

# Lagenda Properties (LAGENDA MK)

Achieved highest quarterly sales

MALAYSIA | PROPERTY | RESULT

- 6M24 core profit of RM91m met ours and consensus expectations
- Achieved the highest RM297m quarterly sales in 2Q24– on track to meet its RM1.2bn internal sales target for 2024
- Maintain BUY rating with unchanged RNAV-derived target price at RM2.00

## Result within our expectations

Lagenda's 6M24 core net profit came in at RM91m (+35% YoY), driven by higher revenue of RM471m (+25% YoY) on the back of better progress across existing projects, including Darulaman Lagenda, Lagenda Teluk Intan, and Lagenda Suria. The EBITDA margin improved marginally to 28.8% (+0.7ppts YoY), underpinned by stronger operating leverage from better project progress. Lagenda's confirmed sales for 6M24 amounted to RM520m (+3% YoY), on track to meet its internal property sales target of RM1.2bn. Overall, the 2Q24 result were in line with ours and consensus forecasts, representing 46% and 45% of the respective full-year estimates. An interim 3sen DPS was announced in 2Q24, consistent with last year and on track to meet our full-year assumption of 7.1sen.

## Sequential stronger revenue and better margins drove earnings

2Q24 revenue rose 9% QoQ to RM246m, driven by better projects progress including Darulaman Lagenda and Lagenda Suria. The EBITDA margin improved by 1.1ppts to 29.3% due to better project billings, resulting in a higher core net profit of RM48m (+13% QoQ). We anticipate stronger sequential earnings growth, backed by higher RM743m in unbilled sales (+17% QoQ) and record-high planned launches of RM2bn in 2024. The group achieved its highest quarterly sales of RM297m (+19% YoY) in 2Q24. We expect continued robust sales momentum, driven by record-high new launches totalling RM2bn across Johor (52%), Perak (20%), Selangor (19%), and Pahang (8%).

## Maintain BUY

We reiterate our BUY rating and unchanged RNAV-derived target price at RM2.00, based on a 20% RNAV discount given the strong demand for its multi-state expansion, particularly at Johor and Kedah. We like Lagenda for its niche focus on affordable housing and an attractive dividend yield of 6-9%. Key risks to our BUY call include higher building material prices and lower-than-expected property sales.

### Key Financials

Y/E Dec	2022	2023	2024E	2025E	2026E
Revenue (RMm)	866.9	834.9	1,071.1	1,333.9	1,624.8
EBITDA (RMm)	264.2	227.9	307.1	388.2	475.5
Pretax profit (RMm)	251.5	212.6	280.6	351.4	438.5
Net profit (RMm)	178.3	148.3	199.5	249.8	311.7
EPS (sen)	21.3	17.7	23.8	29.8	37.2
PER (x)	6.0	7.2	5.4	4.3	3.4
Core net profit (RMm)	175.8	148.4	199.5	249.8	311.7
Core EPS (sen)	21.0	17.7	23.8	29.8	37.2
Core EPS growth (%)	(12.9)	(15.6)	34.4	25.2	24.8
Core PER (x)	6.1	7.2	5.4	4.3	3.4
Net DPS (sen)	6.5	6.5	7.1	9.0	11.2
Dividend Yield (%)	5.1	5.1	5.6	7.0	8.7
EV/EBITDA (x)	4.0	4.6	4.8	3.7	2.9
Chg in EPS (%)	-	-	-	-	-
Phillip/Consensus (%)	-	-	1.0	1.0	1.0

Sources: Company, Bloomberg, Phillip Research forecasts

20 August 2024

## BUY (maintain)

LAST CLOSE PRICE	RM1.28
TARGET PRICE	RM2.00
TOTAL RETURN	56.3%

### COMPANY DATA

BLOOMBERG TICKER	LAGENDA MK EQUITY
O/S SHARES (MN) :	837
MARKET CAP (USD mn / RM mn) :	245 / 1072
52 - WK HI/LO (RM) :	1.77 / 0.85
3M Average Daily T/O (mn) :	9.29
NET CASH/(DEBT) (RMm)	(495.70)

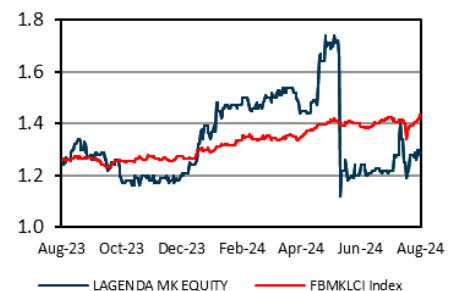
### MAJOR SHAREHOLDERS (%)

LAGENDA LAND SDN BHD	51.6%
ETIQA LIFE INSU	1.5%
DOH PROPERTIES H SDN	1.1%

### PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	6.6	(23.5)	7.3
FBMKLCI RETURN	(0.1)	1.1	14.1

### PRICE VS. FBMKLCI



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**Results at a glance**

Y/E Dec (RMm)	2Q23	1Q24	2Q24	QoQ % chg	YoY % chg	6M23	6M24	YoY % chg	6M24 Comments
Revenue	196.4	225.6	245.8	9.0	25.2	377.3	471.4	24.9	Higher revenue YoY attributable to strong sales momentum and better construction progress
Op costs	(144.2)	(161.9)	(173.7)	7.3	20.4	(271.2)	(335.6)	23.8	
<b>EBITDA</b>	<b>52.1</b>	<b>63.7</b>	<b>72.1</b>	<b>13.3</b>	<b>38.3</b>	<b>106.2</b>	<b>135.8</b>	<b>27.9</b>	
<i>EBITDA margin (%)</i>	<i>26.6</i>	<i>28.2</i>	<i>29.3</i>	<i>1.1 ppt</i>	<i>2.8 ppt</i>	<i>28.1</i>	<i>28.8</i>	<i>0.7 ppt</i>	Higher EBITDA margin YoY due to better construction progress across projects
Depreciation	(1.2)	(1.6)	(1.3)	(18.7)	4.4	(3.1)	(2.9)	(8.1)	
<b>EBIT</b>	<b>50.9</b>	<b>62.1</b>	<b>70.8</b>	<b>14.1</b>	<b>39.2</b>	<b>103.0</b>	<b>132.9</b>	<b>29.0</b>	
<i>EBIT margin (%)</i>	<i>25.9</i>	<i>27.5</i>	<i>28.8</i>	<i>1.3 ppt</i>	<i>2.9 ppt</i>	<i>27.3</i>	<i>28.2</i>	<i>0.9 ppt</i>	
Int expense	(5.4)	(4.8)	(6.5)	35.6	21.1	(10.2)	(11.3)	11.3	Higher financing cost QoQ/YoY attributable to recent land acquisitions
Int and other inc	1.3	1.5	1.2	(22.8)	(9.2)	1.9	2.7	38.5	
Associates	0.3	0.3	0.2	(48.3)	(46.4)	0.5	0.5	9.8	
El	0.0	0.0	0.1	n.m	n.m	5.0	0.1	n.m	RM0.1m gain on disposal
<b>Pretax profit</b>	<b>47.1</b>	<b>59.1</b>	<b>65.8</b>	<b>11.3</b>	<b>39.6</b>	<b>100.2</b>	<b>124.9</b>	<b>24.6</b>	
<b>Core Pretax</b>	<b>47.1</b>	<b>59.1</b>	<b>65.7</b>	<b>11.1</b>	<b>39.3</b>	<b>95.3</b>	<b>124.8</b>	<b>31.0</b>	
Tax	(14.1)	(16.3)	(17.4)	7.1	23.4	(27.9)	(33.7)	20.8	
<i>Tax rate (%)</i>	<i>29.9</i>	<i>27.5</i>	<i>26.5</i>	<i>(1.1 ppt)</i>	<i>(3.5 ppt)</i>	<i>27.8</i>	<i>27.0</i>	<i>(0.9 ppt)</i>	Higher-than-expected effective tax rate due to certain expenses being not tax deductible
MI	0.2	(0.1)	(0.0)	n.m	n.m	0.2	(0.1)	n.m	
<b>Net profit</b>	<b>33.2</b>	<b>42.7</b>	<b>48.4</b>	<b>13.3</b>	<b>45.8</b>	<b>72.5</b>	<b>91.1</b>	<b>25.6</b>	
EPS (sen)	4.0	5.1	5.8	13.3	46.0	8.1	10.9	34.3	
<b>Core net profit</b>	<b>33.2</b>	<b>42.7</b>	<b>48.4</b>	<b>13.3</b>	<b>45.8</b>	<b>67.6</b>	<b>91.0</b>	<b>34.6</b>	Within expectations

Sources: Company, Phillip Research

**Table 1: Revalued net asset value (RNAV) valuation**

Segments	RNAV Value (RMm)
Property developments @DCF (WACC 6.5%)	2,658
Investment properties and other assets	150
Net cash/(debt)	(381)
<b>RNAV</b>	<b>2,427</b>
Fully-diluted no. of shares (m)	972
<b>Fully-diluted RNAV/share (RM)</b>	<b>2.50</b>
<b>Target price at 20% discount to RNAV</b>	<b>2.00</b>

Source: Company, Phillip Research forecasts

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