

UOBKH HIGHLIGHTS

Lagenda Properties (LAGENDA MK/BUY/RM1.25/Target: RM2.32)

3Q24: Within Expectation; Well On Track To Hit RM1.2b Full-year Sales Target

Year to 31 Dec	3Q24 (RMm)	2Q24 (RMm)	3Q23 (RMm)	qoq % chg	yoy % chg	9M24 (RMm)	yoy % chg	Year to 31 Dec (RMm)	2023	2024F	2025F	2026F
Revenue	283.4	245.8	217.9	15.3	30.1	754.9	26.8	Net Turnover	843	1,015	1,307	1,726
COGS	(191.2)	(151.9)	(134.6)	25.8	42.0	(485.4)	29.1	EBIT	233	318	395	504
Gross Profit	92.2	93.9	83.3	(1.8)	10.8	269.4	22.9	Net Profit (Reported/Actual)	153	204	251	321
EBIT	69.4	72.1	63.6	(3.7)	9.3	205.2	18.3	Net Profit (Adjusted)	153	204	251	321
PBT	63.5	65.8	57.9	(3.5)	9.8	188.5	19.2	EPS (sen)	18.3	24.4	30.1	38.4
PATAMI	47.3	48.4	38.6	(2.3)	22.6	138.5	24.9	PE (x)	6.8	5.1	4.2	3.3
Core PATAMI	47.3	48.4	38.6	(2.3)	22.6	138.5	24.9	P/B (x)	1.3	1.1	1.0	0.8
								EV/EBITDA (x)	4.3	4.1	3.5	2.9
Margins	%	%	%	+/- ppt	+/- ppt	%	+/- ppt	Dividend Yield (%)	5.2	5.8	6.7	7.7
GP	32.5	38.2	38.2	(5.6)	(5.7)	35.7	(1.1)	Net Margin (%)	18.2	20.1	19.2	18.6
EBIT	24.5	29.3	29.2	(4.8)	(4.7)	27.2	(2.0)	Net Gearing (%)	Net Cash	23.7	26.4	28.6
PBT	22.4	26.8	26.6	(4.4)	(4.1)	25.0	(1.6)	Interest Cover (x)	12.8	11.2	10.5	10.6
Core PATAMI	16.7	19.7	17.7	(3.0)	(1.0)	18.3	(0.3)	ROE (%)	13.8	16.3	17.6	19.2
								Consensus Net Profit		202	240	284
								UOBKH/Consensus (x)		1.0	1.0	1.1

Source: Lagenda, UOB Kay Hian

RESULTS

- **Within expectations.** Lagenda Properties (Lagenda) posted a 3Q24 revenue of RM283.4 (+15.3% qoq; +30.1% yoy) and net profit of RM47.3m (-2.3% qoq, +22.6% yoy). Cumulatively, 9M24 net profit of RM138.5m accounted for 68-69% of our and consensus full-year estimates. We deem the results in line, as we anticipate higher sales and a ramp-up in progressive billings driven by increased launches towards the year-end. Notably, Lagenda launched a new project in Pahang in Nov 24.

COMMENTS

- **Revenue grew 30.1% yoy, driven by the successful launches of new projects** in Kedah (Darulaman Lagenda Phase 3A), Johor (Lagenda Suria Phases 1A and 1B, Puncak Warisan Phase 1) and Perak (Lagenda Aman). 3Q24 core PATAMI margin narrowed by 3ppt qoq and 1ppt yoy due to higher construction costs, as the company recognised expenses related to the construction of the TNB main station at the Lagenda Teluk Intan township. Excluding the impact, we estimate 3Q24 core PATAMI margin would be flattish yoy at 18%.
- **Another sales milestone achieved.** Lagenda's property sales hit a historical high at RM349.0m in 3Q24 (+17.5% qoq; +20.8% yoy), with contributions from Perak, Johor and Selangor. This brings 9M24 property sales to RM868.7m (+9.1% yoy), which is well on track and represents 72% of its full-year sales target of RM1.2b. Unbilled sales stood at RM835.2m while bookings were at RM306.5m, further strengthening Lagenda's earnings outlook.
- **No change in earnings.** We forecast Lagenda's revenue/earnings growing at a three-year CAGR of 27%/28% in 2024-26 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, which can be 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 that facilitates 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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