



AmInvestment Bank

Company Report

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LAGENDA PROPERTIES

(LAGENDA MK EQUITY, LAGE.KL)

11 Jan 2024

Secured development right to develop Kota Tinggi land
BUY

(Maintained)

Rationale for report: Company Update

Price	RM1.34
Fair Value	RM1.85
52-week High/Low	RM1.39/RM1.15

Key Changes

Fair value	📈
EPS	📈

YE to Dec	FY22	FY23F	FY24F	FY25F
Revenue (RM mil)	868.1	849.7	1,137.2	1,307.8
Core net profit (RM mil)	170.7	151.0	199.9	240.8
FD Core EPS (sen)	20.4	18.0	23.9	28.8
FD Core EPS growth (%)	(10.7)	(11.6)	32.4	20.5
Consensus Net Profit (RM mil)	-	149.0	201.3	234.5
DPS (sen)	6.5	5.8	7.4	8.9
PE (x)	6.6	7.4	5.6	4.7
EV/EBITDA (x)	3.9	3.6	3.6	3.0
Div yield (%)	4.9	4.3	5.5	6.7
ROE (%)	18.0	13.4	14.4	14.1
Net Gearing (%)	nm	nm	10.8	7.5

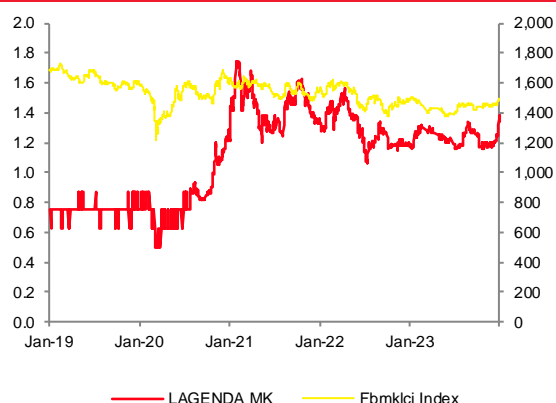
Stock and Financial Data

Shares Outstanding (million)	837.3
Market Cap (RMmil)	1,122.0
Book Value (RM/Share)	1.21
P/BV (x)	1.1
ROE (%)	18.0
Net Gearing (%)	nm

Major Shareholders	Lagenda Land (63.9%) Etiqa Life Insurance (1.5%) Doh Properties (1.1%)
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Free Float	33.4
Avg Daily Value (RMmil)	0.5

Price performance	3mth	6mth	12mth
Absolute (%)	7.2	12.6	13.6
Relative (%)	3.5	4.7	13.4

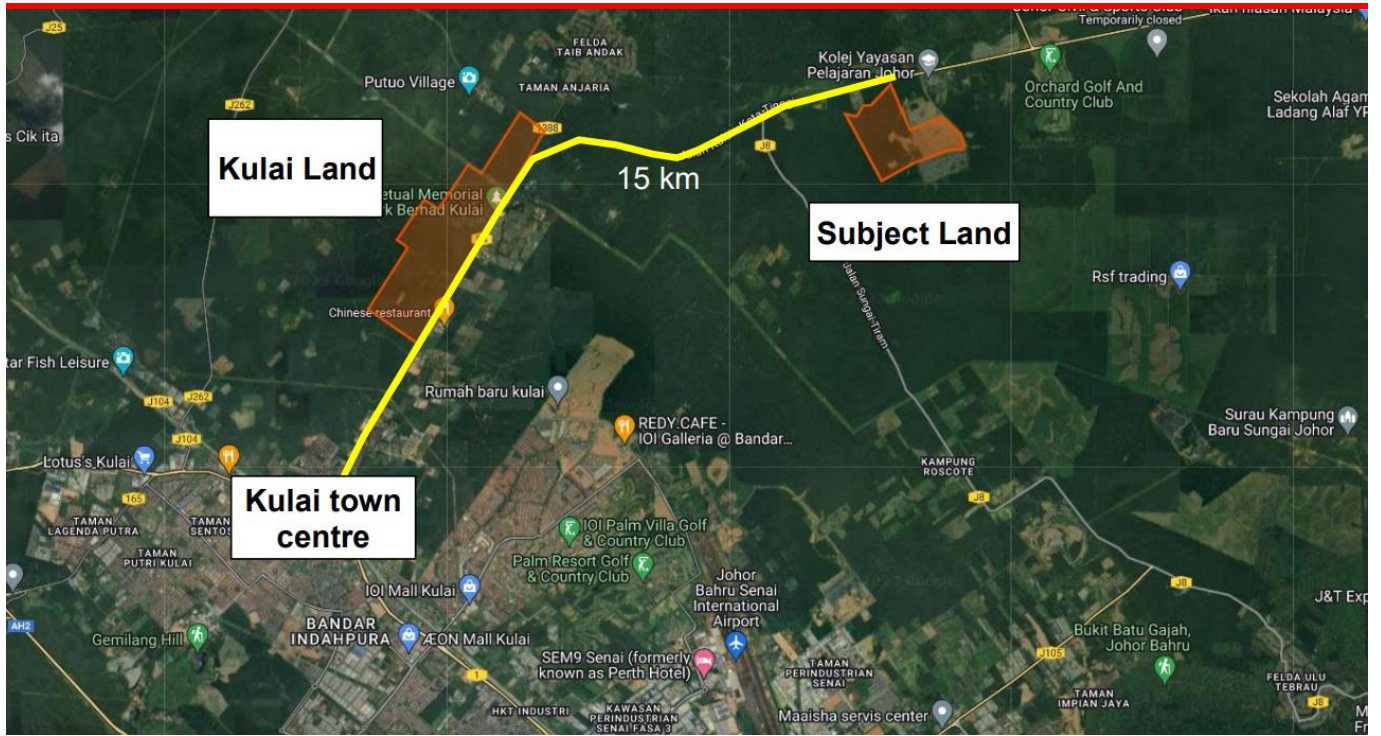


Investment Highlights

- We maintain BUY on Lagenda Properties (Lagenda) with a higher fair value (FV) of RM1.85/share (from RM1.79/share previously) after accounting for contribution from the new Kota Tinggi project into our RNAV calculation. Our FV is based on an unchanged discount rate of 30% to our RNAV (Exhibit 4) and a 3% premium to reflect its 4-star ESG rating (Exhibit 5).
- The FV implies a FY24F PE of 8x, at parity to the current average of smaller cap property stocks.
- Lagenda's wholly-owned Opti Vega entered into a development rights agreement (DRA) with Intact Corporate Approach. The DRA involves the development of 4 parcels of land and 164 lots of adjoining vacant lands measuring 112 acres in Kota Tinggi, Johor for RM85mil cash.
- While maintaining FY23F earnings, we raise FY24F/FY25F core net profit by 2%/4% to factor in the earnings contribution from this project.
- The land size is calculated on an initial net basis after factoring out an area of 36 acres that has been surrendered to the state government for public utilities and major infrastructure.
- The estimated gross development value (GDV) of Kota Tinggi land is RM576mil. The project will be developed over a span of 3-4 years.
- Based on the preliminary development plan, the Kota Tinggi land is slated for a mixed development with a proposed GDV allocation of 70% for landed residential and 30% for commercial units.
- The residential component (1,200 units) comprises double-storey terrace house with an indicative built-up area of 20' x 70'.
- The initial selling price for double-storey terrace house at RM330K-RM350K or RM236 psf-RM250 psf is reasonable compared to Scientex's projects in Kota Tinggi, which are priced in the range of RM257 psf-RM385 psf.
- The commercial component consists of double-storey shop offices (300 units) with a built-up area of 2,500 sqft and prices ranging from RM500K-RM600K.
- We expect the proposed DRA to be completed in early 2QFY24.

- Assuming the cost for development right to be the land cost, the land price translates to RM17.50 psf and implies a land cost-to-GDV ratio of 15%, which is within the industry's average land cost-to-GDV ratio of 15%-20%.
- We deem the land to be reasonably priced, despite a 20% premium compared to Crescendo's acquisition of agricultural land in Kota Tinggi in 2023, which was priced at RM14.50 psf. The premium is justified given certain parcels of the land already having development and building plans in place (Exhibit 2). As a result, Lagenda can promptly initiate project launch and sales within a short period of time, estimated to occur within 6 months from the execution of the DRA.
- Lagenda plans to launch 50% of the GDV for the Kota Tinggi project in the middle of FY24, with the remaining 50% scheduled for launch within the next 6 to 12 months after the launch of first phase.
- We assume the payment of development right of RM85mil to be mainly funded by cash (70%) with the remainder in borrowings (30%) based on management guidance. Following the completion of payment for development right, we expect the group's FY24F net gearing ratio to increase to 0.11x from 0.06x.
- The land is strategically located just 15km from Kulai town center, 27km from Senai Airport and only 8km from Lagenda's previously acquired Kulai land (Exhibit 1).
- The gross margin for Kota Tinggi project is expected to be in the range of 25%-30%, which is comparatively lower than the 35%-40% range observed in Lagenda's existing matured projects in Setiawan and Teluk Intan.
- Despite this, our outlook remains positive for the project due to the swift turnaround prospects of the land, leading to increased cash conversion and reduced finance and holding costs. Moreover, the development of the Kota Tinggi project serves as a strategic move to establish Lagenda's reputation in Johor swiftly, particularly before the planned launches of its flagship township in Kulai in late 2024 or early 2025.
- Furthermore, Lagenda has obtained an exclusive option to develop additional parcels of land measuring 139 acres (on an initial net basis after excluding 93 acres surrendered to the state government) at RM99.6mil. The additional lands are adjacent to the Kota Tinggi land. The option is set to expire on 10 January 2026, 2 years from the date of the DRA.
- We continue to like Lagenda due to the company's niche in underserved landed affordable housing developments in second-tier states with a large population of B40 and M40 income groups.
- The stock currently trades at a compelling FY24F PE of 5.6x vs. the industry average of 11x while dividend yields are attractive at 5.5%.

EXHIBIT 1: LOCATION MAP OF THE SUBJECT LAND



Source: Legenda

EXHIBIT 2: PARTICULARS OF THE LAND

Land title	PT No.	Land Area (Acre)	Pre-existing Approval
54472	17086	20.4	In Progress
54476	17090	24.4	Development Plan
54477	17091	17.4	Development Plan
54478	17092	43.0	Development Plan and Building Plan
58795-58958	16057-16220	6.8	Development Plan and Building Plan

Source: Legenda, AmlInvestment Bank Bhd

EXHIBIT 3: PROJECT TIMELINE

Existing Township	Launch Date
Bandar Baru Setia Awan Perdana (BBSAP)	2016
Legenda Teluk Intan	2018
Legenda Tropika (Tajah)	2022
DarulamanLegenda, Sg. Petani	2022
Mersing, Johor	2023
Upcoming Township	Estimated Launch Date
Penor, Pahang	2024
Bernam Jaya, Selangor	2024
Kulai, Johor	2024
Kota Tinggi, Johor	2024

Source: AmlInvestment Bank Bhd

EXHIBIT 4: RNAV CALCULATIONS

Developments	Outstanding GDV RM (mil)	NPV @ 8% RM mil
BBSAP	636.3	150.2
Lagenda Teluk Intan	2,072.4	489.1
Lagenda Tapah -100% owned	2,134.7	512.2
Lagenda Sungai Petani (Kedah)	592.9	70.0
Lagenda Kuantan Township (Pahang)	1,260.0	297.4
Lagenda Mersing Township	985.0	152.7
Lagenda Bernam Jaya Township	500.0	67.2
Lagenda Kulai Township	4,000.0	296.6
Others	458.8	104.7
Total NPV		2,221.3
Net Cash / (Debt)		170.3
Other Assets		529.0
Total		2,920.6
No of shares		1,137.9
RNAV/share (RM)		2.57
Less 30% discount		-0.77
Fair Value (RM)		1.80
(+) 3% premium for 4-star ESG rating		0.05
Fair Value/share (RM) + ESG Premium		1.85

Source: AmlInvestment Bank Bhd

EXHIBIT 5: ESG RATING

Overall	★	★	★	★	
Zero-carbon initiatives	★	★	★		
Work site safety	★	★	★	★	
Worker welfare	★	★	★	★	
Corporate social responsibility	★	★	★		
Pollution control	★	★	★		
Supply chain auditing	★	★	★	★	
Corruption-free pledge	★	★	★		
Accessibility & transparency	★	★	★	★	★

We accord a discount/premium of -6%, -3%, 0%, +3% and +6% on fundamental fair value based on the overall ESG rating as appraised by us, from 1-star to 5-star

Source: AmlInvestment Bank

EXHIBIT 6: PB BAND CHART



EXHIBIT 7: PE BAND CHART

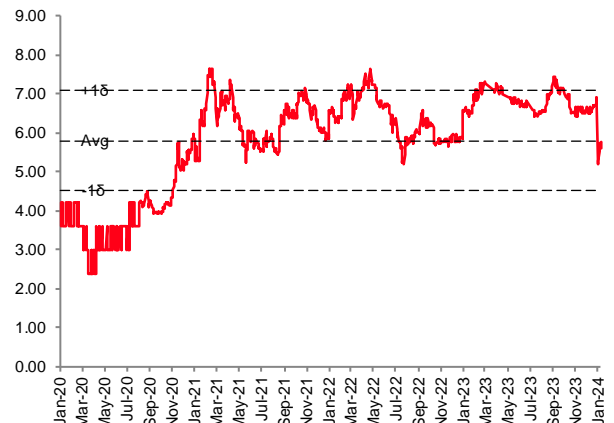


EXHIBIT 8: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY21	FY22	FY23F	FY24F	FY25F
Revenue	835.5	868.1	849.7	1,137.2	1,307.8
EBITDA	293.5	269.4	261.9	353.3	421.5
Depreciation/Amortisation	(2.4)	(3.3)	(3.5)	(4.0)	(4.5)
Operating income (EBIT)	291.1	266.1	258.4	349.3	417.0
Other income & associates	34.8	26.5	23.5	25.4	27.5
Net interest	(13.3)	(15.3)	(46.9)	(67.9)	(78.2)
Exceptional items	(17.2)	(7.0)	-	-	-
Pretax profit	277.9	250.8	211.5	281.4	338.8
Taxation	(77.4)	(73.1)	(60.5)	(81.5)	(97.9)
Minorities/pref dividends	-	-	-	-	-
Net profit	183.2	170.7	151.0	199.9	240.8
Core net profit	183.2	170.7	151.0	199.9	240.8
Balance Sheet (RMmil, YE 31 Dec)	FY21	FY22	FY23F	FY24F	FY25F
Fixed assets	12.3	17.2	19.9	68.4	69.4
Intangible assets	25.6	25.6	25.6	25.6	25.6
Other long-term assets	139.0	203.8	203.8	687.2	694.1
Total non-current assets	199.3	270.8	273.5	805.4	813.2
Cash & equivalent	191.5	383.6	484.4	465.3	467.1
Stock	462.1	488.8	450.7	522.0	659.0
Trade debtors	271.1	272.7	275.7	369.0	424.4
Other current assets	318.3	379.5	547.6	588.7	799.6
Total current assets	1,243.0	1,524.6	1,758.5	1,945.1	2,350.0
Trade creditors	182.0	178.8	198.7	285.8	357.3
Short-term borrowings	40.9	82.1	77.1	72.1	67.1
Other current liabilities	176.8	211.8	216.0	220.3	224.7
Total current liabilities	399.7	472.7	491.8	578.2	649.1
Long-term borrowings	159.1	300.9	295.9	636.5	631.5
Other long-term liabilities	3.8	6.2	6.3	6.4	6.6
Total long-term liabilities	162.9	307.1	302.2	643.0	638.1
Shareholders' funds	879.7	1,015.7	1,237.9	1,529.2	1,876.1
Minority interests	-	-	-	-	-
BV/share (RM)	1.10	1.21	1.48	1.83	2.24
Cash Flow (RMmil, YE 31 Dec)	FY21	FY22	FY23F	FY24F	FY25F
Pretax profit	277.9	250.8	211.5	281.4	338.8
Depreciation/Amortisation	2.4	3.3	3.5	4.0	4.5
Net change in working capital	(150.8)	(43.8)	97.3	(6.6)	(53.2)
Others	(94.5)	(94.3)	(113.4)	(155.3)	(182.1)
Cash flow from operations	35.0	116.0	198.9	123.5	107.9
Net investments & sale of fixed assets	4.7	7.8	(55.2)	(447.0)	-
Others	(44.8)	(45.8)	-	-	-
Cash flow from investing	(40.2)	(38.0)	(55.2)	(447.0)	-
Debt raised/(repaid)	(21.9)	181.9	(10.0)	377.2	(18.5)
Equity raised/(repaid)	97.6	18.6	-	-	-
Dividends paid	(53.4)	(63.9)	(56.7)	(72.8)	(87.7)
Others	97.6	18.6	-	-	-
Cash flow from financing	42.0	103.7	(66.7)	304.4	(106.2)
Net cash flow	36.8	181.7	77.0	(19.1)	1.7
Net cash/(debt) b/f	188.9	225.8	407.4	484.4	465.3
Net cash/(debt) c/f	225.8	407.4	484.4	465.3	467.1
Key Ratios (YE 31 Dec)	FY21	FY22	FY23F	FY24F	FY25F
Revenue growth (%)	20.0	3.9	(2.1)	33.8	15.0
EBITDA growth (%)	12.0	(8.2)	(2.8)	34.9	19.3
Pretax margin (%)	33.3	28.9	24.9	24.7	25.9
Net profit margin (%)	21.9	19.7	17.8	17.6	18.4
Interest cover (x)	21.9	17.4	5.5	5.1	5.3
Effective tax rate (%)	27.9	29.1	28.6	28.9	28.9
Dividend payout (%)	28.5	31.9	32.0	31.0	31.0
Debtors turnover (days)	104	114	118	103	111
Stock turnover (days)	180	200	202	156	165
Creditors turnover (days)	80	76	81	78	90

SOURCE: COMPANY, AMINVESTMENT BANK BHD ESTIMATES

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