

## Team Coverage

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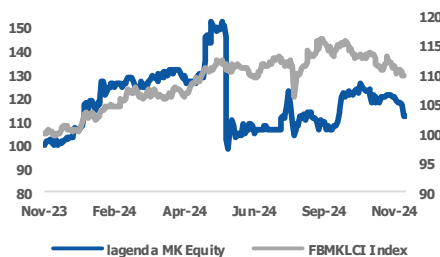
<b>Recommendation:</b>	<b>BUY</b>
<b>Current Price:</b>	<b>RM 1.25</b>
<b>Previous Target Price:</b>	<b>RM 1.71</b>
<b>Target Price:</b>	<b>RM 1.64</b>
<b>Upside/Downside:</b>	<b>31.2%</b>

## 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)	1,046.7
52-Week Price Range (RM)	0.85-1.77
Beta (x)	1.0
Free float (%)	42.9
3M Average Volume (m)	0.9
3M Average Value (RM' m)	1.2

<b>Top 3 Shareholders</b>	<b>(%)</b>
LAGENDA Land Sdn Bhd	53.2
Ocbc Securities Pvt Ltd	9.6
Ubs Ag Singapore	4.2

## Share Price Performance



	1M	3M	12M
Absolute (%)	-6.7	-1.6	6.8
Relative (%)	-5.5	1.0	-2.8

# LAGENDA Properties Berhad

## Single quarter record high sales

### Summary

- **9MFY24 core net profit to RM138.4m (+25.6% yoy) came in slightly below ours and consensus expectations at 67.7% and 68.7% of full-year forecast of RM204.4m and RM201.5m respectively.**
- **Earnings growth will be backed by improved unbilled sales amounting to RM835.2m alongside with sizeable landbank of c.5,200-ac spread across Peninsular Malaysia that carries a potential combined GDV of RM14.49bn.**
- **Trimmed our earnings forecast by -8.0%/-7.3%/-3.0% to RM188.0m/RM225.0m/RM255.2m for FY24F/FY25F/FY26F to account for the higher-than-expected finance cost. Maintain BUY recommendation with slightly lower TP of RM1.64, based on 30% discount to RNAV.**

### Results Review







- **Results review.** 3QFY24 core net profit rose (CNP) +45.8% yoy, but fell marginally by -2.3% qoq to RM47.3m, as the improved yoy performance was supported by stronger contributions from new projects such as Darulaman Lagenda Phase 3A, Lagenda Suria Phases 1A and 1B, Puncak Warisan Phase 1 and Lagenda Aman alongside with pickup in construction billings. Revenue for the quarter added +14.2% yoy and +15.3% qoq to RM283.4m – single quarter record high.
- **Results slightly off.** CNP in 9MFY24 at RM138.4m (+25.6% yoy) represents 67.7%/68.7% of ours and consensus CNP forecast at RM204.4m/RM201.5m. The slight deviation was mainly attributed to higher-than-expected finance cost following the additions in borrowings for the acquisition of three plots of land measuring 855-ac at Mukim Pinang Tunggal, Daerah Kuala Muda, Negeri Kedah for RM149.0m that is expected to be completed in 1Q25 as well as higher construction billings which yields lower margins.
- **Operations Highlights.** In 3QFY24, LAGENDA raked in single-quarter record high new sales of RM349.0m, representing an uptick against RM297.1m in the previous corresponding quarter. This came following the launch of four new projects totaling c.2,600 units with collective GDV of RM829.0m.
- **Industry Highlights.** We foresee the salary hike for civil servants which will take effect on 1 Dec 2024 is expected to boost demand for affordable housing projects. Higher disposal income of civil servants bodes well for LAGENDA's bread and butter business, of which majority of the Group's property units are priced at c.RM250,000/unit of single store terrace house.
- **Outlook.** Moving forward, LAGENDA will be equipped with balance landbank of c.5,200-ac spread across Peninsular Malaysia with a potential combined GDV of RM14.49bn which will sustain developments over the next 8-10 years. Unbilled sales rose to RM835.2m (from RM743.5m in 2QFY24) alongside with bookings of RM306.5m will sustain revenue visibility for the next 12-18 months.

- **Valuation.** Trimmed our CNP forecast by -8.0%/-7.3%/-3.0% to RM188.0m/RM225.0m/RM255.2m for FY24F/FY25F/FY26F to account for higher-than-expected finance cost. We maintain our **BUY** recommendation on LAGENDA with a slightly lower target price of **RM1.64**, based on 30% discount rate to RNAV.
- **Risk.** Inability to replenish landbank, rising construction costs beyond expectations, and changes in housing as well as property regulations.

Tuesday, November 26, 2024

Company Results

Figure 1: Results Comparison

FYE Dec (RM m)	3QFY24	3QFY23	YoY (%)	2QFY24	QoQ (%)	9MFY24	9MFY23	YoY (%)	5 Quarters Trend	Comments
Revenue	283.4	248.1	14.2	245.8	15.3	754.9	595.2	(21.1)		Higher contribution from several newly launched projects
EBITDA	68.8	61.9	11.2	72.3	(4.8)	204.7	173.3	(15.4)		
Pre-tax profit	63.5	59.2	7.2	65.8	(3.5)	188.5	158.1	(16.1)		
Net profit	47.3	41.9	12.9	48.4	(2.3)	138.4	111.3	(19.6)		
Core net profit	47.3	41.9	12.9	48.4	(2.3)	138.4	111.3	(19.6)		
Core EPS (sen)	5.6	5.0	12.9	5.8	(2.3)	16.5	13.3	(19.6)		Stronger work progress billings
EBITDA margin (%)	24.3	24.9		29.4		27.1	29.1			
PBT margin (%)	22.4	23.9		26.8		25.0	26.6			
Core PATMI margin (%)	16.7	16.9		19.7		18.3	18.7			

Source: Company, Apex Securities

## Financial Highlights

### Income Statement

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
<b>Revenue</b>	<b>866.9</b>	<b>834.9</b>	<b>1089.9</b>	<b>1304.6</b>	<b>1479.3</b>
<b>Gross Profit</b>	<b>319.8</b>	<b>302.3</b>	<b>394.6</b>	<b>472.4</b>	<b>535.7</b>
<b>EBITDA</b>	<b>236.1</b>	<b>191.2</b>	<b>294.3</b>	<b>352.2</b>	<b>399.4</b>
Depreciation & Amortisation	-3.4	-5.0	-6.4	-8.3	-10.5
<b>EBIT</b>	<b>232.7</b>	<b>186.2</b>	<b>287.9</b>	<b>343.9</b>	<b>389.0</b>
Net Finance Income/ (Cost)	18.8	24.0	29.5	42.7	48.2
Associates & JV	0.0	2.3	2.3	2.3	2.3
<b>Pre-tax Profit</b>	<b>251.5</b>	<b>212.6</b>	<b>250.7</b>	<b>300.1</b>	<b>340.2</b>
Tax	-73.3	-64.4	-62.7	-75.0	-85.1
<b>Profit After Tax</b>	<b>178.2</b>	<b>148.1</b>	<b>188.0</b>	<b>225.0</b>	<b>255.2</b>
Minority Interest	0.0	0.2	0.0	0.0	0.0
<b>Net Profit</b>	<b>178.3</b>	<b>148.3</b>	<b>188.0</b>	<b>225.0</b>	<b>255.2</b>
Exceptionals	0.0	0.0	0.0	0.0	0.0
<b>Core Net Profit</b>	<b>178.3</b>	<b>148.3</b>	<b>188.0</b>	<b>225.0</b>	<b>255.2</b>

### Key Ratios

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
P/E (x)	5.9	7.1	5.6	4.7	4.1
EBITDA margin	27.2%	22.9%	27.0%	27.0%	27.0%
EBIT margin	26.8%	22.3%	26.4%	26.4%	26.3%
PBT margin	29.0%	25.5%	23.0%	23.0%	23.0%
PAT margin	20.6%	17.7%	17.3%	17.3%	17.3%
NP margin	20.6%	17.8%	17.3%	17.3%	17.3%
Core NP margin	20.6%	17.8%	17.3%	17.3%	17.3%
ROE	17.5%	13.5%	15.2%	16.0%	16.0%
ROA	10.0%	6.6%	7.3%	8.0%	8.2%
Net gearing	Net Cash	Net Cash	26.9%	10.6%	Net Cash

### Valuations

	FY25F
RNAV (RM'm) / share	2.33
Discount Rate	30%
<b>Fair Value (RM)</b>	<b>1.64</b>

Source: Company, Apex Securities

### Balance Sheet

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Cash	441.8	321.5	448.5	655.1	892.9
Receivables	245.4	193.0	209.0	214.5	243.2
Inventories	472.0	700.9	825.6	826.9	794.4
Other current assets	346.4	340.9	381.5	391.4	443.8
<b>Total Current Assets</b>	<b>1505.7</b>	<b>1556.3</b>	<b>1864.5</b>	<b>2087.8</b>	<b>2374.3</b>
Fixed Assets	17.2	41.9	57.4	75.1	94.2
Intangibles	51.2	51.2	51.2	51.2	51.2
Other non-current assets	228.0	619.7	619.7	619.7	619.7
<b>Total Non-current assets</b>	<b>270.8</b>	<b>687.2</b>	<b>702.6</b>	<b>720.4</b>	<b>739.5</b>
Short-term Debt	193.1	193.2	676.1	709.9	745.4
Payables	178.8	557.5	289.4	328.4	378.8
Other Current Liabilities	193.1	259.6	250.3	249.7	283.1
<b>Total Current Liabilities</b>	<b>566.2</b>	<b>1016.2</b>	<b>1222.8</b>	<b>1300.5</b>	<b>1416.8</b>
Long-term Debt	193.1	116.4	104.8	94.3	84.9
Other non-current liabilities	1.1	9.1	4.4	7.5	13.9
<b>Total Non-current Liabilities</b>	<b>194.2</b>	<b>125.6</b>	<b>109.2</b>	<b>101.8</b>	<b>98.8</b>
Shareholder's equity	1366.0	1537.2	1804.3	2145.5	2530.3
Minority interest	0.0	-0.2	-0.2	-0.2	-0.2
<b>Total Equity</b>	<b>1016.2</b>	<b>1101.6</b>	<b>1235.2</b>	<b>1405.8</b>	<b>1598.2</b>

### Cash Flow

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
<b>Pre-tax profit</b>	<b>251.5</b>	<b>212.6</b>	<b>250.7</b>	<b>300.1</b>	<b>340.2</b>
Depreciation & amortisation	3.4	5.0	6.4	8.3	10.5
Changes in working capital	-40.4	-60.5	22.9	-27.3	-32.1
Others	-31.2	-39.0	44.4	-5.8	-10.6
<b>Operating cash flow</b>	<b>117.8</b>	<b>94.3</b>	<b>214.5</b>	<b>211.7</b>	<b>245.0</b>
Net capex	9.6	29.7	21.8	26.1	29.6
Others	-52.1	-100.5	-450.0	0.0	0.0
<b>Investing cash flow</b>	<b>-42.5</b>	<b>-70.8</b>	<b>-428.2</b>	<b>26.1</b>	<b>29.6</b>
Dividends paid	-62.3	-62.3	-54.4	-54.4	-62.8
Others	108.5	-187.9	416.9	-31.1	-36.7
<b>Financing cash flow</b>	<b>108.5</b>	<b>-187.9</b>	<b>416.9</b>	<b>-31.1</b>	<b>-36.7</b>
<b>Net cash flow</b>	<b>183.9</b>	<b>-164.3</b>	<b>203.1</b>	<b>206.7</b>	<b>237.8</b>
Forex	0.0	0.0	0.0	0.0	0.0
Others	32.2	76.2	0.0	0.0	0.0
Beginning cash	225.8	409.6	245.3	448.5	655.1
<b>Ending cash</b>	<b>409.6</b>	<b>245.3</b>	<b>448.5</b>	<b>655.1</b>	<b>892.9</b>

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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

### 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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