

HLIB Research

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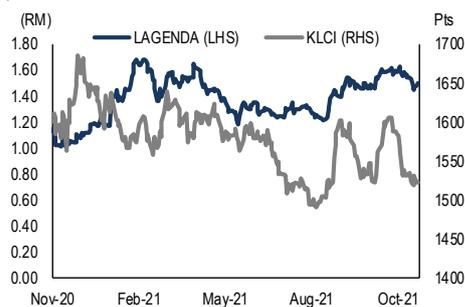
BUY (Maintain)

Target Price: RM2.00
Previously: RM2.01
Current Price: RM1.50

Capital upside	33.3%
Dividend yield	3.5%
Expected total return	36.8%

Sector coverage: Property

Company description: Lagenda is involved in property development and construction businesses primarily focusing in providing affordable homes at ≤RM200k to cater the B40 and M40 income group.

Share price


Historical return (%)	1M	3M	12M
Absolute	-5.7	20.0	28.2
Relative	-1.0	20.1	35.6

Stock information

Bloomberg ticker	LAGENDA MK
Bursa code	7179
Issued shares (m)	820
Market capitalisation (RM m)	1,230
3-mth average volume ('000)	1,174
SC Shariah compliant	Yes
F4GBM Index member	No
ESG rating	N.M

Major shareholders

Lagenda Land	69.5%
Doh Properties	4.6%

Earnings summary

FYE (Dec)	FY20	FY21f	FY22f
PAT – core (RM m)	142.5	199.6	253.6
FD EPS – core (sen)	12.5	17.5	22.3
FD P/E (x)	12.0	8.6	6.7

Lagenda Properties

RM1-1.2bn of pipeline launches for next year

Lagenda is planning to launch c.6k units of houses for FY22 with GDV of RM1-1.2bn where half of it will be coming from its new township in Tapah, Sg Petani and Mersing. With current inventory of RM512m, aggregate GDV available for sale in FY22 will be around RM1.7bn. With regards to sales target, management is targeting 20-30% growth on confirmed property sales for FY22 which we believe could possibly be around RM800m-RM1bn. We are expecting a stable showing from the company backed by its robust take-up rates on the affordable landed market. We adjust our earnings by c.-5% in FY21-23 for the difference in timing recognition of progressive billings. We maintain our BUY recommendation with a marginally lower TP of RM2.00 (from RM2.01) based on 20% discount on estimated RNAV of RM2.50 per share.

3Q results recap. Lagenda recorded 3Q21 core PATMI of RM45.5m (+6.1% QoQ, -8.6% YoY), which brought 9M21 core PATMI to RM144.0m (+52.5% YoY). For YoY, net profit declined by -8.6% from the lower progressive billing recognition (NRP restrictions) as well as higher raw materials costs. We are expecting a stronger contribution in 4Q from higher progressive billings recognition on the back of pick up in construction activities. We gathered that 4Q could be as strong (or even higher) as 1Q (1QFY21 net profit : RM55.6m)

FY22 sales and booking target. Management is targeting 20-30% growth on confirmed property sales for FY22. To recap, Lagenda secured a robust confirmed sales and booking of RM1.2bn in 9M21 (total confirmed sales was RM496m with additional total bookings of RM684m). As for Lagenda's sales momentum, it is still going strong in the month of Oct and Nov – we gathered that sales and booking number could reach c.RM1.5bn for FY21. We understand that confirmed sales of this year could be around RM650m to RM750m. Hence, sales target for FY22 possibly be around RM800m-RM1bn. However, we also note that some of the confirmed sales number in FY21 might spill over to FY22 since the conversion takes about 6 months during these pandemic times.

Launches. Lagenda is planning to launch c.6k units of houses for FY22 with GDV of RM1-1.2bn where half of it will be coming from its new township in Tapah, Sg Petani and Mersing. With current inventory of RM512m, aggregate GDV available for sale in FY22 will be around RM1.7bn.

Prosperity Tax impact. Management assured that the Prosperity Tax impact to be minimal for Lagenda's FY22 group earnings as the projected tax expense are expected to be only 1-2% higher. Currently, only 1 subsidiary (namely Nusantara) has PBT of more than RM100m (last year Nusantara made PBT of RM146m).

Outlook. We expect a stable showing backed by its robust take-up rates on the affordable landed market. The latest government measure on 12MP focusing to build more affordable houses and ease the access of financing should bode well with Lagenda's business model.

Forecast. We adjust our earnings by c.-5% in FY21-23 for the difference in timing recognition of progressive billings.

Maintain BUY; TP: RM2.00. We maintain our BUY recommendation with a marginally lower TP of RM2.00 (from RM2.01) as we adjust our earnings base. Our TP is based on 20% discount on estimated RNAV of RM2.50 per share. We like Lagenda for its exposure to the underserved affordable housing segment, stable clientele base (public sector workers with government financing access), low land cost, high booking conversion rate and superior margins.

Financial Forecast

All items in (RM m) unless otherwise stated

Balance Sheet

FYE Dec	FY19	FY20	FY21f	FY22f	FY23f
Cash	69.2	214.3	297.9	370.2	453.6
Receivables	182.1	254.7	257.6	317.2	353.0
Inventories	330.3	471.9	522.6	596.3	668.0
Others	125.9	221.5	303.4	411.2	532.2
Assets	707.5	1,162.4	1,381.5	1,694.9	2,006.8
Payables	254.3	278.2	330.7	434.0	486.2
Debt	91.1	222.2	222.2	222.2	222.2
Others	40.4	35.6	35.6	35.6	35.6
Liabilities	385.9	536.1	588.6	691.9	744.0
Shareholder's equity	311.9	618.5	793.0	1,003.0	1,262.8
Minority interest	9.7	7.8	14.0	20.2	26.4
Equity	321.6	626.3	793.0	1,003.0	1,262.8
Liabilities & Equity	707.5	1,162.4	1,381.5	1,694.9	2,006.8

Cash Flow Statement

FYE Dec	FY19	FY20	FY21f	FY22f	FY23f
Profit before taxation	140.2	215.9	280.7	354.5	438.8
D&A	1.5	1.8	1.0	1.0	1.0
Working capital	(260.5)	(171.3)	(1.0)	(30.0)	(55.3)
Taxation	(40.9)	(64.3)	(74.9)	(94.6)	(117.2)
Others	137.8	236.1	-	-	-
CFO	(21.9)	218.2	205.7	230.8	267.3
Capex	(1.3)	(142.5)	(82.9)	(108.8)	(121.9)
Others	24.8	37.5	-	-	-
CFI	23.5	(104.9)	(82.9)	(108.8)	(121.9)
Changes in debt	(11.7)	-	-	-	-
Shares issued	-	-	-	-	-
Dividends	-	(15.9)	(39.1)	(49.8)	(61.9)
Others	57.5	26.9	-	-	-
CFF	45.8	11.1	(39.1)	(49.8)	(61.9)
Net cash flow	47.4	124.3	83.6	72.3	83.5
Others	4.6	20.8	-	-	-
Beginning cash	17.2	69.2	214.3	297.9	370.2
Ending cash	69.2	214.3	297.9	370.2	453.6

Income statement

FYE Dec	FY19	FY20	FY21f	FY22f	FY23f
Revenue	462.8	697.6	829.3	1088.2	1219.0
Operating cost	(311.0)	(469.7)	(538.1)	(723.2)	(769.7)
EBITDA	151.8	227.9	291.3	365.1	449.3
D&A	(1.5)	(1.8)	(1.0)	(1.0)	(1.0)
Net Interest	(10.1)	(9.6)	(9.6)	(9.6)	(9.6)
Pretax profit	140.2	215.9	280.7	354.5	438.8
Taxation	(40.9)	(64.3)	(74.9)	(94.6)	(117.2)
Minority Interest	3.3	9.2	6.2	6.2	6.2
PATMI	96.1	142.5	199.6	253.6	315.4
Exceptionals	0.0	0.0	0.0	0.0	0.0
Core Earning	96.1	142.5	199.6	253.6	315.4
Basic shares (m)	744.0	744.0	744.0	744.0	744.0
Diluted shares (m)	1137.9	1137.9	1137.9	1137.9	1137.9
Consensus core PATMI			224.0	275.5	324.5
HLIB/ Consensus			89%	92%	97%

Valuation ratios

FYE Dec	FY19	FY20	FY21f	FY22f	FY23f
Net DPS (sen)	0.0	2.5	5.3	6.7	8.3
Yield (%)	0.0	1.7	3.5	4.5	5.5
Core EPS (sen)	12.9	19.2	26.8	34.1	42.4
Fully Diluted EPS (sen)	8.4	12.5	17.5	22.3	27.7
P/E (x)	11.6	7.8	5.6	4.4	3.5
FD P/E (x)	17.8	12.0	8.6	6.7	5.4
Market capitalization (m)	1116.1	1116.1	1116.1	1116.1	1116.1
Net cash (m)	(21.9)	(7.9)	75.7	147.9	231.4
Net gearing (%)	0.07	0.01	CASH	CASH	CASH
BV / share	0.4	0.8	1.1	1.3	1.7
P/BV (x)	3.6	1.8	1.4	1.1	0.9
ROA (%)	13.6	12.3	14.4	15.0	15.7
ROE (%)	29.9	22.7	25.2	25.3	25.0
Enterprise value	1138.0	1124.0	1040.4	968.1	884.6
EV/ EBITDA (x)	7.5	4.9	3.6	2.7	2.0

Margin ratios

FYE Dec	FY19	FY20	FY21f	FY22f	FY23f
EBITDA Margin	32.8	32.7	35.1	33.5	36.9
PBT Margin	30.3	31.0	33.8	32.6	36.0
PATMI	20.8	20.4	24.1	23.3	25.9

Figure #1 RNAV Table

Projects	Remaining GDV (RM m)	Stake (%)	NPV (RM m)
Perak		100%	1,491.2
Bandar Baru Setia Awan Perdana	529.7		
Lagenda Teluk Intan	834.8		
Tapah	1898.3		
Taman Mulia	120.9		
Setia Residence	38.8		
Taman Bambam Permai	44.3		
Taman Bambam Indah	33.7		
Pengkalan Prisma	33.0		
Taman Tronoh Akasia	16.2		
Kedah	1800	50%	425.5
Pahang	1000	100%	308.0
Total NPV			2,224.8
Shareholders funds			618.5
RNAV			2,843.3
Share base			1,137.9
RNAV/share			2.50
Discount			20%
Discounted RNAV/share			2.00

Company, HLIB

Figure #2 FY22 pipeline launches

FY22 LAUNCHES

Targeted timing	Location	Project	Units
1H2022	Perak	Teluk Intan	1,098
		Tapah	1,000
		BBSAP	1,568
	Kedah	Sg Petani	282
		Sub-total	3,948
Targeted timing	Location	Project	Units
2H2022	Perak	Tapah	500
	Kedah	Sg Petani	1,000
	Johor	Mersing	500
		Sub-total	2,000
		Grand total	5,948


RM1B GDV

Company

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BUY	Expected absolute return of +10% or more over the next 12 months.
HOLD	Expected absolute return of -10% to +10% over the next 12 months.
SELL	Expected absolute return of -10% or less over the next 12 months.
UNDER REVIEW	Rating on the stock is temporarily under review which may or may not result in a change from the previous rating.
NOT RATED	Stock is not or no longer within regular coverage.

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