

HLIB Research

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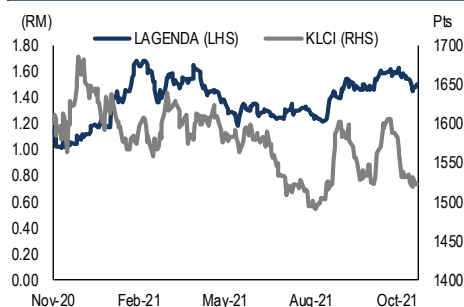
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BUY (Maintain)**Target Price: RM2.00****Previously: RM2.01****Current Price: RM1.50**

| | |
|-----------------------|-------|
| Capital upside | 33.3% |
| Dividend yield | 3.5% |
| Expected total return | 36.8% |

Sector coverage: Property

Company description: Lagenda is 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 | -5.7 | 20.0 | 28.2 |
| Relative | -1.0 | 20.1 | 35.6 |

Stock information

| | |
|------------------------------|------------|
| Bloomberg ticker | LAGENDA MK |
| Bursa code | 7179 |
| Issued shares (m) | 820 |
| Market capitalisation (RM m) | 1,230 |
| 3-mth average volume ('000) | 1,174 |
| SC Shariah compliant | Yes |
| F4GBM Index member | No |
| ESG rating | N.M |

Major shareholders

| | |
|----------------|-------|
| Lagenda Land | 69.5% |
| Doh Properties | 4.6% |

Earnings summary

| | | | |
|---------------------|-------|-------|-------|
| FYE (Dec) | FY20 | FY21f | FY22f |
| PAT – core (RM m) | 142.5 | 199.6 | 253.6 |
| FD EPS – core (sen) | 12.5 | 17.5 | 22.3 |
| FD P/E (x) | 12.0 | 8.6 | 6.7 |

Lagenda Properties

RM1-1.2bn of pipeline launches for next year

Lagenda is planning to launch c.6k units of houses for FY22 with GDV of RM1-1.2bn where half of it will be coming from its new township in Tapah, Sg Petani and Mersing. With current inventory of RM512m, aggregate GDV available for sale in FY22 will be around RM1.7bn. With regards to sales target, management is targeting 20-30% growth on confirmed property sales for FY22 which we believe could possibly be around RM800m-RM1bn. We are expecting a stable showing from the company backed by its robust take-up rates on the affordable landed market. We adjust our earnings by c.-5% in FY21-23 for the difference in timing recognition of progressive billings. We maintain our BUY recommendation with a marginally lower TP of RM2.00 (from RM2.01) based on 20% discount on estimated RNAV of RM2.50 per share.

3Q results recap. Lagenda recorded 3Q21 core PATMI of RM45.5m (+6.1% QoQ, -8.6% YoY), which brought 9M21 core PATMI to RM144.0m (+52.5% YoY). For YoY, net profit declined by -8.6% from the lower progressive billing recognition (NRP restrictions) as well as higher raw materials costs. We are expecting a stronger contribution in 4Q from higher progressive billings recognition on the back of pick up in construction activities. We gathered that 4Q could be as strong (or even higher) as 1Q (1QFY21 net profit : RM55.6m)

FY22 sales and booking target. Management is targeting 20-30% growth on confirmed property sales for FY22. To recap, Lagenda secured a robust confirmed sales and booking of RM1.2bn in 9M21 (total confirmed sales was RM496m with additional total bookings of RM684m). As for Lagenda's sales momentum, it is still going strong in the month of Oct and Nov – we gathered that sales and booking number could reach c.RM1.5bn for FY21. We understand that confirmed sales of this year could be around RM650m to RM750m. Hence, sales target for FY22 possibly be around RM800m-RM1bn. However, we also note that some of the confirmed sales number in FY21 might spill over to FY22 since the conversion takes about 6 months during these pandemic times.

Launches. Lagenda is planning to launch c.6k units of houses for FY22 with GDV of RM1-1.2bn where half of it will be coming from its new township in Tapah, Sg Petani and Mersing. With current inventory of RM512m, aggregate GDV available for sale in FY22 will be around RM1.7bn.

Prosperity Tax impact. Management assured that the Prosperity Tax impact to be minimal for Lagenda's FY22 group earnings as the projected tax expense are expected to be only 1-2% higher. Currently, only 1 subsidiary (namely Nusantara) has PBT of more than RM100m (last year Nusantara made PBT of RM146m).

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 houses and ease the access of financing should bode well with Lagenda's business model.

Forecast. We adjust our earnings by c.-5% in FY21-23 for the difference in timing recognition of progressive billings.

Maintain BUY; TP: RM2.00. We maintain our BUY recommendation with a marginally lower TP of RM2.00 (from RM2.01) as we adjust our earnings base. Our TP is based on 20% discount on estimated RNAV of RM2.50 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 | 297.9 | 370.2 | 453.6 |
| Receivables | 182.1 | 254.7 | 257.6 | 317.2 | 353.0 |
| Inventories | 330.3 | 471.9 | 522.6 | 596.3 | 668.0 |
| Others | 125.9 | 221.5 | 303.4 | 411.2 | 532.2 |
| Assets | 707.5 | 1,162.4 | 1,381.5 | 1,694.9 | 2,006.8 |
| Payables | 254.3 | 278.2 | 330.7 | 434.0 | 486.2 |
| 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 | 588.6 | 691.9 | 744.0 |
| Shareholder's equity | 311.9 | 618.5 | 793.0 | 1,003.0 | 1,262.8 |
| Minority interest | 9.7 | 7.8 | 14.0 | 20.2 | 26.4 |
| Equity | 321.6 | 626.3 | 793.0 | 1,003.0 | 1,262.8 |
| Liabilities & Equity | 707.5 | 1,162.4 | 1,381.5 | 1,694.9 | 2,006.8 |

Cash Flow Statement

| FYE Dec | FY19 | FY20 | FY21f | FY22f | FY23f |
|------------------------|---------------|----------------|---------------|----------------|----------------|
| Profit before taxation | 140.2 | 215.9 | 280.7 | 354.5 | 438.8 |
| D&A | 1.5 | 1.8 | 1.0 | 1.0 | 1.0 |
| Working capital | (260.5) | (171.3) | (1.0) | (30.0) | (55.3) |
| Taxation | (40.9) | (64.3) | (74.9) | (94.6) | (117.2) |
| Others | 137.8 | 236.1 | - | - | - |
| CFO | (21.9) | 218.2 | 205.7 | 230.8 | 267.3 |
| Capex | (1.3) | (142.5) | (82.9) | (108.8) | (121.9) |
| Others | 24.8 | 37.5 | - | - | - |
| CFI | 23.5 | (104.9) | (82.9) | (108.8) | (121.9) |
| Changes in debt | (11.7) | - | - | - | - |
| Shares issued | - | - | - | - | - |
| Dividends | - | (15.9) | (39.1) | (49.8) | (61.9) |
| Others | 57.5 | 26.9 | - | - | - |
| CFF | 45.8 | 11.1 | (39.1) | (49.8) | (61.9) |
| Net cash flow | 47.4 | 124.3 | 83.6 | 72.3 | 83.5 |
| Others | 4.6 | 20.8 | - | - | - |
| Beginning cash | 17.2 | 69.2 | 214.3 | 297.9 | 370.2 |
| Ending cash | 69.2 | 214.3 | 297.9 | 370.2 | 453.6 |

Income statement

| FYE Dec | FY19 | FY20 | FY21f | FY22f | FY23f |
|----------------------|--------------|--------------|--------------|---------------|---------------|
| Revenue | 462.8 | 697.6 | 829.3 | 1088.2 | 1219.0 |
| Operating cost | (311.0) | (469.7) | (538.1) | (723.2) | (769.7) |
| EBITDA | 151.8 | 227.9 | 291.3 | 365.1 | 449.3 |
| 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 | 280.7 | 354.5 | 438.8 |
| Taxation | (40.9) | (64.3) | (74.9) | (94.6) | (117.2) |
| Minority Interest | 3.3 | 9.2 | 6.2 | 6.2 | 6.2 |
| PATMI | 96.1 | 142.5 | 199.6 | 253.6 | 315.4 |
| Exceptionals | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Core Earning | 96.1 | 142.5 | 199.6 | 253.6 | 315.4 |
| 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 | | | 89% | 92% | 97% |

Valuation ratios

| FYE Dec | FY19 | FY20 | FY21f | FY22f | FY23f |
|---------------------------|--------|--------|--------|--------|--------|
| Net DPS (sen) | 0.0 | 2.5 | 5.3 | 6.7 | 8.3 |
| Yield (%) | 0.0 | 1.7 | 3.5 | 4.5 | 5.5 |
| Core EPS (sen) | 12.9 | 19.2 | 26.8 | 34.1 | 42.4 |
| Fully Diluted EPS (sen) | 8.4 | 12.5 | 17.5 | 22.3 | 27.7 |
| P/E (x) | 11.6 | 7.8 | 5.6 | 4.4 | 3.5 |
| FD P/E (x) | 17.8 | 12.0 | 8.6 | 6.7 | 5.4 |
| Market capitalization (m) | 1116.1 | 1116.1 | 1116.1 | 1116.1 | 1116.1 |
| Net cash (m) | (21.9) | (7.9) | 75.7 | 147.9 | 231.4 |
| Net gearing (%) | 0.07 | 0.01 | CASH | CASH | CASH |
| BV / share | 0.4 | 0.8 | 1.1 | 1.3 | 1.7 |
| P/BV (x) | 3.6 | 1.8 | 1.4 | 1.1 | 0.9 |
| ROA (%) | 13.6 | 12.3 | 14.4 | 15.0 | 15.7 |
| ROE (%) | 29.9 | 22.7 | 25.2 | 25.3 | 25.0 |
| Enterprise value | 1138.0 | 1124.0 | 1040.4 | 968.1 | 884.6 |
| EV/ EBITDA (x) | 7.5 | 4.9 | 3.6 | 2.7 | 2.0 |

Margin ratios

| FYE Dec | FY19 | FY20 | FY21f | FY22f | FY23f |
|---------------|------|------|-------|-------|-------|
| EBITDA Margin | 32.8 | 32.7 | 35.1 | 33.5 | 36.9 |
| PBT Margin | 30.3 | 31.0 | 33.8 | 32.6 | 36.0 |
| PATMI | 20.8 | 20.4 | 24.1 | 23.3 | 25.9 |

Figure #1 RNAV Table

| Projects | Remaining GDV (RM m) | Stake (%) | NPV (RM m) |
|--------------------------------|-------------------------|--------------|----------------|
| Perak | | 100% | 1,491.2 |
| 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 | | | 2,224.8 |
| Shareholders funds | | | 618.5 |
| RNAV | | | 2,843.3 |
| Share base | | | 1,137.9 |
| RNAV/share | | | 2.50 |
| Discount | | | 20% |
| Discounted RNAV/share | | | 2.00 |

Company, HLIB

Figure #2 FY22 pipeline launches**FY22 LAUNCHES**

| Targeted timing | Location | Project | Units |
|-----------------|----------|------------------|--------------|
| 1H2022 | Perak | Teluk Intan | 1,098 |
| | | Tapah | 1,000 |
| | | BBSAP | 1,568 |
| | Kedah | Sg Petani | 282 |
| | | Sub-total | 3,948 |

| Targeted timing | Location | Project | Units | |
|-----------------|----------|------------------|--------------|-------|
| 2H2022 | Perak | Tapah | 500 | |
| | | Kedah | Sg Petani | 1,000 |
| | | Johor | Mersing | 500 |
| | | Sub-total | 2,000 | |

| | | | |
|--|--|--------------------|--------------|
| | | Grand total | 5,948 |
|--|--|--------------------|--------------|

 **RM1B** GDV

Company

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Stock rating guide

| | |
|---------------------|-------------------------------------------------------------------------------------------------------------------|
| 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. |

The stock rating guide as stipulated above serves as a guiding principle to stock ratings. However, apart from the abovementioned quantitative definitions, other qualitative measures and situational aspects will also be considered when arriving at the final stock rating. Stock rating may also be affected by the market capitalisation of the individual stock under review.