

COMPANY RESULTS

Lagenda Properties (LAGENDA MK)

1Q24: Results Within Expectations; Expect Better Earnings From 2Q24 Onwards

Lagenda's 1Q24 revenue and net profit grew 25% and 9%, respectively, within our expectations. It achieved RM222.6m sales in 1Q24, on track to achieve its sales target of RM1.2b. 1Q24 launches were worth RM127m in Tapah, Perak with take-up rates of >80%. Also, Lagenda has launched substantial products in Apr and May 24 amounting to RM702m (ytd launches: RM829m), on track for its target launch of RM1.9b. Maintain BUY. Target price: RM2.32.

1Q24 RESULTS

Year to 31 Dec (RMm)	1Q24 (RMm)	4Q23 (RMm)	1Q23 (RMm)	qoq % chg	yoy % chg
Revenue	225.6	248.1	181.0	(9.1)	24.7
COGS	(142.3)	(165.2)	(114.5)	(13.9)	24.3
Gross Profit	83.3	82.9	66.5	0.5	25.3
EBIT	63.6	59.8	57.7	6.3	10.1
PBT	59.1	59.2	53.1	(0.2)	11.4
PATAMI	42.9	42.0	39.3	1.9	9.0
Core PATAMI	42.9	42.0	39.3	1.9	9.0
Margins (%)	(%)	(%)	(%)	+/- ppt	+/- ppt
GP	36.9	33.4	36.7	3.5	0.2
EBIT	28.2	24.1	31.9	4.1	(3.7)
PBT	26.2	23.9	29.3	2.3	(3.1)
Core PATAMI	19.0	16.9	21.7	2.0	(2.7)

Source: Lagenda Properties Berhad, UOB Kay Hian

RESULTS

- Within expectations.** Lagenda Properties (Lagenda) posted a core net profit of RM42.9m (+2% qoq, +9% yoy) for 1Q24 on revenue of RM225.6m (-9% qoq, +25% yoy). 1Q24 net profit accounted for 21% of our and consensus full-year estimates. We deem the results in line as we expect higher sales and progressive billings from higher launches from 2Q24 onwards.
- Revenue grew 25% yoy driven by newly-launched projects** in Perak (Sitiawan, Teluk Intan and Tapah), Kedah (Lagenda Darulaman) and Johor (Mersing), as well as higher progressive billings from existing projects. As expected, 1Q24 core net margin declined by 2.7ppt due to higher administrative and selling & marketing expenses as the company ventured out of Perak.

KEY FINANCIALS

Year to 31 Dec (RMm)	2022	2023	2024F	2025F	2026F
Net turnover	867	843	1,015	1,307	1,726
EBITDA	270	238	329	412	523
Operating profit	267	233	318	395	504
Net profit (rep./act.)	178	153	203	251	321
Net profit (adj.)	178	153	203	251	321
EPS (sen)	15.7	13.4	17.9	22.1	28.2
PE (x)	11.0	12.8	9.6	7.8	6.1
P/B (x)	1.4	1.3	1.1	1.0	0.8
EV/EBITDA (x)	6.4	7.3	5.3	4.2	3.3
Dividend yield (%)	3.8	3.8	3.9	4.1	4.8
Net margin (%)	20.6	18.1	20.0	19.2	18.6
Net debt/(cash) to equity (%)	Net Cash	Net Cash	23.1	24.9	26.4
Interest cover (x)	7.7	82.6	7.4	1.6	1.4
ROE (%)	18.8	14.4	17.2	18.6	20.4
Consensus net profit	-	-	208	251	291
UOBKH/Consensus (x)	-	-	0.98	1.00	1.10

Source: Lagenda Properties Berhad, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM1.72
Target Price	RM2.32
Upside	+34.6%

COMPANY DESCRIPTION

Lagenda involved in property development and construction businesses primarily focusing in providing affordable homes to cater the B40 and M40 income group

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	LAGENDA MK
Shares issued (m):	837.3
Market cap (RMm):	1,440.2
Market cap (US\$m):	306.7
3-mth avg daily t'over (US\$m):	0.3

Price Performance (%)

52-week high/low RM1.74/RM1.16

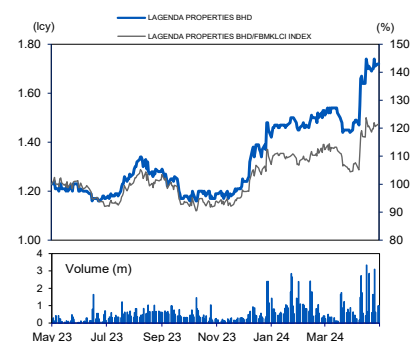
1mth	3mth	6mth	1yr	YTD
19.4	17.8	47.0	39.8	38.7

Major Shareholders

	%
Dato' Doh Jee Ming	57.3
OCBC Securities	9.6
UBS AG Singapore	4.2

FY24 NAV/Share (RM)	1.50
FY24 Net Debt/Share (RM)	0.35

PRICE CHART



Source: Bloomberg

ANALYST(S)

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STOCK IMPACT

- **Revenue fell by 9% qoq due to slower progress billings in certain projects** (Lagenda Tropika, Lagenda Teluk Intan Phase 2 and Bandar Baru Setia Awan Perdana Phase 4A) as completion is reaching the tail end. Nonetheless, net margin improved by 2ppt (to 19%) thanks to higher gross profit margin driven by higher-margin products from newly-launched projects (Darulaman Lagenda and Lagenda Teluk Intan have higher margin). We conservatively estimate a 19-20% core net margin moving forward as we expect higher administrative and selling & marketing expenses will be cushioned by efficiency from its industrialised building system (IBS). There is a possibility of further upside to our margin assumption if cost savings from the IBS exceed expectations, which could further offset these higher administrative and selling & marketing expenses.
- **Achieved RM222.6m sales in 1Q24, on track to achieve its sales target of RM1.2b.** 1Q24 sales were driven by driven by Lagenda Suria in Kulai, Johor and the newly-launched Lagenda Aman in Tapah, Perak. Furthermore, bookings were recorded at RM230.7m which provide a solid pipeline for future sales conversion.
- **While the value of 1Q24 launches was low at RM127m, Lagenda has launched substantial products in Apr and May 24 amounting to RM702m.** This brings total launches ytd to RM829m, representing 42% of its target launch of RM1.9b. 2H24 launches will largely come from Pahang and Kulai, Johor. Take-up rate for new launches in 1Q24 (Lagenda Aman, Tapah) was very encouraging at >80%.
- As at 1Q24, Lagenda had unbilled sales of RM751m (from RM732m in 4Q23). Completed inventory remained low at RM40m.
- **Lagenda's remaining landbank stands at 5,887 acres with remaining GDV of RM15.9b (including land option in Kota Tinggi, Johor).** Lagenda will primarily focus on capitalising on demand for affordable housing in Johor, where it currently holds approximately 1,700 acres, representing 29% of its total landbank. Lagenda also is set to be the largest landowner in Kedah (thanks to its recent land acquisition) across our broader developer universe with landbank of 1,173 acres (20% of its total landbank).

EARNINGS REVISION/RISK

- We forecast Lagenda's revenue/earnings to grow at a three-year CAGR of 27%/28% respectively in 2024-26. This is supported by yearly sales growth of around 15% to RM1.6b by 2026, driven by more launches totalling RM1.9b-2.4b, as well as accelerated progressive billings. Lagenda's sales target of RM1.2b for 2024 (+15% yoy) will be supported by its aggressive 2024 launches amounting to RM1.9b (2.6x the size of the 2023 launches).

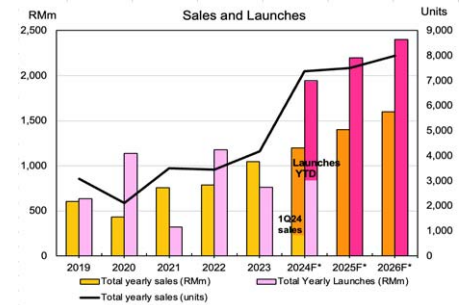
VALUATION/RECOMMENDATION

- **Maintain BUY with an unchanged target price of RM2.32.** Our target price is based on 30% RNAV discount to estimated RNAV of RM3.31, within its five-year historical average discount and largely in line with peers' current average. Lagenda is a legend in the affordable space segment that is able to fetch higher profitability than competitors, attributed to its advantageous low land costs (with a land-cost-to-GDV ratio of 5-7%), efficient construction methodologies (utilising industrialised building systems), strategic contractor partnerships, and in-house material procurement, facilitating cost optimisation. These factors position Lagenda as the highest ROE performer, yielding 16% among affordable property developers and across our broader developer universe.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

Environmental
- Lagenda is proposing residential solar panel installation bolstering ESG credentials.
Social
- Promotes diversity with a 33% female board representation.
Governance
- Five of six members of Board of Directors are independent.

SALES AND LAUNCHES



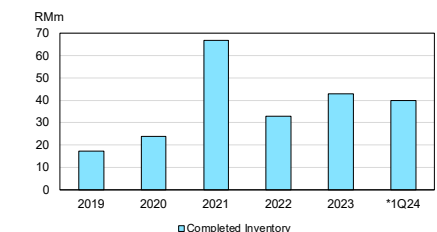
Source: Lagenda, UOB Kay Hian

LAUNCHES UPDATE

1Q24
Perak - Lagenda Aman (Tapah)
* 592 units (GDV: RM127m)
April-May 2024
Perak - Lagenda Aman (Tapah)
* 857 units (GDV: RM183m)
Johor - Lagenda Suria Phase 1B (Kulai)
* 359 units (GDV: RM72m)
Johor - Puncak Warisan (Kota Tinggi)
* 639 units (GDV: RM256m)
Selangor - Lagenda Ardea (Ulu Bernam)
* 831 units (GDV: RM191m)
Total Units Launched YTD: 3,278
Total GDV Launched YTD: RM 829m

Source: Lagenda, UOB Kay Hian

COMPLETED INVENTORY



Source: Lagenda, UOB Kay Hian

RNAV-BASED TARGET PRICE OF RM2.32

Project	RNAV (RMm)	% of RNAV
Johor	1,682	39%
Kulai	1,107	
Kota Tinggi	333	
Mersing	241	
Perak	1,288	30%
BBSAP	251	
LTI	563	
Tapah + Tropika	473	
Kedah	800	18%
Sungai Petani (Darulaman Lagenda)	87	
Gurun (Seed Homes Lagenda)	133	
Sungai Petani (New)	580	
Pahang	237	5%
Selangor	161	4%
Others	195	4%
Total Project RNAV	4,362	
(+) BV Investment Properties	24	
(+) BV Completed Inventories	44	
(-) Net Debt	673	
Total RNAV	3,757	
Diluted Sharebase	1,136	
RNAV/share	3.31	
Discount	30%	
Target Price (RM)	2.32	

Source: Lagenda, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2023	2024F	2025F	2026F
Net turnover	843	1,015	1,307	1,726
EBITDA	238	329	412	523
Deprec. & amort.	5	11	18	19
EBIT	233	318	395	504
Associate contributions	2	0	0	0
Net interest income/(expense)	(18)	(28)	(38)	(48)
Pre-tax profit	217	289	357	456
Tax	(64)	(86)	(106)	(135)
Minorities	0	0	0	0
Net profit	153	203	251	321
Net profit (adj.)	153	203	251	321

CASH FLOW

Year to 31 Dec (RMm)	2023	2024F	2025F	2026F
Operating	113	259	308	299
Pre-tax profit	217	289	357	456
Tax	(62)	(86)	(106)	(135)
Deprec. & amort.	5	11	18	19
Associates	2	0	0	0
Working capital changes	(31)	44	39	(41)
Other operating cashflows	(19)	0	0	0
Investing	(79)	(519)	(319)	(319)
Capex (growth)	(4)	(500)	(300)	(300)
Capex (maintenance)	(19)	(19)	(19)	(19)
Proceeds from sale of assets	0	0	0	0
Others	(56)	0	0	0
Financing	(193)	344	181	171
Dividend payments	(64)	(56)	(59)	(69)
Issue of shares	0	0	0	0
Proceeds from borrowings	0	400	240	240
Loan repayment	(83)	0	0	0
Others/interest paid	(46)	0	0	0
Net cash inflow (outflow)	(160)	85	170	152
Beginning cash & cash equivalent	410	328	412	582
Changes due to forex impact	78	0	0	0
Ending cash & cash equivalent	328	412	582	734

BALANCE SHEET

Year to 31 Dec (RMm)	2023	2024F	2025F	2026F
Fixed assets	47	54	55	55
Other LT assets	640	609	646	676
Cash/ST investment	328	412	582	734
Other current assets	1,232	1,521	1,924	2,491
Total assets	2,247	2,597	3,208	3,956
ST debt	172	172	172	172
Other current liabilities	824	624	800	1,053
LT debt	130	530	770	1,010
Other LT liabilities	14	16	18	22
Shareholders' equity	1,107	1,255	1,447	1,700
Minority interest	0	0	(1)	(1)
Total liabilities & equity	2,247	2,597	3,208	3,956

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	28.3	32.4	31.5	30.3
Pre-tax margin	25.8	28.5	27.3	26.4
Net margin	18.1	20.0	19.2	18.6
ROA	7.6	8.4	8.6	9.0
ROE	14.4	17.2	18.6	20.4
Growth				
Turnover	(2.7)	20.3	28.9	32.0
Net profit (adj.)	(14.3)	33.1	23.3	27.9
Leverage				
Debt to total capital	21.5	35.9	39.4	41.0
Debt to equity	27.3	56.0	65.1	69.5
Net debt/(cash) to equity	(2.3)	23.1	24.9	26.4
Interest cover (x)	82.6	7.4	1.6	1.4

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