



AmInvestment Bank

LAGENDA PROPERTIES

(LAGENDA MK EQUITY, LAGE.KL)

28 May 2024

Ramp up of launches in FY24F

Company Report

BUY

(Maintained)

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Rationale for report: Company Results

Price RM1.72
Fair Value RM2.16
52-week High/Low RM1.77/RM1.15

Key Changes

Fair value ⇄
EPS ⇄

YE to Dec	FY23	FY24F	FY25F	FY26F
Revenue (RM mil)	843.3	1,137.2	1,307.8	1,504.0
Core net profit (RM mil)	148.0	196.2	238.2	279.3
FD Core EPS (sen)	17.7	23.4	28.4	33.4
FD Core EPS growth (%)	(13.3)	32.6	21.4	17.3
Consensus Net Profit (RM mil)	-	207.6	251.3	291.4
DPS (sen)	6.5	7.3	8.8	10.3
PE (x)	9.7	7.3	6.0	5.1
EV/EBITDA (x)	5.9	4.4	3.9	3.7
Div yield (%)	3.8	4.3	5.2	6.1
ROE (%)	13.9	16.6	17.8	18.4
Net Gearing (%)	nm	8.4	12.0	18.4

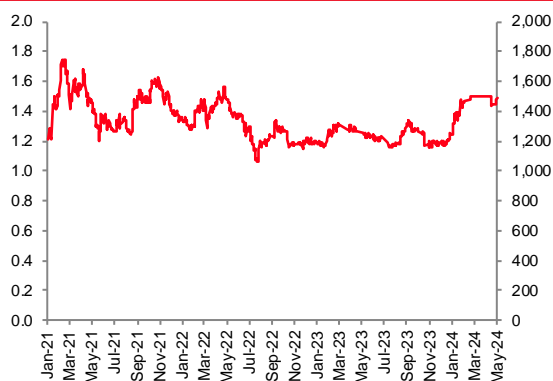
Stock and Financial Data

Shares Outstanding (million) 837.3
Market Cap (RMmil) 1,440.2
Book Value (RM/Share) 1.32
P/BV (x) 1.3
ROE (%) 13.9
Net Gearing (%) nm

Major Shareholders
Lagenda Land (51.6%)
OCBC Securities (9.6%)
UBS AG (4.2%)

Free Float 34.7
Avg Daily Value (RMmil) 1.4

Price performance	3mth	6mth	12mth
Absolute (%)	15.5	46.2	39.0
Relative (%)	11.2	30.7	20.4



Investment Highlights

- We maintain BUY on Lagenda Properties (Lagenda) with an unchanged fair value (FV) of RM2.16/share. Our FV is based on a 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 an FY25F PE of 8x, at parity to the current average of smaller cap property stocks.
- We make no changes to our earnings forecast as Lagenda's 1QFY24 core net profit (CNP) of RM43mil came in within expectations. It accounted for 22% of our full-year forecast and 21% of street's.
- YoY, Lagenda's 1QFY24 revenue and CNP both rose 25%. These were mainly due to higher revenue recognition from its newly-launched projects and improved construction progress.
- QoQ, Lagenda's 1QFY24 CNP grew 3% despite a 9% decline in revenue. The higher CNP margin was primarily attributed to the increase in revenue contribution from higher margin projects in Bandar Baru Setia Awan Perdana (BBSAP) and Kedah Darulaman Lagenda. The portion of revenue recognised from these higher margin projects expanded to 47% in 1QFY24 from 35% in 4QFY23.
- In 1QFY24, Lagenda's new sales dropped 14% YoY to RM223mil, attaining 19% of its FY24F sales target of RM1.2bil (Exhibit 2).
- We gather that 57% of its 1QFY24 sales came from its Perak projects, namely Lagenda Aman (19%) and Lagenda Tropika (16%) in Tapah, Lagenda Teluk Intan (14%) and BBSAP (8%). The remaining sales contributors were Lagenda Suria in Mersing (25%), Kedah Darulaman Lagenda (14%) and others (4%).
- The group has secured lower outstanding bookings of RM231mil (-14% QoQ) as at 31 March 2024 due to increased sales conversion and lower launches in 1QFY24. We believe that the bulk of its booking will be converted to sales because the major buyer group comprising public servants typically have a higher sales conversion ratio of 90%.
- Lagenda's 1QFY24 launches of RM127mil (-63% YoY) were only 7% of its FY24F targeted launch of RM1.9bil. However, Lagenda's full year targeted launches remain on track, having accelerated in April-May 2024. As at May 2024, Lagenda launched >3,000 units of affordable homes with a combined GDV of RM800mil, attaining 41% of its full year target. This includes the maiden launches of its Bernam Jaya township in Selangor and the ramp up of launches in Johor.

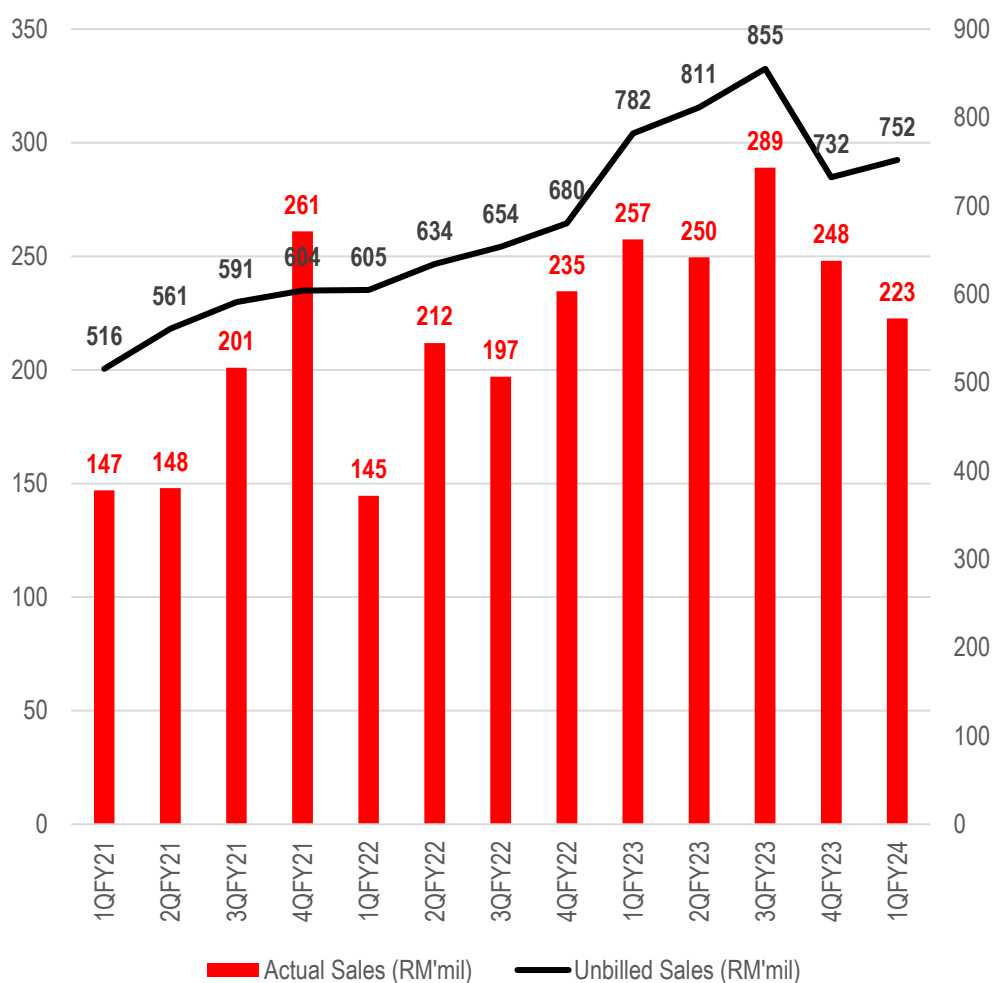
- With the more aggressive launches in FY24F (2.5x YoY), we believe Lagenda is set to achieve another record-breaking sales performance in FY24F, surpassing the RM1bil recorded in FY23.
- As at end-March 2024, unbilled sales improved 3% QoQ to RM752mil, representing a low cover ratio of 0.66x FY24F revenue (Exhibit 2). Despite the low cover ratio, we expect Lagenda's unbilled sales to be replenished by the ramping up of new launches this year.
- 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 FY25F PE of 6x vs. the industry average of 11x while dividend yields are attractive at 5%.

EXHIBIT 1: EARNINGS SUMMARY

YE to Dec (RM mil)	1QFY23	4QFY23	1QFY24	QoQ %	YoY %
Revenue	181.0	248.1	225.6	(9.1)	24.7
Operating costs	(123.1)	(186.5)	(161.7)	(13.3)	31.4
EBIT	57.9	61.6	63.9	3.8	10.4
Net interest	(4.8)	(2.3)	(4.8)	>100	0.3
PBT	53.1	59.2	59.1	(0.2)	11.4
Tax	(13.8)	(17.2)	(16.3)	(5.3)	18.0
MI	(0.0)	(0.4)	0.0	>100	>100
PATMI	39.3	41.6	42.9	2.9	9.1
Exceptional (gains)/losses	(4.9)	0.0	0.0	n/m	>100
Core PATMI	34.3	41.7	42.9	2.9	24.8
EPS (sen)	4.1	5.0	5.1	2.9	24.6
EBIT Margin (%)	32.0	24.8	28.3	3.5	(3.7)
Effective tax rate (%)	26.0	29.0	27.5	(1.5)	1.6
Core Net Profit Margin (%)	19.0	16.8	19.0	2.2	0.0

Source: AmlInvestment Bank Bhd

EXHIBIT 2: ACTUAL SALES AND UNBILLED SALES



Source: AmlInvestment Bank Bhd

EXHIBIT 3: 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
Bernam Jaya, Selangor	2024
Upcoming Township	Estimated Launch Date
Penor, Pahang	2024
Kulai, Johor	2024
Gurun, Kedah	2024
Kuala Muda, Kedah	2026

Source: AmlInvestment Bank Bhd

EXHIBIT 4: RNAV CALCULATIONS

Developments	Outstanding GDV	NPV @ 8%
	RM (mil)	RM mil
BBSAP	1,165.0	269.7
Lagenda Teluk Intan	1,820.0	429.6
Lagenda Tapah -100% owned	2,028.0	486.6
Lagenda Sungai Petani (Kedah)	103.0	12.2
Lagenda Kuantan Township (Pahang)	1,140.0	269.1
Lagenda Mersing Township	1,084.0	168.1
Lagenda Bernam Jaya Township	573.0	80.8
Lagenda Kulai Township	4,000.0	393.7
Lagenda Kota Tinggi Township	540.0	75.9
Gurun(Seed Homes Lagenda, Kedah)	400.0	42.2
Others	223.0	50.9
Total NPV		2,570.3
Net Cash / (Debt)		(105.5)
Other Assets		968.6
Total		3,433.5
No of shares		1,137.9
RNAV/share (RM)		3.02
Less 30% discount		-0.91
Fair Value (RM)		2.11
(+) 3% premium for 4-star ESG rating		0.05
Fair Value/share (RM) + ESG Premium		2.16

Source: AmlInvestment Bank Bhd

EXHIBIT 5: ESG MATRIX

	Environmental assessment	Parameters	Weightage	Rating					Rationale
1	Scope 1 GHG Emissions	tCo2e reduction	20%	*	*				47% YoY increase in FY23
2	Scope 2 GHG Emissions	tCo2e reduction	20%	*	*				46% YoY increase in FY23
3	Scope 3 GHG Emissions	tCo2e reduction	20%	*	*				Began recording Scope 3 GHG emissions
4	GHG Emissions Avoidance	Renewable Energy	15%	*	*	*	*		Expediting first phase of solar energy project that will generate approximately 70kWp renewable energy that can reduce 10% of overall electricity consumption
5	GHG Emissions Sequestration from Trees Planted	Number of Trees Planted	5%	*	*	*			14% YoY increased in FY23 (27,337 trees planted)
6	Water usage	Water consumption/Adoption	10%	*	*	*	*		(1) 6% reduction of water consumption (2) 4,075 units of rainwater harvesting tanks installed
7	Minimise waste generation	kg	10%	*	*	*	*		>3,000kg of waste recycled
Weighted score for environmental assessment			100%	*	*	*			
Social assessment									
1	Health, safety & well-being	Recorded injuries	20%	*	*	*	*	*	0 work injuries
2	Women in workforce	% of total workforce	20%	*	*	*	*		51%
3	Investment in employee training	Average learning hours per employee:	20%	*	*	*	*		Increased to 14.10 hours in FY23 from 6.27 hours in FY22
4	Racial diversity	% of work force	20%	*	*	*			66% Malay, 27% Chinese, 6% Indians, 1% others
5	Procurement sourcing from local vendors	% of total procurement	20%	*	*	*	*		100% local procurement
Weighted score for social assessment			100%	*	*	*	*		
Governance assessment									
1	Board age diversity	% under 60 years old	20%	*	*	*	*		50%
2	Board women representation	% of total board directors	20%	*	*	*			67% male, 33% female
3	Directors with tenure below 6 years	% below 6 years category	20%	*	*	*	*	*	83%
4	Independent board directors	% of total board directors	20%	*	*	*	*	*	83% - independent non-exec
5	Remuneration to directors	% of total staff costs	20%	*	*	*	*	*	RM4.17mil - 3% of 2023 staff costs
Weighted score for governance assessment			100%	*	*	*	*		
Environmental score			40%	*	*	*			
Social score			30%	*	*	*			
Governance score			30%	*	*	*	*		
Overall ESG Score			100%	*	*	*	*		

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 Bhd

EXHIBIT 6: PB BAND CHART



EXHIBIT 7: PE BAND CHART



EXHIBIT 8: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY22	FY23	FY24F	FY25F	FY26F
Revenue	868.1	843.3	1,137.2	1,307.8	1,504.0
EBITDA	269.5	238.3	347.7	415.2	468.0
Depreciation/Amortisation	(3.4)	(5.0)	(4.0)	(4.5)	(5.0)
Operating income (EBIT)	266.1	233.3	343.7	410.7	463.0
Other income & associates	26.5	20.2	18.6	25.0	41.3
Net interest	(15.3)	(18.3)	(67.5)	(80.6)	(86.0)
Exceptional items	(7.0)	(4.9)	-	-	-
Pretax profit	250.8	217.3	276.1	335.1	397.1
Taxation	(73.1)	(64.4)	(79.9)	(96.9)	(117.7)
Minorities/pref dividends	-	-	-	-	-
Net profit	170.7	148.0	196.2	238.2	279.3
Core net profit	170.7	148.0	196.2	238.2	279.3
Balance Sheet (RMmil, YE 31 Dec)	FY22	FY23	FY24F	FY25F	FY26F
Fixed assets	17.2	46.9	68.4	218.3	362.8
Intangible assets	25.6	25.6	25.6	25.6	25.6
Other long-term assets	203.8	547.7	712.1	737.7	779.0
Total non-current assets	270.8	687.2	873.1	1,048.7	1,234.4
Cash & equivalent	383.6	226.7	398.2	346.8	314.4
Stock	472.0	705.9	572.0	657.8	756.4
Trade debtors	245.4	207.0	274.8	316.0	363.4
Other current assets	404.6	420.6	355.2	380.3	393.2
Total current assets	1,505.7	1,560.2	1,600.2	1,700.8	1,827.4
Trade creditors	178.8	553.1	285.8	357.3	384.1
Short-term borrowings	190.7	172.4	167.4	162.4	178.6
Other current liabilities	196.7	271.1	276.5	282.0	282.0
Total current liabilities	566.2	996.5	729.7	801.7	844.7
Long-term borrowings	188.6	130.0	470.6	510.3	586.9
Other long-term liabilities	5.6	14.2	14.3	14.5	14.5
Total long-term liabilities	194.2	144.2	485.0	524.8	601.3
Shareholders' funds	1,016.1	1,106.9	1,258.8	1,423.2	1,616.0
Minority interests	-	(0.2)	(0.2)	(0.2)	(0.2)
BV/share (RM)	1.21	1.32	1.50	1.70	1.93
Cash Flow (RMmil, YE 31 Dec)	FY22	FY23	FY24F	FY25F	FY26F
Pretax profit	250.8	217.3	276.1	335.1	397.1
Depreciation/Amortisation	3.4	5.0	4.0	4.5	5.0
Net change in working capital	(40.4)	(41.7)	232.4	(4.2)	(64.4)
Others	(96.0)	(68.0)	(147.4)	(177.4)	(203.7)
Cash flow from operations	117.8	112.6	365.1	158.0	133.9
Capital expenditure	-	-	-	-	-
Net investments & sale of fixed assets	(14.9)	-	(5.0)	-	-
Others	(27.6)	(79.4)	(447.0)	(149.0)	(149.0)
Cash flow from investing	(42.5)	(79.4)	(452.0)	(149.0)	(149.0)
Debt raised/(repaid)	182.9	(80.4)	306.8	26.2	84.2
Equity raised/(repaid)	18.6	-	-	-	-
Dividends paid	(62.3)	(63.9)	(71.4)	(86.7)	(101.6)
Others	18.6	-	-	-	-
Cash flow from financing	108.5	(193.2)	235.4	(60.5)	(17.4)
Net cash flow	183.9	(160.0)	148.5	(51.5)	(32.4)
Net cash/(debt) b/f	225.8	409.6	249.7	398.2	346.8
Net cash/(debt) c/f	409.6	249.7	398.2	346.8	314.4
Key Ratios (YE 31 Dec)	FY22	FY23	FY24F	FY25F	FY26F
Revenue growth (%)	3.9	(2.9)	34.9	15.0	15.0
EBITDA growth (%)	(8.2)	(11.6)	45.9	19.4	12.7
Pretax margin (%)	28.9	25.8	24.3	25.6	26.4
Net profit margin (%)	19.7	17.5	17.2	18.2	18.6
Interest cover (x)	17.4	12.8	5.1	5.1	5.4
Effective tax rate (%)	29.1	29.6	28.9	28.9	29.6
Dividend payout (%)	31.9	36.8	31.0	31.0	31.0
Debtors turnover (days)	109	98	77	82	82
Stock turnover (days)	196	255	205	172	172
Creditors turnover (days)	76	158	135	90	90

Source: Company, AmlInvestment Bank Bhd estimates

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