

Team Coverage

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Recommendation:	BUY
Current Price:	RM 1.28
Previous Target Price:	RM 1.12
Target Price:	RM 1.71
Upside/Downside:	33.6%

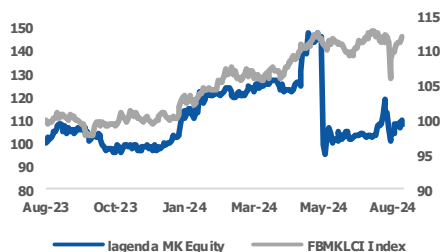
Stock information

Board	MAIN
Sector	Property
Bursa / Bloomberg Code	7179 / LAGENDA MK
Syariah Compliant	Yes
FTSE4Good Index	Yes
FTSE ESG Rating	☆☆☆
Bloomberg ESG Rating	N/A
Shares issued (m)	837.3
Market Cap (RM' m)	1,071.8
52-Week Price Range (RM)	0.85-1.77
Beta (x)	0.9
Free float (%)	43.1
3M Average Volume (m)	9.3
3M Average Value (RM' m)	10.4

Top 3 Shareholders

	(%)
Lagenda Land Sdn Bhd	53.2
Ocbc Securities Pvt Ltd	9.6
Ubs Ag Singapore	4.2

Share Price Performance



	1M	3M	12M
Absolute (%)	4.9	-25.1	1.6
Relative (%)	4.1	-26.1	-10.9

LAGENDA Properties Berhad

Earnings Growth Anchored by New Launches

Summary

- LAGENDA's 2QFY24 core net profit rose +45.8% yoy and +13.3% qoq to RM48.4m, bringing 1HFY24 core net profit to RM91.1m, which deemed in-line at 44.6% ours and 45.0% consensus expectations.**
- Kept our earnings forecast unchanged and introduced FY26F core net profit at RM277.4m (+13.4% yoy) as billings pick up from launches in Perak, Pahang, Johor and Selangor.**
- Upgrade our recommendation to BUY with higher TP of RM1.71, based on revised 30% discount to RNAV to reflect the brighter sentiment in property industry landscape alongside with LAGENDA's decent growth prospects.**

Results Review

- Results review.** 2QFY24 core net profit rose +45.8% yoy and +13.3% qoq to RM48.4m, driven by stronger billings in construction activities in several newly launched property development projects. Revenue for the quarter added +25.2% yoy and +9.0% yoy to RM245.8m.
- Results deemed in line.** Core net profit in 1HFY24 at RM91.1m (+25.6% yoy) was at 44.6% of our core net profit forecast at RM204.4m and was at 45.0% of consensus forecasted net profit of RM202.3m. We reckon subsequent quarters earnings will see further improvement as construction billings gather pace in several newly launched projects.
- Operations Highlights.** In 2QFY24, LAGENDA raked in single-quarter record high new sales of RM297.1m, representing an uptick against RM222.6m in the previous corresponding quarter. This is supported by the launch of four projects totaling c.2,600 units with collective GDV of RM829.0m (1QFY24 on new launch with GDV only at c.RM127.0m). Unbilled sales stood at RM743.5m (from RM751.9m in 1QFY24) alongside with bookings of RM542.7m will sustain revenue visibility for the next 12-18 months.
- Industry Highlights.** Residential property market remains stable with loan applications continues to improve, while overhang units are gradually clearing up. Additionally, salary hike for civil servants effective 1 December 2024 is expected to boost demand for affordable housing projects, which plays well into LAGENDA's forte in affordable housing market with average selling price of cRM250,000/unit of single store terrace house.
- Outlook.** Going into 2HFY24, the Group aims to launch c.4,800 units of affordable homes with an estimated GDV of RM1.17bn. LAGENDA will be equipped with balance landbank of c.5,200-ac spread across Peninsular Malaysia with a potential combined GDV of RM14.49bn which will sustain developments over the next 8-10 years.

- Valuation.** With the reported earnings coming within expectations, we kept our earnings forecast unchanged and we introduced FY26F core net profit at RM277.4m




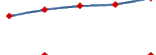





(+13.4% yoy) as billings pick up from launches in Perak, Pahang, Johor and Selangor. Consequently, we upgrade our recommendation on LAGENDA to **BUY** with a higher target price of RM1.71, based on 30% discount rate to RNAV. The revision of discount rate is to reflect the brighter sentiment in property industry landscape alongside with LAGENDA's decent growth prospects.

- **Risk.** Inability to replenish landbank, rising construction costs beyond expectations, and changes in housing as well as property regulations.

Tuesday, August 20, 2024

Company Results

Figure 1: Results Comparison

FYE Dec (RM m)	2QFY24	2QFY23	YoY (%)	1QFY24	QoQ (%)	1HFY23	1HFY24	YoY (%)	5 Quarters Trend	Comments
Revenue	245.8	196.4	25.2	225.6	9.0	377.3	471.4	24.9		Higher contribution from several newly launched projects
EBITDA	72.3	52.2	38.6	63.7	13.5	109.3	135.9	24.4		
Pre-tax profit	65.8	47.1	39.6	59.1	11.3	100.2	124.9	24.6		
Net profit	48.4	33.0	46.5	42.9	12.9	72.3	91.2	26.1		
Core net profit	48.4	33.2	45.8	42.7	13.3	72.5	91.1	25.6		Stronger work progress billings
Core EPS (sen)	5.8	4.0	45.8	5.1	13.3	8.7	10.9	25.6		
EBITDA margin (%)	29.4	26.6		28.2		29.0	28.8			
PBT margin (%)	26.8	24.0		26.2		26.6	26.5			
Core PATMI margin (%)	19.7	16.9		18.9		19.2	19.3			

Source: Company, Apex Securities

Financial Highlights

Income Statement

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Revenue	866.9	834.9	1089.9	1304.6	1479.3
Gross Profit	319.8	302.3	394.6	472.4	535.7
EBITDA	236.1	191.2	327.0	391.4	443.8
Depreciation & Amortisation	-3.4	-5.0	-6.4	-8.3	-10.5
EBIT	232.7	186.2	320.6	383.0	433.3
Net Finance Income/ (Cost)	18.8	24.0	21.3	21.9	24.5
Associates & JV	0.0	2.3	2.3	2.3	2.3
Pre-tax Profit	251.5	212.6	272.5	326.1	369.8
Tax	-73.3	-64.4	-68.1	-81.5	-92.5
Profit After Tax	178.2	148.1	204.4	244.6	277.4
Minority Interest	0.0	0.2	0.0	0.0	0.0
Net Profit	178.3	148.3	204.4	244.6	277.4
Exceptionals	0.0	0.0	0.0	0.0	0.0
Core Net Profit	178.3	148.3	204.4	244.6	277.4

Key Ratios

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
EBITDA margin	27.2%	22.9%	30.0%	30.0%	30.0%
EBIT margin	26.8%	22.3%	29.4%	29.4%	29.3%
PBT margin	29.0%	25.5%	25.0%	25.0%	25.0%
PAT margin	20.6%	17.7%	18.8%	18.8%	18.8%
NP margin	20.6%	17.8%	18.8%	18.8%	18.8%
Core NP margin	20.6%	17.8%	18.8%	18.8%	18.8%
ROE	17.5%	13.5%	16.3%	17.0%	16.7%
ROA	10.0%	6.6%	9.2%	9.9%	10.4%
Net gearing	Net Cash	Net Cash	3.4%	Net Cash	Net Cash

Valuations	FY25F
RNAV (RM'm) / share	2.44
Discount Rate	30%
Fair Value (RM)	1.71

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Cash	441.8	321.5	265.4	384.8	529.5
Receivables	245.4	193.0	209.0	214.5	243.2
Inventories	472.0	700.9	708.6	754.7	715.4
Other current assets	346.4	340.9	327.0	391.4	443.8
Total Current Assets	1505.7	1556.3	1510.0	1745.4	1931.9
Fixed Assets	17.2	41.9	57.4	75.1	94.2
Intangibles	51.2	51.2	51.2	51.2	51.2
Other non-current assets	228.0	619.7	619.7	619.7	619.7
Total Non-current assets	270.8	687.2	702.6	720.4	739.5
Short-term Debt	193.1	193.2	202.8	213.0	223.6
Payables	178.8	557.5	591.2	616.5	603.8
Other Current Liabilities	193.1	259.6	7.0	8.3	9.4
Total Current Liabilities	566.2	1016.2	808.0	846.1	846.3
Long-term Debt	193.1	116.4	104.8	94.3	84.9
Other non-current liabilities	1.1	9.1	48.3	83.5	83.9
Total Non-current Liabilities	194.2	125.6	153.1	177.9	168.8
Shareholder's equity	1366.0	1537.2	1837.0	2217.4	2646.5
Minority interest	0.0	-0.2	-0.2	-0.2	-0.2
Total Equity	1016.2	1101.6	1251.6	1441.8	1656.3

Cash Flow

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Pre-tax profit	251.5	212.6	272.5	326.1	369.8
Depreciation & amortisation	3.4	5.0	6.4	8.3	10.5
Changes in working capital	-40.4	-60.5	-8.6	83.0	20.0
Others	-31.2	-39.0	12.9	104.5	41.5
Operating cash flow	117.8	94.3	204.7	348.1	326.7
Net capex	9.6	29.7	21.8	26.1	29.6
Others	-52.1	-100.5	-150.0	-200.0	-150.0
Investing cash flow	-42.5	-70.8	-128.2	-173.9	-120.4
Dividends paid	-62.3	-62.3	-54.4	-54.4	-62.8
Others	108.5	-187.9	-56.4	-54.8	-61.6
Financing cash flow	108.5	-187.9	-56.4	-54.8	-61.6
Net cash flow	183.9	-164.3	20.1	119.4	144.7
Forex	0.0	0.0	0.0	0.0	0.0
Others	32.2	76.2	0.0	0.0	0.0
Beginning cash	225.8	409.6	245.3	265.4	384.8
Ending cash	409.6	245.3	265.4	384.8	529.5

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD

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RESEARCH RECOMMENDATION FRAMEWORK

STOCK RECOMMENDATIONS

BUY: Total returns* are expected to exceed 10% within the next 12 months.

HOLD: Total returns* are expected to be within +10% to – 10% within the next 12 months.

SELL: Total returns* are expected to be below -10% within the next 12 months.

TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.

TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.

*Capital gain + dividend yield

SECTOR RECOMMENDATIONS

OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.

NEUTRAL: The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.

UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

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