



## Land & General Bhd (LGH MK) : BUY

Mkt. Cap: US\$125m | 3m Avg. Daily Val: US\$0.07m

Last Traded Price (31 May 2018): RM0.17

Price Target 12-mth: RM0.24 (40% upside) (Prev RM0.28)

Shariah Compliant: Yes

### Analyst

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### Bumper dividends

- 4QFY18 results missed expectations
- RM120m property sales in FY18
- Higher-than-expected DPS of 1.5 sen declared
- Maintain BUY with revised TP of 24 sen

### Forecasts and Valuation

FY Mar (RMm)	2017A	2018A	2019F	2020F
Revenue	42.7	80.3	203	352
EBITDA	2.00	16.4	50.2	93.9
Pre-tax Profit	69.8	87.1	39.0	82.3
Net Profit	35.5	75.4	18.8	47.6
Net Pft (Pre Ex.)	(40.7)	(2.8)	18.8	47.6
Net Pft Gth (Pre-ex) (%)	nm	93.1	nm	153.0
EPS (sen)	2.53	2.57	0.63	1.61
EPS Pre Ex. (sen)	(2.9)	(0.1)	0.63	1.61
EPS Gth Pre Ex (%)	nm	97	nm	153
Diluted EPS (sen)	2.53	2.57	0.63	1.61
Net DPS (sen)	1.58	1.50	1.50	1.00
BV Per Share (sen)	46.8	37.9	36.6	36.7
PE (X)	6.7	6.6	26.8	10.6
PE Pre Ex. (X)	nm	nm	26.8	10.6
P/Cash Flow (X)	70.6	nm	9.5	26.9
EV/EBITDA (X)	nm	19.2	7.4	4.9
Net Div Yield (%)	9.3	8.8	8.8	5.9
P/Book Value (X)	0.4	0.4	0.5	0.5
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	5.2	8.5	1.7	4.4

Source of all data on this page: Company, AllianceDBS, Bloomberg Finance L.P.

### What's New

**Weak 4QFY18.** Land & General (L&G) reported a 4QFY18 core net profit of RM2.8m, after stripping out one-off write-backs of RM17.8m. This takes FY18 core loss to RM2.8m which is below our expectation as we had over-estimated the progress billings from its Astoria project in 2HFY18. Also, it was dragged by RM3.3m share of losses from its 45%-owned Country Garden Properties (M) Sdn Bhd during 4QFY18.

**Decent property sales.** L&G achieved RM120m property sales (+8% y-o-y) in FY18, largely due to its ongoing Astoria project in Ampang. Therefore, unbilled sales stood at RM175m which will underpin its earnings visibility in the near term.

**Higher-than-expected dividends.** Despite the weak results, L&G declared a higher-than-expected final DPS of 1.5 sen which translates into a whopping dividend yield of 8.8%. Its strong balance sheet with RM201m net cash (7 sen/share) will allow the company to continue to reward its shareholders, in line with its practice for the past few years.

**Banking on new launches.** L&G has recently launched the second phase of Damansara Foresta called Damansara Seresta (RM480m GDV) in Mar 2018. A strong sales performance from the project could help deliver impressive earnings growth given its small earnings base.

## Flash Note

We cut FY19-20F earnings by 22%/17% to account for the delays for its new launches, as a recovery in the property market remains elusive. Therefore, we also revise down our TP to RM0.24, based on a wider 70% discount to our RNAV. Nevertheless, we retain our BUY rating in view of the unjustifiably steep discount of 79% to its RNAV, as well as its attractive dividend yield of 8.8%.

### Quarterly / Interim Income Statement (RMm)

FY Mar	4Q2017	3Q2018	4Q2018	% chg yoy	% chg qoq
Revenue	6.57	24.9	20.9	218.1	(15.9)
Cost of Goods Sold	(36.7)	(22.9)	(19.1)	(48.0)	(16.5)
<b>Gross Profit</b>	<b>(30.2)</b>	<b>1.98</b>	<b>1.80</b>	<b>nm</b>	<b>(9.3)</b>
Other Oper. (Exp)/Inc	9.71	4.88	4.61	(52.5)	(5.6)
<b>Operating Profit</b>	<b>(20.5)</b>	<b>6.87</b>	<b>6.41</b>	<b>(131.3)</b>	<b>(6.7)</b>
Other Non Opg (Exp)/Inc	(4.1)	(1.1)	(1.6)	60.7	51.4
Associates & JV Inc	3.28	0.0	(3.3)	nm	nm
Net Interest (Exp)/Inc	(2.0)	(1.0)	(1.0)	49.8	5.0
Exceptional Gain/(Loss)	40.6	0.0	17.8	(56.3)	nm
<b>Pre-tax Profit</b>	<b>17.4</b>	<b>4.77</b>	<b>18.3</b>	<b>5.2</b>	<b>283.5</b>
Tax	(6.2)	2.69	3.81	(161.4)	41.8
Minority Interest	(15.2)	(2.1)	(1.3)	91.4	(37.9)
<b>Net Profit</b>	<b>(4.1)</b>	<b>5.34</b>	<b>20.8</b>	<b>nm</b>	<b>288.8</b>
Net profit bef Except.	(44.7)	5.34	3.02	nm	(43.6)
EBITDA	(12.4)	6.69	2.21	nm	(67.0)
<b>Margins (%)</b>					
Gross Margins	(459.1)	8.0	8.6		
Opg Profit Margins	(311.3)	27.6	30.7		
Net Profit Margins	(61.6)	21.5	99.4		

Source of all data: Company, AllianceDBS

### Target Price & Ratings History



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	30 Nov 17	0.22	0.28	BUY

Note: Share price and Target price are adjusted for corporate actions.

Source: AllianceDBS

Analyst: QUAH He Wei, CFA

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**DISCLOSURE**


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**Stock rating definitions**

STRONG BUY	-	> 20% total return over the next 3 months, with identifiable share price catalysts within this time frame
BUY	-	> 15% total return over the next 12 months for small caps, >10% for large caps
HOLD	-	-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps
FULLY VALUED	-	negative total return > -10% over the next 12 months
SELL	-	negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame

**Commonly used abbreviations**

Adex = advertising expenditure	EPS = earnings per share	PBT = profit before tax
bn = billion	EV = enterprise value	P/B = price / book ratio
BV = book value	FCF = free cash flow	P/E = price / earnings ratio
CF = cash flow	FV = fair value	PEG = P/E ratio to growth ratio
CAGR = compounded annual growth rate	FY = financial year	q-o-q = quarter-on-quarter
Capex = capital expenditure	m = million	RM = Ringgit
CY = calendar year	M-o-m = month-on-month	ROA = return on assets
Div yld = dividend yield	NAV = net assets value	ROE = return on equity
DCF = discounted cash flow	NM = not meaningful	TP = target price
DDM = dividend discount model	NTA = net tangible assets	trn = trillion
DPS = dividend per share	NR = not rated	WACC = weighted average cost of capital
EBIT = earnings before interest & tax	p.a. = per annum	y-o-y = year-on-year
EBITDA = EBIT before depreciation and amortisation	PAT = profit after tax	YTD = year-to-date

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