

UPDATE REPORT

24 November 2020

Land & General Berhad

Bursa / Bloomberg Code: L&G / LGH MK

Price : RM0.095

Market Capitalization : RM282.5 mln

Market : Main Market

Sector : Properties

Recommendation : Hold

L&G: 2QFY21 results

FYE Mar (RM mln)	Quarter-on-Quarter			Year-on-Year		Cumulative		
	2QFY21	1QFY21	% chg	2QFY20	% chg	1HFY21	1HFY20	% chg
Revenue	52.0	14.7	253.3%	39.2	32.5%	66.7	83.6	-20.3%
Operating profit	25.2	3.9	552.1%	10.3	145.6%	29.0	19.0	53.0%
Finance costs	(0.6)	(0.6)		(0.6)		(1.2)	(1.2)	
Pre-tax profit	21.0	5.1	312.8%	7.2	192.4%	26.1	15.6	67.3%
Tax	(3.3)	0.2		(3.6)		(3.0)	(5.8)	
Net profit	14.1	5.4	158.7%	1.7	708.4%	19.5	5.0	290.5%
Reported EPS (sen)	0.47	0.18	161.1%	0.06	683.3%	0.66	0.17	288.2%
Op. profit margin	48.5%	26.3%		26.1%		43.6%	22.7%	
Pre-tax margin	40.4%	34.6%		18.3%		39.1%	18.7%	
Net profit margin	27.1%	37.0%		4.4%		29.3%	6.0%	
Net assets/share (RM)	0.37							

2QFY21 Results Review

- L&G's net profit in 2QFY21 rebounded strongly with RM14.1 mln as compared to RM5.4 mln in 1QFY21 and RM1.7 mln a year ago. The boost was largely owing to writebacks of financial obligation and impairment loss amounted to a total of RM11.3 mln.
- For the quarter under review, both property and education segments registered improvements in revenue and operating profit. The property division booked in higher progress billings on completion of 2 projects in 2QFY21 - Sena Parc Phase 1A and Astoria Ampang Phase 1. In terms of sales, the Group recorded RM29.8 mln in new property sales from its own ongoing projects in 2QFY21, a marked improvement from RM8.3 mln in 1QFY21 which was affected by the Movement Control Order. The RM29.8 mln new sales exclude JV and associate projects, which if included, would be RM56.1 mln. Meanwhile the Group's international school continued to perform well with higher student enrolment.
- For 1HFY21, property revenue and operating profit were down 26.2% and 35.9% YoY to RM53.6 mln and RM12.5 mln respectively mainly due to drag from the preceding quarter. Fortunately, the education business continued to record steadily rising revenue and profit, growing 26.0% and 57.4% YoY respectively in 1HFY21, thanks to its recurring income nature of business.
- 1HFY21 net profit increased 290.5% YoY to RM19.5 mln, largely supported by the RM11.3 mln of writebacks recognized in 2QFY21 as mentioned earlier. Other contributing factors to the higher profit included higher share of contribution from JV project and lower effective tax rate due to certain non-taxable income, though these were moderated by higher losses from associated company as well as losses suffered on fair value changes arising from its investment.

Segmental Breakdown	Y-o-Y			Year-to-date		
	2QFY21	2QFY20	% Chg	1HFY21	1HFY20	% Chg
Revenue						
Property	45.3	33.8	33.9%	53.6	72.6	-26.2%
Education	5.5	4.4	24.4%	11.1	8.8	26.0%
Others	1.1	0.9	20.2%	2.0	2.2	-11.6%
Group	52.0	39.2	32.5%	66.7	83.6	-20.3%
Operating profit						
Property	13.8	11.3	21.8%	12.5	19.5	-35.9%
Education	1.8	0.9	87.9%	3.9	2.5	57.4%
Others	9.6	(2.0)	nm	12.6	(3.0)	nm
Group	25.2	10.3	145.6%	29.0	19.0	53.0%
Operating profit margin						
Property	30.4%	33.4%		23.3%	26.9%	
Education	31.8%	21.1%		35.2%	28.2%	
Others	858.9%	nm		646.6%	nm	
Group	48.5%	26.1%		43.6%	22.7%	

- On the corporate front, L&G, through its subsidiary, has on 23 October 2020 signed a Joint Venture and Shareholders' Agreement to acquire and develop a piece of freehold commercial land measuring approximately 3.5 hectares in Semenyih, Selangor via a JV company in which L&G has subscribed for a 30%-stake.
- Looking ahead, we maintain our view that property sector outlook continues to be challenging in the near term as consumer sentiments remain weak as the country is still battling the rising Covid-19 infection. However, the several initiatives put in place by Government to stimulate property sales, such as the ongoing Home Ownership Campaign ("HOC"), may help provide some respite to property developers. Additionally, under the Budget 2021, the stamp duty exemption on the memorandum of transfer and loan agreement for first-time buyer of residential units has been extended to houses worth up to RM500,000 as compared to RM300,000 earlier. The exemption will last till 31 Dec 2025.
- Given the writebacks recognized in 2QFY21, we adjusted our FY21 net profit estimates to RM21.6 mln from RM16.7 mln earlier. Total unbilled property sales stood at RM121 mln as at end-Sept 2020, or RM88.6 mln after excluding the JV and associate projects. L&G's balance sheet remained healthy with stable net gearing position of 0.1x as at end-Sept 2020, supported by net assets per share of 37 sen.
- No dividend was declared for the quarter.

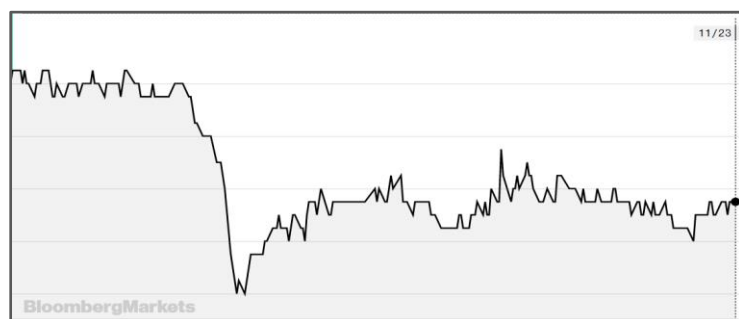
Recommendation

We keep our Hold call with unchanged fair value of 16 sen, derived from ascribing a target P/BV of 0.45x on its projected FY21 book value. We are cognizant of the fact that the Group has large undeveloped landbank of about 3,000 acres with high potential GDV. However, given the prevailing difficult operating environment with sentiments further dampened by the Covid-19 pandemic, the upturn does not appear to be forthcoming and hence, monetization efforts would likely be over a much longer time horizon.

Key Financials (FYE Mar)	FY18A	FY19A	FY20A	FY21f
Revenue	92.9	134.4	139.7	141.4
<i>Revenue growth</i>	<i>117.9%</i>	<i>44.7%</i>	<i>3.9%</i>	<i>1.2%</i>
EBIT (RM m)	88.2	52.8	30.7	40.0
Net profit (RM m)	67.1	41.7	15.3	26.1
<i>Net profit growth</i>	<i>88.8%</i>	<i>-37.9%</i>	<i>-63.2%</i>	<i>70.3%</i>
<i>Net profit margin</i>	<i>72.2%</i>	<i>31.0%</i>	<i>11.0%</i>	<i>18.5%</i>
EPS (sen)	2.5	1.4	0.5	0.9
Div/share (sen)	1.5	1.0	-	-
Payout ratio	65.6%	70.3%	0.0%	0.0%
BV/share (RM)	0.38	0.36	0.37	0.37
Cash flow/share (sen)	2.4	1.6	0.8	1.2

Key Valuation Metrics	FY18A	FY19A	FY20A	FY21f
P/E (x)	6.1	10.6	28.8	17.1
P/BV (x)	0.4	0.4	0.4	0.4
P/cashflow (x)	5.8	8.7	18.0	12.0
Dividend yield	10.7%	7.1%	0.0%	0.0%
ROE	6.5%	3.9%	1.4%	2.3%
Net gearing (x)	Net cash	Net cash	0.1	0.1

L&G 's last 12-month share price chart



Source: Bloomberg

Analyst:
Nicole Tan
nicole@zj.com.my
03-2032 2328

RATING GUIDE

BUY	Price appreciation expected to exceed 15% within the next 12 months
SELL	Price depreciation expected to exceed 15% within the next 12 months
HOLD	Price movement expected to be between -15% and +15% over the next 12 months from current level

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ZJ Advisory Sdn Bhd (Co No: 645449-V)
(An investment adviser licensed by the Securities Commission)
Suite 27, 27th Floor, Sunway Tower,
No 86, Jalan Ampang, 50450 Kuala Lumpur
Tel (603) 2032 2328 Facsimile (603) 2032 1328
