

# Flash Note



Refer to important disclosures at the end of this report

AllianceDBS Research, Malaysia Equity

24 Aug 2020

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

Mkt. Cap: US\$67.6m | 3m Avg. Daily Val: US\$0.36m

Last Traded Price ( 24 Aug 2020): RM0.10

Price Target 12-mth: RM0.11 (10% upside) (Prev RM0.11)

### Analyst

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### Lack of catalysts

- 1QFY21 results buffered by earnings from education arm; met expectations
- RM161m unbilled sales to sustain near term earnings visibility
- Persistently weak market sentiment to dampen property sales
- Maintain HOLD with RM0.11 TP

### Forecasts and Valuation

FY Mar (RMm)	2020A	2021F	2022F	2023F
Revenue	140	106	110	89.0
EBITDA	28.5	28.7	32.3	29.4
Pre-tax Profit	26.8	14.4	17.1	13.3
Net Profit	15.3	6.84	9.73	8.29
Net Pft (Pre Ex.)	6.99	6.84	9.73	8.29
Net Pft Gth (Pre-ex) (%)	69.1	(2.2)	42.3	(14.8)
EPS (sen)	0.52	0.23	0.33	0.28
EPS Pre Ex. (sen)	0.24	0.23	0.33	0.28
EPS Gth Pre Ex (%)	69	(2)	42	(15)
Diluted EPS (sen)	0.52	0.23	0.33	0.28
Net DPS (sen)	0.0	0.0	0.0	0.0
BV Per Share (sen)	36.4	36.6	36.9	37.2
PE (X)	18.4	41.3	29.0	34.1
PE Pre Ex. (X)	40.4	41.3	29.0	34.1
P/Cash Flow (X)	nm	6.3	13.5	3.7
EV/EBITDA (X)	16.3	15.8	14.4	14.3
Net Div Yield (%)	0.0	0.0	0.0	0.0
P/Book Value (X)	0.3	0.3	0.3	0.3
Net Debt/Equity (X)	0.1	0.1	0.1	0.0
ROAE (%)	1.4	0.6	0.9	0.8

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

### What's New

**1QFY21 in line.** Stripping out write-backs of RM4.6m, Land & General Bhd (LGH) reported 1QFY21 core earnings of RM0.9m. While the impact of the government's Movement Control Order (MCO) in response to the COVID-19 pandemic resulted in much lower progress billings for the property division during the quarter, this was buffered by LGH's education arm which remained resilient.

**Dragged by slow progress billings.** LGH's property segment recorded RM1.3m loss before interest and taxes (LBIT), compared to RM8.2m earnings before interest and taxes (EBIT) in 1QFY20. This was due to its lower segmental revenue which plunged 78% y-o-y to RM8.4m as the MCO had impeded construction site progress.

**Weak property sales.** LGH achieved low property sales of RM8m in 1QFY21. Nevertheless, unbilled sales remained steady at RM161m (-11% y-o-y) which will underpin its earnings visibility in the near term.

**Resilient education arm.** Its education business posted a strong quarterly EBIT of RM2.1m (+39% y-o-y) due to increased student enrolment for its international school with the opening of additional classes for upper primary and secondary levels. Its EBIT margin came in at 39% which was higher than the usual ~30% margin.

### Outlook

**Challenging property market.** LGH has only launched the second phase of Damansara Foresta called Damansara Seresta (RM480m gross development value (GDV)) in 2HCY18 in view of the sluggish property market. We believe most of its pipeline will be further delayed until there is a

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turnaround in the operating environment. The delay has derailed LGH's earnings growth momentum. A strong sales performance from Damansara Seresta will be critical to sustain its earnings growth given the declining trend of unbilled sales.

**Healthy balance sheet.** While the property market remains mired with challenges, LGH's healthy balance sheet with a low net gearing level of 9% as at end-1QFY21 will help to tide over this difficult period.

### Valuation and Recommendation

**Maintain HOLD.** We maintain our target price (TP) of RM0.11, based on an unchanged 80% discount to our revalued net asset value (RNAV). We believe it will take much longer for the company to monetise its deep land value given the persistently weak property market which has resulted in delays of its launches.

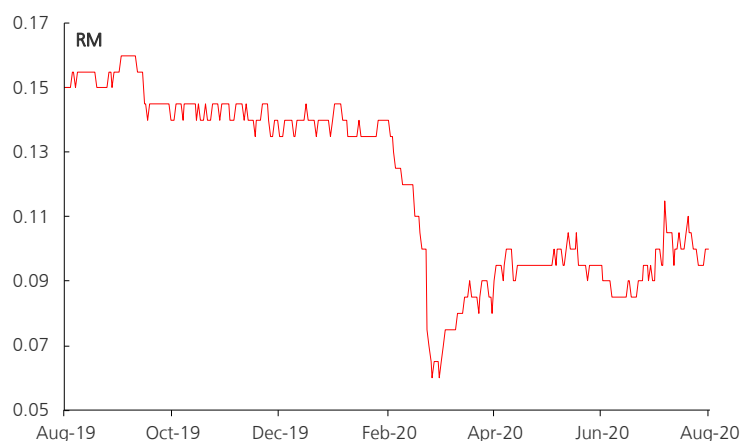
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### Quarterly Income Statement (RMm)

FY Mar	1Q2020	4Q2020	1Q2021	% chg yoy	% chg qoq
Revenue	44.4	19.4	14.7	(66.9)	(24.3)
Cost of Goods Sold	(38.2)	(25.0)	(16.0)	(58.1)	(35.9)
<b>Gross Profit</b>	<b>6.20</b>	<b>(5.6)</b>	<b>(1.3)</b>	<b>nm</b>	<b>76.5</b>
Other Oper. (Exp)/Inc	2.53	4.09	0.61	(75.9)	(85.1)
<b>Operating Profit</b>	<b>8.73</b>	<b>(1.5)</b>	<b>(0.7)</b>	<b>(108.0)</b>	<b>(52.7)</b>
Other Non Opg (Exp)/Inc	(0.2)	(4.0)	1.14	nm	nm
Associates & JV Inc	0.41	5.21	0.70	72.1	(86.5)
Net Interest (Exp)/Inc	(0.6)	(0.8)	(0.6)	(9.5)	18.8
Exceptional Gain/(Loss)	0.0	8.35	4.56	nm	(45.4)
<b>Pre-tax Profit</b>	<b>8.42</b>	<b>7.29</b>	<b>5.09</b>	<b>(39.5)</b>	<b>(30.2)</b>
Tax	(2.2)	2.35	0.24	(111.2)	(89.6)
Minority Interest	(3.0)	1.34	0.11	nm	(91.9)
<b>Net Profit</b>	<b>3.26</b>	<b>11.0</b>	<b>5.44</b>	<b>67.0</b>	<b>(50.5)</b>
Net Profit bef Except.	3.26	2.63	0.88	(73.1)	(66.6)
EBITDA	8.98	(0.3)	1.14	(87.3)	nm
<b>Margins (%)</b>					
Gross Margins	14.0	(28.7)	(8.9)		
Opg Profit Margins	19.7	(7.6)	(4.8)		
Net Profit Margins	7.3	56.5	37.0		

Source of all data: Company, AllianceDBS

### Target Price & Ratings History



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
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**Note** : Share price and target price are adjusted for corporate actions.

Source: AllianceDBS

Analyst: QUAH He Wei

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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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