

# Lagenda (LAGENDA MK)

Setting the tone for 2024

MALAYSIA | PROPERTY | RESULT

- 1Q24 core profit of RM43m was within ours and consensus expectations
- Strong earnings momentum to sustain backed by its RM634m unbilled sales and record-high planned launches of RM1.9bn in 2024
- Maintain BUY rating but lift our 12-months RNAV-derived target price to RM2.00 (from RM1.65)

## Result within our expectations

Lagenda's 1Q24 core net profit came in at RM43m (+24% YoY) driven by higher revenue of RM226m (+25% YoY) on the back of its strong property sales momentum and quicker construction projects progress billings on Lagenda Teluk Intan, Lagenda Tropika, and Darulaman Lagenda. EBITDA margin, was lower at 28% (-1ppts YoY) affected by higher marketing expenses from recent new launches. Overall, 1Q24 result was in line with ours and consensus forecasts, representing 21% and 20% of both respective full-year estimates.

## Sequential weaker revenue lifted by margin expansion

1Q24 revenue declined 9% QoQ to RM226m as projects including Lagenda Tropika, Lagenda Teluk Intan Phase 2, and BBSAP Phase 4A reached its tail-end. Despite the weaker revenue, EBITDA margin rose 4ppts to 28% due to favourable revenue mix from the larger scale property developments, resulting in higher core net profit at RM43m (+2% QoQ). We anticipate earnings to be sequentially stronger backed by its RM634m unbilled sales and record-high planned launches of RM1.9bn in 2024.

## Maintain BUY with higher TP of RM2.00

Despite 1Q24 results being in line, we trim our 2024–25E earnings by 1–2% after factoring in higher finance costs following the recent announced Kedah land acquisition with an estimated RM2bn gross development value (GDV). We raised our RNAV-derived target price to RM2.00 (from RM1.65) after rolling forward our valuation horizon to 2025E and reducing our RNAV discount to 20% (from 25%). The narrowing of discount reflects the stronger anticipated sales momentum driven by on-going multi state expansion into Johor, Kedah and Selangor. 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	843.3	1,071.1	1,333.9	1,624.8
EBITDA (RMm)	264.2	230.3	307.1	388.2	475.5
Pretax profit (RMm)	251.5	217.3	280.6	351.4	438.5
Net profit (RMm)	178.3	153.1	199.5	249.8	311.7
EPS (sen)	21.3	18.3	23.8	29.8	37.2
PER (x)	6.8	7.9	7.2	5.8	4.6
Core net profit (RMm)	175.8	148.2	199.5	249.8	311.7
Core EPS (sen)	21.0	17.7	23.8	29.8	37.2
Core EPS growth (%)	(12.9)	(15.7)	34.4	25.2	24.8
Core PER (x)	6.9	8.2	7.2	5.8	4.6
Net DPS (sen)	6.5	6.5	7.1	9.0	11.2
Dividend Yield (%)	4.5	4.5	4.2	5.2	6.5
EV/EBITDA (x)	4.6	5.2	6.0	4.7	3.7
Chg in EPS (%)			-1.2	-1.7	-0.9
Phillip/Consensus (%)			0.9	1.0	1.1

Sources: Company, Bloomberg, Phillip Research forecasts

28 May 2024

## BUY (maintain)

LAST CLOSE PRICE	RM1.72
TARGET PRICE	RM2.00
TOTAL RETURN	16.3%
(PREVIOUS TP)	RM1.65)

### COMPANY DATA

BLOOMBERG TICKER	LAGENDA MK EQUITY
O/S SHARES (MN):	837
MARKET CAP (USD mn / RM mn):	307 / 1440
52 - WK HI/LO (RM):	1.77 / 1.15
3M Average Daily T/O (mn):	0.93
NET CASH/(DEBT) (RMm)	(434.80)

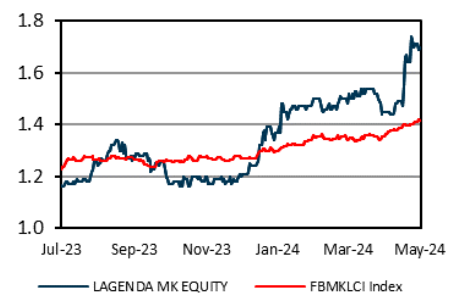
### MAJOR SHAREHOLDERS (%)

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

### PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	17.9	16.7	41.2
FBMKLCI RETURN	3.1	6.5	13.5

### PRICE VS. FBMKLCI



Source: Bloomberg

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**Results at a glance**

Y/E Dec (RMm)	1Q23	4Q23	1Q24	QoQ % chg	YoY % chg	Comment
Revenue	181.0	248.1	225.6	(9.1)	24.7	Higher revenue YoY attributable to strong sales momentum and better construction progress
Op costs	(127.7)	(187.9)	(161.9)	(13.8)	26.8	
<b>EBITDA</b>	<b>53.2</b>	<b>60.1</b>	<b>63.7</b>	<b>5.9</b>	<b>19.7</b>	
<i>EBITDA margin (%)</i>	<i>29.4</i>	<i>24.2</i>	<i>28.2</i>	<i>4.0 ppt</i>	<i>(1.2 ppt)</i>	Lower EBITDA margin YoY due to higher marketing expenses from new launches
Depreciation	(1.1)	(1.3)	(1.6)	25.0	48.0	
<b>EBIT</b>	<b>52.1</b>	<b>58.9</b>	<b>62.1</b>	<b>5.5</b>	<b>19.1</b>	
<i>EBIT margin (%)</i>	<i>28.8</i>	<i>23.7</i>	<i>27.5</i>	<i>3.8 ppt</i>	<i>(1.3 ppt)</i>	
Int expense	(4.8)	(2.3)	(4.8)	105.1	0.3	
Int and other inc	0.7	1.0	1.5	59.3	132.8	
Associates	0.1	1.8	0.3	(81.0)	n.m	
El	5.0	0.0	0.0	n.m	n.m	
<b>Pretax profit</b>	<b>53.1</b>	<b>59.2</b>	<b>59.1</b>	<b>(0.2)</b>	<b>11.4</b>	
Tax	(13.8)	(17.2)	(16.3)	(5.3)	18.0	
<i>Tax rate (%)</i>	<i>26.0</i>	<i>29.0</i>	<i>27.5</i>	<i>(1.5 ppt)</i>	<i>1.6 ppt</i>	Higher-than-expected effective tax rate due to certain expenses being not tax deductible
MI	0.0	(0.2)	(0.1)	n.m	n.m	
<b>Net profit</b>	<b>39.3</b>	<b>41.9</b>	<b>42.7</b>	<b>2.1</b>	<b>8.6</b>	
EPS (sen)	4.7	5.0	5.1	2.0	8.5	
<b>Core net profit</b>	<b>34.4</b>	<b>41.9</b>	<b>42.7</b>	<b>2.1</b>	<b>24.2</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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