

**Team Coverage**

(603) 7890 8888

[research.dept@apexsecurities.com.my](mailto:research.dept@apexsecurities.com.my)

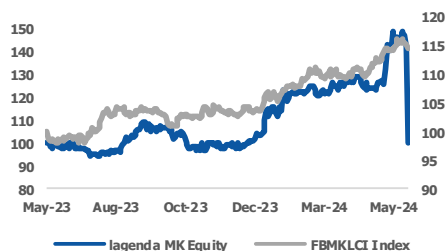
<b>Recommendation:</b>	<b>HOLD</b>
<b>Current Price:</b>	<b>RM 1.17</b>
<b>Previous Target Price:</b>	<b>RM 1.79</b>
<b>Target Price:</b>	<b>RM 1.12</b>
<b>Upside/Downside:</b>	<b>-4.3%</b>

**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)	979.7
52-Week Price Range (RM)	1.15-1.77
Beta (x)	0.8
Free float (%)	45.0
3M Average Volume (m)	1.0
3M Average Value (RM' m)	1.6

<b>Top 3 Shareholders</b>	<b>(%)</b>
Legenda Land Sdn Bhd	51.6
Ocbc Securities Pvt Ltd	9.6
Ubs Ag Singapore	4.2

**Share Price Performance**



	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute (%)	-19.3	-19.3	-4.9
Relative (%)	-20.5	-22.0	-16.8

# Legenda Properties Berhad

## Business as usual, but reputation tarnished

### Summary

- **Hit by unexpected news over a senior management was detained by MACC to assist in investigation into the alleged subdivision of 650-ha of Malay reserve land into non-Malay land in Manjung, Sitiawan, Perak.**
- **While business operations are uninterrupted, we opine that the investigation has indirectly tarnished LAGENDA's reputation and key management team are proactively addressing key stakeholders' queries regards to financial impact, business operations and Group sustainability.**
- **Maintain our HOLD recommendation with lower fair value of RM1.12, based on 50% discount to RNAV, to reflect the weak effective management practice.**

### Company Update

- **Matters arising.** Yesterday, LAGENDA share price hit limit down and short selling was suspended by Bursa Malaysia. The weakness in share price was affected by an unexpected news over a senior management was detained by MACC for a period of four days to assist in its investigation into the alleged subdivision of 650-ha of Malay reserve land into non-Malay land in Manjung, Sitiawan, Perak.
- **Key takeaways from small group briefing.** Post briefing yesterday evening that was attended c.60 pax for approximately an hour, we gather that LAGENDA is not involved in the investigation matter as LAGENDA has denied any involvement in the said land deal. We gather that transaction of the said land was carried out in 2012, long before LAGENDA was incorporated and its not part of LAGENDA's past and current landbank. Therefore, any potential charges from the investigation will not impact LAGENDA as the said land was not own by LAGENDA. Also, there would be no impact on current business operations.
- **Taking the helm.** Mr. Andy Chua, the Executive Director whom possess c.30 years of experience in the property industry will be the caretaker for the Group for the time being. Looking ahead, all senior management of LAGENDA will fully comply with any potential further investigations.
- **Impact.** While business operations remain as usual, we opine the investigation has indirectly tarnished LAGENDA's reputation. In bid to restore investors' confidence, current key management are proactively addressing key stakeholders' queries in regards to financial impact, business operations and the Group's sustainability.
- **Valuation.** Given that the investigation may not have any material impact, we made no changes to our earnings forecast for the time being. However, we reduced our target price of RM1.12, based on a higher discount rate at 50% (from 20%) to RNAV. The revision of discount is to reflect the weak effective management practices. Still, a potential upward re-rating is on the cards, should the investigation yield a favourable outcome and consequently restores LAGENDA reputation.
- **Risk.** Economy's sluggishness, inability to secure more land, rising construction costs beyond expectations, and changes in housing as well as property regulations.

### Financial Highlights

#### Income Statement

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
<b>Revenue</b>	<b>835.6</b>	<b>866.9</b>	<b>834.9</b>	<b>1089.9</b>	<b>1304.6</b>
<b>Gross Profit</b>	<b>324.1</b>	<b>319.8</b>	<b>302.3</b>	<b>394.6</b>	<b>472.4</b>
<b>EBITDA</b>	<b>265.4</b>	<b>236.1</b>	<b>191.2</b>	<b>327.0</b>	<b>391.4</b>
Depreciation & Amortisation	-2.4	-3.4	-5.0	-6.4	-8.3
<b>EBIT</b>	<b>263.0</b>	<b>232.7</b>	<b>186.2</b>	<b>320.6</b>	<b>383.0</b>
Net Finance Income/ (Cost)	16.0	18.8	24.0	213	219
Associates & JV	0.0	0.0	2.3	2.3	2.3
<b>Pre-tax Profit</b>	<b>279.1</b>	<b>251.5</b>	<b>212.6</b>	<b>272.5</b>	<b>326.1</b>
Tax	-77.6	-73.3	-64.4	-68.1	-81.5
<b>Profit After Tax</b>	<b>201.5</b>	<b>178.2</b>	<b>148.1</b>	<b>204.4</b>	<b>244.6</b>
Minority Interest	0.0	0.0	0.2	0.0	0.0
<b>Net Profit</b>	<b>201.5</b>	<b>178.3</b>	<b>148.3</b>	<b>204.4</b>	<b>244.6</b>
Exceptionals	0.0	0.0	0.0	0.0	0.0
<b>Core Net Profit</b>	<b>201.5</b>	<b>178.3</b>	<b>148.3</b>	<b>204.4</b>	<b>244.6</b>

#### 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	50%
<b>Fair Value (RM)</b>	<b>1.12</b>

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
<b>Total Current Assets</b>	<b>1226.8</b>	<b>1505.7</b>	<b>1556.3</b>	<b>1510.0</b>	<b>1745.4</b>
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
<b>Total Non-current assets</b>	<b>221.4</b>	<b>270.8</b>	<b>687.2</b>	<b>702.6</b>	<b>720.4</b>
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
<b>Total Current Liabilities</b>	<b>401.7</b>	<b>566.2</b>	<b>1016.2</b>	<b>808.0</b>	<b>846.1</b>
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
<b>Total Non-current Liabilities</b>	<b>165.9</b>	<b>194.2</b>	<b>125.6</b>	<b>133.5</b>	<b>163.8</b>
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
<b>Total Equity</b>	<b>880.6</b>	<b>1016.2</b>	<b>1101.6</b>	<b>1251.6</b>	<b>1441.8</b>

#### Cash Flow

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
<b>Pre-tax profit</b>	<b>279.1</b>	<b>251.5</b>	<b>212.6</b>	<b>272.5</b>	<b>326.1</b>
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
<b>Operating cash flow</b>	<b>56.8</b>	<b>117.8</b>	<b>94.3</b>	<b>204.7</b>	<b>348.1</b>
Net capex	0.0	9.6	29.7	21.8	26.1
Others	-62.0	-52.1	-100.5	-150.0	-200.0
<b>Investing cash flow</b>	<b>-62.1</b>	<b>-42.5</b>	<b>-70.8</b>	<b>-128.2</b>	<b>-173.9</b>
Dividends paid	-52.7	-62.3	-62.3	-54.4	-54.4
Others	42.1	108.5	-187.9	-56.4	-54.8
<b>Financing cash flow</b>	<b>42.1</b>	<b>108.5</b>	<b>-187.9</b>	<b>-56.4</b>	<b>-54.8</b>
<b>Net cash flow</b>	<b>36.8</b>	<b>183.9</b>	<b>-164.3</b>	<b>20.1</b>	<b>119.4</b>
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
<b>Ending cash</b>	<b>225.8</b>	<b>409.6</b>	<b>245.3</b>	<b>265.4</b>	<b>384.8</b>

**APEX SECURITIES BERHAD – CONTACT LIST**

<b>APEX SECURITIES BHD</b>	<b>DEALING TEAM</b>	<b>RESEARCH TEAM</b>
<p><b>Head Office:</b> 5th Floor Menara UAC, 12, Jalan PJU 7/5, Mutiara Damansara, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia</p> <p>General Line: (603) 7890 8899</p> <p><b>Petaling Jaya Office:</b> 16th Floor, Menara Choy Fook Onn, No.1B Jalan Yong Shook Lin, 46050 Petaling Jaya, Selangor Darul Ehsan, Malaysia</p> <p>General Line: (603) 7620 1118</p>	<p><b>Head Office:</b> Kong Ming Ming (ext 2002) Shirley Chang (ext 2026) Norisam Bojo (ext 2027) Ahmad Mujib (ext 2028)</p> <p><b>Institutional Dealing Team:</b> Siti Nur Nadhirah (ext 2032)</p> <p><b>PJ Office:</b> General Line: (603) 7620 1118 Azfar Bin Abdul Aziz (Ext 822)</p>	<p><b>Head Office:</b> Kenneth Leong (ext 2093) Steven Chong (ext 2068) Jayden Tan (ext 2069) Chelsea Chew (ext 2070)</p>

**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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