

HLIB Research

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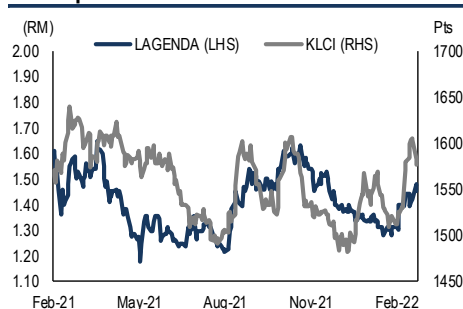
BUY (Maintain)

Target Price: RM2.00
Previously: RM2.00
Current Price: RM1.45

Capital upside	37.9%
Dividend yield	5.2%
Expected total return	43.1%

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	12.4	-4.0	-13.2
Relative	8.8	-7.0	-13.5

Stock information

Bloomberg ticker	LAGENDA MK
Bursa code	7179
Issued shares (m)	837
Market capitalisation (RM m)	1,214
3-mth average volume ('000)	425
SC Shariah compliant	Yes
F4GBM Index member	No
ESG rating	N.M

Major shareholders

Lagenda Land	68.1%
Doh Properties	4.5%

Earnings summary

FYE (Dec)	FY21	FY22f	FY23f
PATMI - core (RM m)	200.5	253.6	315.4
FD EPS - core (sen)	19.8	25.0	31.1
FD P/E (x)	7.3	5.8	4.7

Lagenda Properties

Going strong into FY22

Lagenda recorded FY21 core PATMI of RM200.5m (+42.3% YoY) thanks to higher progressive billings and sales of affordable homes. We are expecting a stronger FY22 backed by robust take-up rates on the affordable landed market coupled with higher launches from management. We maintain our forecast and BUY recommendation with an unchanged TP of RM2.00 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.

Within expectations. Lagenda recorded 4Q21 core PATMI of RM56.5m (+24% QoQ, +21.4% YoY), which brought FY21 core PATMI to RM200.5m (+42.3% YoY), accounting for 100% of our and 95% of consensus expectation.

Dividend. Declared second interim single-tier dividend of 3.5 sen per share going ex on 24 Mar 2022, bringing FY21 dividend to 6.5 sen per share (representing a payout ratio of 27%).

QoQ. Top-line rose by 35.6% owing to higher contribution from property development segment from the higher progressive billings recognition coupled with stronger sales achieved for the affordable homes. In turn, core PATMI also increased by 24% in tandem with higher revenue.

YoY. Lower revenue by 7.9% was attributable to lower progressive billings as one of the project stage reached its tail end. Nonetheless, core PATMI showed an increase of 21.4% from the lower minority interest during current quarter coupled with lower COGS (-10.4%) as well as lower tax expense (-15.6%).

YTD. Top-line increased by 20% thanks to higher progressive billings recognition coupled with stronger sales achieved for the affordable housing. Nonetheless, core PATMI increased by 42.3% from lower minority interest during the period.

Sales and booking. Total confirmed sales were RM757m with additional total bookings of RM649m were achieved in FY21, where the sales mostly came from the Bandar Baru Setiawan Perdana (BBSAP) township. Unbilled sales increased to RM604m (from RM591m in 3Q21), representing a cover ratio of 0.9x.

Outlook. Lagenda is on a growth trajectory and will be rolling-out townships in Kedah and Johor besides its home turf in Perak. The company is planning to launch nearly 6k units in 2022 with estimated GDV of RM1-1.2bn. We are expecting a stronger FY22 backed by robust take-up rates on the affordable landed market coupled with higher launches from management. The latest government measure on 12MP focusing to build more affordable house and ease the access of financing should bode well for Lagenda's business model.

Forecast. Maintain

Maintain BUY; TP: RM2.00. We maintain our BUY recommendation with an unchanged TP of RM2.00 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.

Figure #1 Financial forecast summary

FYE Dec (RM m)	FY19	FY20	FY21	FY22f	FY23f
Revenue	462.8	696.1	835.5	1,088.2	1,219.0
EBITDA	151.8	232.8	293.5	365.1	449.3
EBIT	150.3	231.0	291.1	364.0	448.3
PBT	140.2	212.4	277.9	354.5	438.8
PAT	96.1	150.1	200.5	253.6	315.4
PATMI – Core	96.1	140.9	200.5	253.6	315.4
PATMI – Reported	96.1	140.9	200.5	253.6	315.4
HLIB/ Consensus (%) – Core PATMI				93.9%	98.0%
FD Core EPS (sen)	20.9	30.6	19.8	25.0	31.1
FD P/E (x)	7.0	4.7	7.3	5.8	4.7
EV/EBITDA (x)	2.5	1.6	4.0	2.8	2.1
DPS (sen)	0.0	2.5	6.5	7.5	9.3
Yield (%)	0.0	1.7	4.5	5.2	6.4
BVPS (RM/share)	1.3	2.5	1.1	1.2	1.5
P/B (x)	1.2	0.6	1.3	1.2	0.9
ROE (%)	29.9%	22.7%	22.8%	25.8%	25.6%
Net Gearing (%)	6.8%	1.3%	1.0%	CASH	CASH

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Figure #2 Quarterly result comparison

FYE Dec (RM m)	4Q20	3Q21	4Q21	QoQ	YoY	FY20	FY21	YoY
Revenue	272.6	185.2	251.1	35.6%	-7.9%	696.1	835.5	20.0%
COGS	(172.9)	(111.9)	(155.0)	38.6%	-10.4%	-427.0	-512.3	20.0%
Gross Profit	99.7	73.4	96.1	31.0%	-3.6%	269.1	323.2	20.1%
Other income	9.5	4.4	15.3	251.5%	60.9%	14.1	36.2	156.4%
Other expenses	(20.1)	(11.9)	(29.4)	145.9%	46.1%	-52.2	-68.3	30.7%
EBIT	89.1	65.8	82.0	24.7%	-7.9%	231.0	291.1	26.0%
Net Interest	(6.4)	(3.4)	(2.8)	-16.4%	-55.9%	-18.0	-13.3	-26.4%
Share of JVs and associates	-	-	-	N.M.	N.M.	-0.6	0.0	N.M.
PBT	82.7	62.4	79.2	27.0%	-4.2%	212.4	277.9	30.8%
Tax	(27.0)	(16.9)	(22.8)	35.3%	-15.6%	-62.3	-77.4	24.2%
MI	9.2	(0.0)	(0.0)	3300.0%	-100.4%	9.2	0.0	-100.4%
PATMI	46.5	45.5	56.5	24.0%	21.4%	140.9	200.5	42.3%
EI (Gain/(Losses))	-	-	-	N.M.	N.M.	0.0	0.0	N.M.
Core PATMI	46.5	45.5	56.5	24.0%	21.4%	140.9	200.5	42.3%
Reported PATMI	46.5	45.5	56.5	24.0%	21.4%	140.9	200.5	42.3%
				Ppts change	Ppts change			Ppts change
EBIT margin	32.7%	35.5%	32.7%	-2.8	0.0	35.0%	34.8%	-0.1
PBT margin	30.3%	33.7%	31.6%	-2.1	1.2	32.5%	33.3%	0.8
Core PATMI margin	17.1%	24.6%	22.5%	-2.1	5.4	20.7%	24.0%	3.3

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Figure #3 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

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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.

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