

UOBKH HIGHLIGHTS

Lagenda Properties (LAGENDA MK/BUY/RM1.25/Target: RM2.13)

4Q24: Below Expectations; Management Guides For 30% Sales Growth

Year to 31 Dec	4Q24 (RMm)	3Q24 (RMm)	4Q23 (RMm)	qoq % chg	yoy % chg	2024 (RMm)	yoy % chg	Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Revenue	233.9	283.4	239.6	(17.5)	(2.4)	988.8	18.4	Net Turnover	989	1,238	1,601	1,770
COGS	(158.0)	(191.2)	(156.5)	(17.3)	1.0	(643.4)	20.8	EBIT	273	353	464	522
Gross Profit	75.9	92.2	83.1	(17.7)	(8.7)	345.3	14.2	Net Profit (Reported/Actual)	185	228	312	344
EBIT	67.6	69.4	55.0	(2.7)	22.8	272.8	19.4	Net Profit (Adjusted)	169	228	312	344
PBT	60.5	63.5	54.4	(4.8)	11.1	248.9	17.1	EPS (sen)	20.2	27.2	37.3	41.1
PATAMI	46.1	47.3	37.2	(2.5)	23.8	184.6	24.6	PE (x)	6.2	4.6	3.4	3.0
Core PATAMI	30.2	47.3	37.2	(0.4)	(0.2)	168.7	13.9	P/B (x)	1.2	1.02	0.9	0.8
								EV/EBITDA (x)	5.6	3.2	2.9	2.9
Margins	%	%	%	+/- ppt	+/- ppt	%	+/- ppt	Dividend Yield (%)	5.2	6.1	7.5	8.2
GP	32.4	32.5	34.7	(0.1)	(2.2)	34.9	(1.3)	Net Margin (%)	17.1	18.4	19.5	19.4
EBIT	28.9	24.5	23.0	4.4	5.9	27.6	0.2	Net Gearing (%)	40.8	9.0	21.0	25.2
PBT	25.9	22.4	22.7	3.5	3.2	25.2	(0.3)	Interest Cover (x)	11.2	10.2	16.4	12.4
Core PATAMI	12.9	16.7	15.5	(3.8)	(2.6)	17.1	(0.7)	ROE (%)	15.1	16.4	19.3	18.3
								Consensus Net Profit		235	278	278
								UOBKH/Consensus (x)		1.0	1.1	1.2

Source: Lagenda, UOB Kay Hian

RESULTS

- **Results below expectations.** Lagenda Properties (Lagenda) posted a 4Q24 revenue of RM233.9m (-17.5% qoq; -2.4% yoy) and core PATAMI of RM30.2m (-0.4% qoq, -0.2% yoy). This brings 2024 core PATAMI to RM168.7m, representing 82-85% of our and consensus full-year estimates. The results were below ours and the street's expectations, due to lower-than-expected sales and progressive billings as well as higher-than-expected administrative expenses. We derive our core PATAMI after deducting a one-off fair value gain on its Northern Solar's share investment amounting to RM15.9m.

COMMENTS

- **4Q24 margin compression was a result of early stages township construction and lower recognition from higher-margin townships.** The 4Q24 external revenue drop (-2.4% yoy) was dragged by the lower property development segment (-11.2% yoy), due to the early construction stages of newly-launched projects in Pahang (La' Indera Phase 1A in Kuantan), Johor (Puncak Warison Phase 1 in Kota Tinggi and Lagenda Suria Phases 1A and 1B in Mersing), and Selangor (Lagenda Ardea Phase 1A in Ulu Bernam). 4Q24 core PATAMI margin narrowed (-3.8ppt qoq; -2.6ppt yoy) to 12.9% due to higher administrative (+22.3% qoq; 29.7% yoy) and finance costs (+6.2% qoq; +188.1% yoy) as well as a negative contribution from associates. The higher administrative expense in 4Q24 was due to higher staff costs (+RM7.5m yoy from salary hikes and headcount growth of 46% yoy to 493 as of end-4QFY24), as the company expanded into two new states in 2024.
- **Property sales softened from the record high in 3Q24.** Lagenda recorded property sales of RM265.6m in 4Q24 (-23.9% qoq; +8.9% yoy), bringing full-year sales to RM1,134m (+9.1% yoy). This is 5.5% lower than its full-year sales target of RM1.2b, which we attribute to the slower-than-expected project launches and booking conversion to sales in 4Q24. Positively, unbilled sales rose 7.3% qoq to RM896.3m while bookings also grew 54.5% qoq to RM473.4m, further strengthening its earnings outlook.
- **Setting a record sales target of RM1.4b-1.5b for 2025.** Nevertheless, management guided for a 30% yoy sales growth in 2025, which will be driven by higher project launches and better construction progress from townships launched in 2024. Its inaugural launch of La'Indera Palma in Pahang in mid-Nov 24 was well-received, achieving more than 90% in bookings and confirmed sales combined by end-24. Looking ahead to 2Q25, the company expects to launch its Kulai projects in six weeks.
- We lowered our earnings estimates for 2025-26 by 10%/7% respectively on slower-than-expected sales growth and progressive billings in 2024 and higher admin expense assumptions. We forecast Lagenda's revenue and earnings to grow by 25% yoy and 26% yoy respectively.

VALUATION/RECOMMENDATION

- **Maintain BUY with a lower target price of RM2.13 (from RM2.32).** Our target price is based on a 30% RNAV discount to estimated RNAV of RM3.04, within its five-year historical average discount as well as largely in line with peers' current average. Lagenda has the highest ROE of 16% for 2025 among affordable property developers and across our broader developer universe.

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