



AmInvestment Bank

Company Report

LAGENDA PROPERTIES

(LAGENDA MK EQUITY, LAGE.KL)

26 Jan 2024

Establish affordable home JV with Sime Darby Property

BUY

(Maintained)

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Rationale for report: Company Update

Price	RM1.48
Fair Value	RM1.88
52-week High/Low	RM1.48/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	199.8	244.4
FD Core EPS (sen)	20.4	18.0	23.9	29.2
FD Core EPS growth (%)	(10.7)	(11.6)	32.4	22.3
Consensus Net Profit (RM mil)	-	149.0	201.3	234.5
DPS (sen)	6.5	5.8	7.4	9.0
PE (x)	7.3	8.2	6.2	5.1
EV/EBITDA (x)	4.4	4.1	4.0	3.3
Div yield (%)	4.4	3.9	5.0	6.1
ROE (%)	18.0	13.4	14.4	14.4
Net Gearing (%)	nm	nm	11.1	7.7

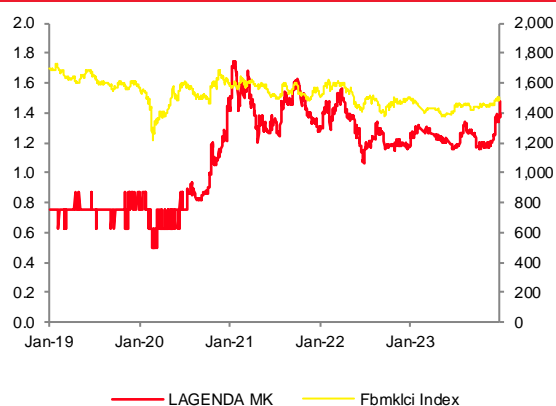
Stock and Financial Data

Shares Outstanding (million)	837.3
Market Cap (RMmil)	1,239.2
Book Value (RM/Share)	1.21
P/BV (x)	1.2
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 (%)	25.4	25.4	25.4
Relative (%)	20.3	19.8	25.0

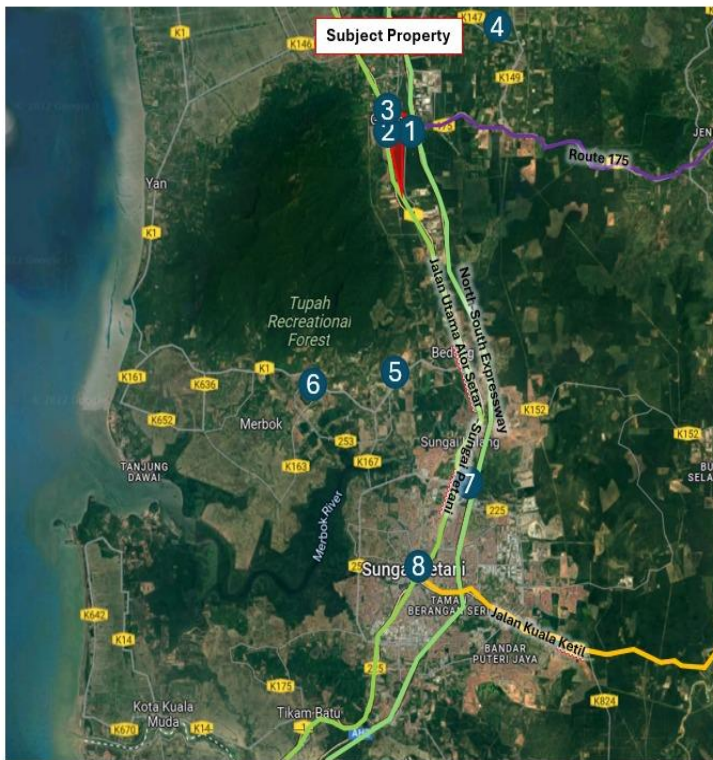


Investment Highlights

- We maintain BUY on Lagenda Properties (Lagenda) with a higher fair value (FV) of RM1.88/share (from RM1.85/share previously) after accounting for contribution from a new Gurun project into our RNAV calculation. Our FV is based on an unchanged discount rate of 30% to our RNAV (Exhibit 3) and a 3% premium to reflect its 4-star ESG rating (Exhibit 4).
- The FV implies a FY24F PE of 8x, at parity to the current average of smaller cap property stocks.
- Lagenda signed a shareholders' agreement with Sime Darby Property's wholly-owned Seed Homes to set up Seed Homes Lagenda, a 50:50 joint venture to develop affordable homes.
- Seed Homes Lagenda is set to embark on its first affordable township project in Gurun, Kedah via the acquisition of a 249-acre of land from Sime Darby Property for RM50mil.
- While maintaining FY23F earnings, we lower our FY24F core net profit (CNP) by 0.04% while raising FY25F CNP by 1.5% to factor in the finance cost and earnings contribution from this joint venture.
- The estimated gross development value (GDV) is expected to be RM750mil. The project will be developed over a span of 3-4 years.
- The township is anticipated to comprise 3,000 units of single-storey terrace house, with an average selling price of not more than RM250K/unit.
- Lagenda plans to launch the first phase of this Gurun project by end of FY24 or in early 2025.
- The land price of RM50mil translates to RM4.61 psf and implies a land cost-to-GDV ratio of 6.6%, which is lower than the industry's average land cost-to-GDV ratio of 15%-20%.
- The projected net development profit margin of 20% for the Gurun project mirrors that observed in Lagenda's existing matured projects in Setiawan and Teluk Intan.
- We hold a favorable view on this development, which leverages on its strategic location and the potential spillover effects of industrial growth in Gurun. Looking ahead, there is a prospect for increased collaboration between Lagenda and Sime Darby Property, potentially allowing Lagenda to capitalise on Sime Darby Property's extensive landbank in Malaysia for further development in its affordable housing segment.

- Additionally, Lagenda's ongoing township in Kedah, which includes 1,924 units, has experienced a remarkable response, attaining a take-up rate >99% for phase 1 and 2. We believe the collaboration comes at an opportune moment to address high demand for affordable housing in Kedah.
- 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 6.2x vs. the industry average of 11x while dividend yields are attractive at 5%.

EXHIBIT 1: LOCATION MAP OF THE SUBJECT LAND



No.	Location	Distance
1	Gurun Toll Plaza	800 m
2	Jerai Plaza (Aneka Hypermarket)	1 km
3	KTM Gurun	1.8 km
4	Kolej Matrikulasi Kejuruteraan Kedah	9 km
5	AIMST University	14 km
6	Universiti Teknologi MARA (UiTM), Merbok Campus	20 km
7	Amaniaya Mall / Pantai Hospital Sg. Petani	20 km
8	Sungai Petani town centre	24 km
9	Perwaja Steel (Industrial Area)	5km

Source: Lagenda

EXHIBIT 2: PROJECT TIMELINE

Existing Township	Launch Date
Bandar Baru Setia Awan Perdana (BBSAP)	2016
Lagenda Teluk Intan	2018
Lagenda Tropika (Tapah)	2022
DarulamanLagenda, Sg. Petani	2022
Mersing, Johor	2023

Upcoming Township	Estimated Launch Date
Penor, Pahang	2024
Bernam Jaya, Selangor	2024
Kulai, Johor	2024
Gurun, Kedah	2024

Source: AmlInvestment Bank Bhd

EXHIBIT 3: RNAV CALCULATIONS

Developments	Outstanding GDV	NPV @ 8%
	RM (mil)	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		578.7
Total		2,970.3
No of shares		1,137.9
RNAV/share (RM)		2.61
Less 30% discount		-0.78
Fair Value (RM)		1.83
(+) 3% premium for 4-star ESG rating		0.05
Fair Value/share (RM) + ESG Premium		1.88

Source: AmlInvestment Bank Bhd

EXHIBIT 4: 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 5: PB BAND CHART

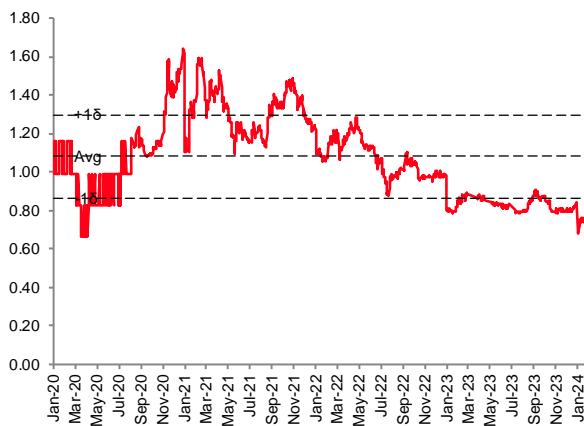


EXHIBIT 6: PE BAND CHART

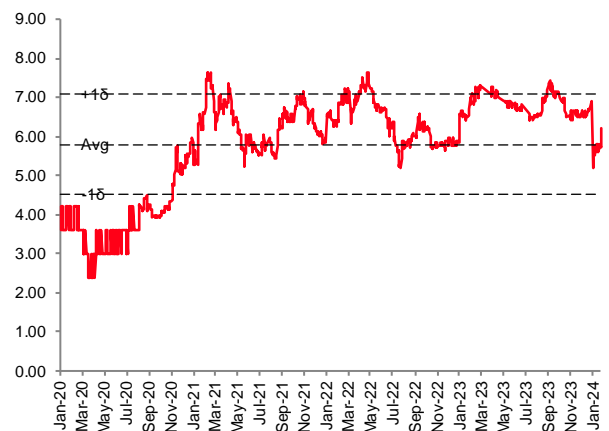


EXHIBIT 7: FINANCIAL DATA

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	25.3	32.5
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	281.3	343.8
Taxation	(77.4)	(73.1)	(60.5)	(81.4)	(99.4)
Minorities/pref dividends	-	-	-	-	-
Net profit	183.2	170.7	151.0	199.8	244.4
Core net profit	183.2	170.7	151.0	199.8	244.4
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	712.1	724.0
Total non-current assets	199.3	270.8	273.5	830.2	843.1
Cash & equivalent	191.5	383.6	484.4	460.3	464.3
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	568.9	771.5
Total current assets	1,243.0	1,524.6	1,758.5	1,920.2	2,319.1
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	1,529.3	1,875.0
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	281.3	343.8
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)	(183.6)
Cash flow from operations	35.0	116.0	198.9	123.4	111.5
Capital expenditure	-	-	-	-	-
Net investments & sale of fixed assets	4.7	7.8	-	(5.0)	-
Others	(44.8)	(45.8)	(55.2)	(447.0)	-
Cash flow from investing	(40.2)	(38.0)	(55.2)	(452.0)	-
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)	(72.7)	(88.9)
Others	97.6	18.6	-	-	-
Cash flow from financing	42.0	103.7	(66.7)	304.5	(107.5)
Net cash flow	36.8	181.7	77.0	(24.1)	4.0
Net cash/(debt) b/f	188.9	225.8	407.4	484.4	460.3
Net cash/(debt) c/f	225.8	407.4	484.4	460.3	464.3
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	26.3
Net profit margin (%)	21.9	19.7	17.8	17.6	18.7
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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