Pahang, and Rumah Kanak-Kanak Sultanah Hajjah Kalsom. The land is also located near to public amenities such as public schools.

HLIB'S VIEW

Not a surprise. The acquisition does not come as a surprise as it had been previously guided for. This project in Pahang will be its 5th township and 2nd affordable housing project outside Perak. We are positive on this land acquisition as the group's GDV is expected to increase by 22% to RM5.6bn. The implied land cost is RM1.51psf, which is only 3% of total GDV, in line with management's strategy of acquiring land with cost at 3-6% GDV. We believe the acquisition is a good deal as the purchase consideration represents a discount of 28% to the market value of RM2.11psf as ascribed by the valuer.

Impact on net gearing. The purchase consideration of RM33m will be funded via internally generated funds and/or the proceeds raised from the private placement. Our pro forma calculation implies net gearing will increase to 0.06x from 0.02x.

Forecast. Unchanged for now as the development from this acquisition is only expected to commence partly by 2023.

Maintain BUY; TP: RM2.01. We maintain our BUY recommendation with unchanged TP of RM2.01 as we already imputed this development on our RNAV. Our TP is 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			228.5	285.7	328.5
HLIB/ Consensus			96%	93%	97%

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	1.9	4.5	5.4	6.5
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)	10.0	6.7	4.4	3.6	3.0
FD P/E (x)	15.3	10.3	6.7	5.5	4.6
Market capitalization (m)	959.8	959.8	959.8	959.8	959.8
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)	3.1	1.6	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	981.7	967.8	915.9	818.6	720.9
EV/ EBITDA (x)	6.5	4.2	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 Bambam Permai	44.3		
Taman Bambam 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

Figure #2 The location of the development land

Company, Bursa

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HOLD	Expected absolute return of -10% to +10% over the next 12 months.
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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.

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UNDERWEIGHT	Sector expected to underperform the market over the next 12 months.

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