

Team Coverage

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Recommendation:	HOLD
Current Price:	RM 1.70
Previous Target Price:	RM 1.79
Target Price:	↔ RM 1.79
Upside/Downside:	5.3%

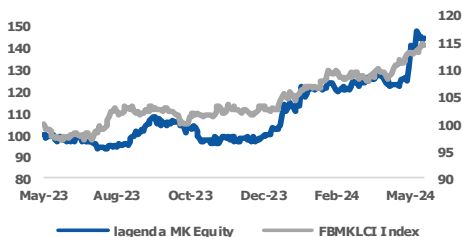
Stock information

Board	MAIN
Sector	Property
Bursa / Bloomberg Code	7179 / LAGENDA MK
Syariah Compliant	Yes
FTSE4Good Index	Yes
FTSE ESG Rating	☆☆☆☆
Bloomberg ESG Rating	N/A
Shares issued (m)	837.3
Market Cap (RM' m)	1,423.5
52-Week Price Range (RM)	1.15-1.77
Beta (x)	0.8
Free float (%)	45.0
3M Average Volume (m)	0.9
3M Average Value (RM' m)	1.4

Top 3 Shareholders (%)

Lagenda Land Sdn Bhd	51.6
Ocbc Securities Pvt Ltd	9.6
Ubs Ag Singapore	4.2

Share Price Performance



	1M	3M	12M
Absolute (%)	17.2	13.3	37.1
Relative (%)	12.7	8.0	19.9

Legenda Properties Berhad

Landbank replenishment

Summary

- **Acquiring three plots of land collectively measuring 855-ac in Kuala Muda, Kedah from Hock Lean Rubber Estate Sdn Bhd for RM149.0m.**
- **Potential strong take up rate in future launches, in evidence of the strong demand for affordable housing in the state of Kedah.**
- **We downgrade LAGENDA to a HOLD recommendation, based on 20% discount to RNAV as recent share price has reflected fundamentals.**

Company Update

- **Landbanking activity.** Legenda’s wholly owned subsidiary, Blossom Eastland Sdn Bhd is buying three plots of land collectively measuring 855-ac in Kuala Muda, Kedah from Hock Lean Rubber Estate Sdn Bhd for RM149.0m. The move is part of Legenda’s strategic acquisition to beef up their presence in the northern region.
- **Land details.** With just 12km away from Sungai Petani town centre and 17km away from UiTM Pulau Pinang, Bertam campus in travel distance, the said land proves to be strategically located. We gathered that the subject lands are approximately 25km and 10km in radius from previous ventures of the company in Gurun and Sungai Petani respectively.
- **Acquisition details.** Channel checks indicates that the acquisition price tag which translates to approximately RM4.00/sqf is on the higher end against the market average between RM2.80-3.50/sqf. Still, we reckon that the slight premium is justifiable based on the strategic location and the prospects of converting into residential land to beef up Legenda’s presence in Kedah.
- **Our take.** We are sanguine over the acquisition that is expected to be earnings accretive in the long run. There are only close to 200 overhang residential property units in Kedah and less than 10% of them are priced below RM200,000. Hence, we expect potential strong take up rate in future launches on the said land, in evidence of the strong demand for affordable housing in the state of Kedah.
- **Outlook.** Going forward, the group’s landbank of approximately 4,000-ac, with an estimated gross development value (GDV) of RM13b, is expected to sustain long-term revenue visibility. We expect stronger revenue recognition in FY24F as certain projects hit the mid-stage of development. As at end-2023, Legenda’s unbilled sales amounting to RM732.4m alongside with outstanding bookings of RM268.3m is expected to sustain earnings visibility over the next 18 months.
- **Valuation.** Given that the acquisition may only be completed towards end-2024, we made no changes to our earnings forecast, pending the upcoming quarterly results release tentatively 27 May 2024. Following the share price appreciation, we downgrade our recommendation to **HOLD**, with an unchanged target price of RM1.70, based on 20% discount rate to RNAV.
- **Risk.** Economy's sluggishness, inability to secure more land, rising construction costs beyond expectations, and changes in housing as well as property regulations.

Appendix 1: Land location



Source: Company

Financial Highlights

Income Statement

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Revenue	835.6	866.9	834.9	1089.9	1304.6
Gross Profit	324.1	319.8	302.3	394.6	472.4
EBITDA	265.4	236.1	191.2	327.0	391.4
Depreciation & Amortisation	-2.4	-3.4	-5.0	-6.4	-8.3
EBIT	263.0	232.7	186.2	320.6	383.0
Net Finance Income/ (Cost)	16.0	18.8	24.0	21.3	21.9
Associates & JV	0.0	0.0	2.3	2.3	2.3
Pre-tax Profit	279.1	251.5	212.6	272.5	326.1
Tax	-77.6	-73.3	-64.4	-68.1	-81.5
Profit After Tax	201.5	178.2	148.1	204.4	244.6
Minority Interest	0.0	0.0	0.2	0.0	0.0
Net Profit	201.5	178.3	148.3	204.4	244.6
Exceptionals	0.0	0.0	0.0	0.0	0.0
Core Net Profit	201.5	178.3	148.3	204.4	244.6

Key Ratios

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
EBITDA margin	31.8%	27.2%	22.9%	30.0%	30.0%
EBIT margin	31.5%	26.8%	22.3%	29.4%	29.4%
PBT margin	33.4%	29.0%	25.5%	25.0%	25.0%
PAT margin	24.1%	20.6%	17.7%	18.8%	18.8%
NP margin	24.1%	20.6%	17.8%	18.8%	18.8%
Core NP margin	24.1%	20.6%	17.8%	18.8%	18.8%
ROE	22.9%	17.5%	13.5%	16.3%	17.0%
ROA	13.9%	10.0%	6.6%	9.2%	9.9%
Net gearing	Net Cash	Net Cash	Net Cash	3.4% Net Cash	

Key Assumptions

FYE Dec (RM m)	
NPV	10.0%
Beta	0.84
Risk Free Rate	4.0%
RNAV (RM 'm)	1866.2

Valuations

	FY25F
RNAV (RM 'm)	2.23
Discount Rate	20%
Fair Value (RM)	1.79

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Cash	229.4	441.8	321.5	265.4	384.8
Receivables	324.4	245.4	193.0	209.0	214.5
Inventories	450.8	472.0	700.9	708.6	754.7
Other current assets	222.3	346.4	340.9	327.0	391.4
Total Current Assets	1226.8	1505.7	1556.3	1510.0	1745.4
Fixed Assets	11.1	17.2	41.9	57.4	75.1
Intangibles	51.2	51.2	51.2	51.2	51.2
Other non-current assets	184.8	228.0	619.7	619.7	619.7
Total Non-current assets	221.4	270.8	687.2	702.6	720.4
Short-term Debt	42.6	193.1	193.2	202.8	213.0
Payables	195.5	178.8	557.5	591.2	616.5
Other Current Liabilities	145.2	193.1	259.6	7.0	8.3
Total Current Liabilities	401.7	566.2	1016.2	808.0	846.1
Long-term Debt	159.1	193.1	116.4	104.8	94.3
Other non-current liabilities	6.7	1.1	9.1	28.7	69.5
Total Non-current Liabilities	165.9	194.2	125.6	133.5	163.8
Shareholder's equity	1132.2	1366.0	1537.2	1837.0	2217.4
Minority interest	0.0	0.0	-0.2	-0.2	-0.2
Total Equity	880.6	1016.2	1101.6	1251.6	1441.8

Cash Flow

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Pre-tax profit	279.1	251.5	212.6	272.5	326.1
Depreciation & amortisation	2.4	3.4	5.0	6.4	8.3
Changes in working capital	-129.3	-40.4	-60.5	-8.6	83.0
Others	-125.1	-31.2	-39.0	12.9	104.5
Operating cash flow	56.8	117.8	94.3	204.7	348.1
Net capex	0.0	9.6	29.7	21.8	26.1
Others	-62.0	-52.1	-100.5	-150.0	-200.0
Investing cash flow	-62.1	-42.5	-70.8	-128.2	-173.9
Dividends paid	-52.7	-62.3	-62.3	-54.4	-54.4
Others	42.1	108.5	-187.9	-56.4	-54.8
Financing cash flow	42.1	108.5	-187.9	-56.4	-54.8
Net cash flow	36.8	183.9	-164.3	20.1	119.4
Forex	0.0	0.0	0.0	0.0	0.0
Others	3.6	32.2	76.2	0.0	0.0
Beginning cash	188.9	225.8	409.6	245.3	265.4
Ending cash	225.8	409.6	245.3	265.4	384.8

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD	DEALING TEAM	RESEARCH TEAM
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RESEARCH RECOMMENDATION FRAMEWORK

STOCK RECOMMENDATIONS

BUY: Total returns* are expected to exceed 10% within the next 12 months.
HOLD: Total returns* are expected to be within +10% to – 10% within the next 12 months.
SELL: Total returns* are expected to be below -10% within the next 12 months.
TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.
TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.
 *Capital gain + dividend yield

SECTOR RECOMMENDATIONS

OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.
NEUTRAL: The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.
UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

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