

## UOBKH HIGHLIGHTS

### Lagenda Properties (LAGENDA MK/BUY/RM1.2/Target: RM1.78)

1Q25: Weak Results; Expect Margin Compression To Continue

Year to 31 Dec	1Q25 (RMm)	4Q24 (RMm)	1Q24 (RMm)	qoq % chg	yoy % chg	Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
<b>Revenue</b>	<b>264.4</b>	<b>233.9</b>	<b>225.6</b>	<b>13.0</b>	<b>17.2</b>	Net Turnover	989	1,238	1,601	1,770
COGS	(178.3)	(158.0)	(142.3)	12.8	25.3	EBIT	273	309	408	460
Gross Profit	86.1	75.9	83.3	13.5	3.4	Net Profit (Reported/Actual)	185	197	265	299
EBIT	66.7	67.6	63.6	(1.3)	4.9	Net Profit (Adjusted)	169	197	265	299
<b>PBT</b>	<b>60.4</b>	<b>60.5</b>	<b>59.1</b>	<b>(0.2)</b>	<b>2.1</b>	EPS (sen)	20.2	23.5	31.7	35.8
PATAMI	44.6	46.1	42.9	(3.2)	4.1	PE (x)	5.9	5.1	3.8	3.4
<b>Core PATAMI</b>	<b>42.4</b>	<b>30.2</b>	<b>42.9</b>	<b>40.4</b>	<b>(1.1)</b>	P/B (x)	1.1	1.00	0.9	0.8
						EV/EBITDA (x)	5.4	5.5	4.3	3.7
<b>Margins (%)</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>+/- ppt</b>	<b>+/- ppt</b>	Dividend Yield (%)	5.4	5.5	6.6	7.5
GP	32.6	32.4	36.9	0.1	(4.4)	Net Margin (%)	17.1	15.9	16.6	16.9
EBIT	25.2	28.9	28.2	(3.7)	(2.9)	Net Gearing (%)	40.8	55.6	51.2	41.4
PBT	22.8	25.9	26.2	(3.0)	(3.4)	Interest Cover (x)	11.2	8.9	10.8	10.9
Core PATAMI	16.0	12.9	19.0	3.1	(3.0)	ROE (%)	15.1	14.4	17.0	16.7
						Consensus Net Profit		217	282	322
						UOBKH/Consensus (x)		0.9	0.9	0.9

Source: Lagenda, UOB Kay Hian

## RESULTS

- **Results below expectations due to higher than expected costs incurred.** Lagenda Properties (Lagenda) posted a 1Q24 revenue of RM264m (-13% qoq; -17% yoy) and core PATAMI of RM42m (+40% qoq, -1.0% yoy). The results represented 19% and 18% of our and consensus full year forecasts, which we deem below expectations as the company's 1Q has typically contributed 26-28% in the past four years and margins were likely dragged by higher costs as a result from initial township launches. We derive our core PATAMI after deducting a one-off fair value gain on investments amounting to RM2.2m (vs 4Q24: RM15.9m).

## COMMENTS

- **Margin compression continued into 1Q25.** 1Q25 revenue grew 17% yoy to RM264m, driven by higher revenue recognition from ongoing developments in Kedah (Darulaman Lagenda), Ulu Bernam (Lagenda Ardea), Kota Tinggi (Puncak Warisan) and Mersing (Lagenda Suria). Core PATAMI margin declined to 16% in 1Q25 (vs 1Q24: 19%) due to higher administrative expense and finance costs, which we believe is likely a result of early-stage township construction. By segment, property development's PBT margin shrank to 24% in 1Q25 (vs 1Q24: 31%) while the trading segment fell to 6.0% (vs 1Q24: 10%).
- **Strong demand for affordable housing.** 1Q25 confirmed sales reached RM252m (+13% yoy; -5.0% qoq), representing 17% of its full year sales target at RM1.5b. The sales performance is underpinned by strong demand at its projects in Kuantan (La'Indera) and Kota Tinggi (Puncak Warisan). As of end Mar 25, unbilled sales stayed flattish qoq at RM899m, complemented by an additional booking of RM269m. We understand that Lagenda has launched its first phase of Kulai township in Apr 25 with a total GDV of RM259m across 893 units, which has seen strong booking rates ytd. Management revised its launch target from 4,000 to 8,000 units in 2025, driven by continued demand for affordable housing. Looking ahead, we expect a 30% yoy sales growth in 2025, driven by higher project launches and better construction progress from its new townships.
- We lowered our earnings estimates for 2025-27 by 13-15% respectively on lower margin assumption due to higher costs required from initial township constructions.

## VALUATION/RECOMMENDATION

- **Maintain BUY with a lowered our target price by 16% to RM1.78 (from RM2.13)**, as we factor in a higher RNAV discount at 40% (from 30%), due to a more conservative margin environment in 2025-26. The discount rate is in line with its closest peer like Mah Sing and the sector's average discount rate under our coverage (excluding Sunway). We keep our BUY call as Lagenda still has the highest ROE of 14% for 2025 among affordable property developers and across our broader developer universe.

## ANALYST

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