

UOBKH HIGHLIGHTS

Lagenda Properties (LAGENDA MK/BUY/RM1.28/Target: RM2.32)

2Q24: Within Expectation; Achieves The Highest Quarterly Sales Number of Around RM300m

2Q24 RESULTS

SUMMARY EARNINGS FORECAST

Year to 31 Dec	2Q24 (RMm)	1Q24 (RMm)	2Q23 (RMm)	qoq % chg	yoy % chg	1H24 (RMm)	yoy % chg	Year to 31 Dec (RMm)	2023	2024F	2025F	2026F
Revenue	245.8	225.6	196.4	9.0	25.2	471.4	24.9	Net Turnover	843	1,015	1,307	1,726
COGS	(151.9)	(142.3)	(126.9)	6.8	19.7	(294.2)	21.9	EBIT	233	318	395	504
Gross Profit	93.9	83.3	69.4	12.7	35.2	177.2	30.4	Net Profit (Reported/Actual)	153	204	251	321
EBIT	72.1	63.6	52.2	13.4	38.2	135.7	23.5	Net Profit (Adjusted)	153	204	251	321
PBT	65.8	59.1	47.1	11.3	39.6	124.9	24.6	EPS (sen)	13.5	18.0	22.1	28.3
PATAMI	48.4	42.9	33.0	12.9	46.5	91.2	26.1	PE (x)	8.8	6.6	5.3	4.2
Core PATAMI	48.4	42.9	33.0	12.9	46.5	91.2	26.1	P/B (x)	1.2	1.1	0.9	0.8
								EV/EBITDA (x)	4.0	3.9	3.3	2.7
Margins (%)	%	%	%	+/- ppt	+/- ppt	%	+/- ppt	Dividend Yield (%)	5.5	5.6	6.0	7.0
GP	38.2	36.9	35.4	1.3	2.8	37.6	1.6	Net Margin (%)	18.2	20.1	19.2	18.6
EBIT	29.3	28.2	26.6	1.2	2.8	28.8	(0.3)	Net Gearing (%)	Net Cash	23.1	24.9	26.4
PBT	26.8	26.2	24.0	0.6	2.8	26.5	(0.1)	Interest Cover (x)	12.8	11.2	10.5	10.6
Core PATAMI	19.7	19.0	16.8	0.7	2.9	19.4	0.2	ROE (%)	13.8	16.3	17.4	18.9
								Consensus Net Profit		202	248	297
								UOBKH/Consensus (x)		1.0	1.0	1.1

Source: Lagenda, UOB Kay Hian

RESULTS

- **Within expectations.** Lagenda Properties (Lagenda) posted a net profit of RM48.4m (+13% qoq, +47% yoy) for 2Q24 on revenue of RM246m (9% qoq, +25% yoy). Cumulatively, 1H24 net profit of RM91m accounted for 45% of our and consensus full-year estimates. We deem the results in line as we expect higher sales and progressive billings from higher launches from 2H24 onwards.
- **Declared 3 sen dividend, representing 45% of our forecasted 6.6 sen dividend for 2024 (5.6% dividend yield).**

COMMENTS

- **Revenue grew 25% yoy driven by newly-launched projects** in Perak (Sitiawan, Teluk Intan and Tapah), Kedah (Lagenda Darulaman) and Johor (Mersing), as well as higher progressive billings from existing projects. 2Q24 net profit margin improved by 0.7ppt qoq and 2.9ppt yoy to 19.7% thanks to higher gross profit margin as its economies of scales have finally been realised, despite higher administrative and selling & marketing expenses as the company ventured out of Perak. This in turn brought its 1H24 net profit margin to 19.4% (+0.2ppt).
- **Achieved 2Q24 confirmed sales of RM297.14m (+32% qoq, 19% yoy)**, marking the highest quarterly sales number in Lagenda's history to date. This brought 1H24 confirmed sales to RM519.76m (+ 2.5% yoy). Unbilled sales stood at RM743.47m while bookings were at RM542.73m.
- **No change in earnings.** We forecast Lagenda's revenue/earnings to grow at a three-year 2024-26 CAGR of 27%/28% respectively. This is supported by yearly sales growth of around 15% to RM1.6b by 2026, driven by more launches totalling RM1.9b-2.4b, as well as accelerated progressive billings. Lagenda's sales target of RM1.2b for 2024 (+15% yoy) will be supported by its aggressive 2024 launches amounting to RM1.9b (2.6x the size of 2023 launches).

VALUATION/RECOMMENDATION

- **Maintain BUY with an unchanged target price of RM2.32.** Our target price is based on a 30% RNAV discount to estimated RNAV of RM3.31, within its five-year historical average discount as well as largely in line with peers' current average. Lagenda is a legend in the affordable space segment as it is able to fetch higher profitability than its competitors, attributed to its advantageous low land costs (with a land cost-to-GDV ratio of 5-7%), efficient construction methods (utilising industrialised building systems), strategic contractor partnerships, and in-house material procurement, facilitating cost optimisation. These factors position Lagenda as the highest ROE performer, yielding 16% among affordable property developers and across our broader developer universe.

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