

# Flash Note



Refer to important disclosures at the end of this report

AllianceDBS Research, Malaysia Equity

21 Nov 2017

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

Mkt. Cap: US\$152m | 3m Avg. Daily Val: US\$0.33m

Last Traded Price ( 20 Nov 2017): RM0.22

Price Target 12-mth: RM0.28 (30% upside)

### Analyst

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## Looking forward to new launches

- 2QFY18 results met expectations
- RM200m unbilled sales to offer earnings visibility
- Strong launch pipeline to underpin turnaround
- Maintain BUY and RM0.28 TP

### Forecasts and Valuation

FY Mar (RMm)	2017A	2018F	2019F	2020F
Revenue	42.7	97.2	227	378
EBITDA	2.00	27.0	57.5	103
Pre-tax Profit	69.8	51.8	48.2	97.0
Net Profit	35.5	39.1	24.1	57.1
Net Pft (Pre Ex.)	(40.7)	5.37	24.1	57.1
Net Pft Gth (Pre-ex) (%)	nm	nm	348.9	136.7
EPS (sen)	2.53	1.33	0.81	1.93
EPS Pre Ex. (sen)	(2.9)	0.18	0.81	1.93
EPS Gth Pre Ex (%)	(176)	(106)	344	137
Diluted EPS (sen)	2.53	1.33	0.81	1.93
Net DPS (sen)	1.58	1.00	1.00	1.00
BV Per Share (sen)	46.8	36.5	35.9	36.8
PE (X)	8.5	16.1	26.4	11.2
PE Pre Ex. (X)	nm	117.2	26.4	11.2
P/Cash Flow (X)	89.2	nm	296.9	nm
EV/EBITDA (X)	9.7	13.9	8.2	6.9
Net Div Yield (%)	7.3	4.7	4.7	4.7
P/Book Value (X)	0.5	0.6	0.6	0.6
Net Debt/Equity (X)	CASH	CASH	CASH	0.0
ROAE (%)	5.2	4.5	2.3	5.3

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

### What's New

**In-line 2QFY18 performance.** L&G reported a 2QFY18 net profit of RM25.4m which was largely lifted by RM35.5m write-back of cost arising from the Damansara Foresta project that was handed over last year. On a core earnings basis, a net loss of RM10.2m was recorded in 2QFY18. Nevertheless, we expect a much stronger performance in 2HFY18 as its Astoria project will start to contribute meaningfully following the completion of the podium of the project.

**Higher revenue in 2QFY18.** L&G's 2QFY18 revenue came in at RM22.8m, which represents a surge of 95% q-o-q and 45% y-o-y. This is also highest quarterly revenue since 4QFY16 as Astoria was only launched in mid-CY16. Property development accounted for 70% of 2QFY18 revenue while its education business contributed 16%.

**More launches in the near term.** After an absence of more than a year since its last launch of Astoria phase 1, L&G is set to launch the second phase of Damansara Foresta called Damansara Seresta (RM480m GDV) and also its first township development in recent years with Sena Parc phase 1 (RM230m GDV) in Senawang where the former Tuanku Jaafar Golf and Country Club is located. A strong sales performance from both projects could help deliver impressive earnings growth given its small earnings base.

## Flash Note

**Maintain Buy.** We reiterate our BUY recommendation with a TP of RM0.28, based on a 65% discount to our RNAV. It is trading at an unjustifiably steep discount of 73% to its RNAV, thus giving a decent dividend yield of 4.5%. With a net cash position of RM218m (representing ~35% of its market cap), L&G is set to unlock its deep land value via more launches.

### Quarterly / Interim Income Statement (RMm)

FY Mar	2Q2017	1Q2018	2Q2018	% chg yoy	% chg qoq
Revenue	15.7	11.7	22.8	45.2	95.1
Cost of Goods Sold	(16.6)	(20.5)	(26.6)	60.4	29.9
<b>Gross Profit</b>	<b>(0.9)</b>	<b>(8.8)</b>	<b>(3.8)</b>	<b>(340.8)</b>	<b>57.1</b>
Other Oper. (Exp)/Inc	5.83	4.59	3.34	(42.7)	(27.1)
<b>Operating Profit</b>	<b>4.98</b>	<b>(4.2)</b>	<b>(0.4)</b>	<b>(108.4)</b>	<b>(90.1)</b>
Other Non Opg (Exp)/Inc	1.59	2.28	(0.8)	nm	(135.2)
Associates & JV Inc	(0.2)	0.0	0.0	nm	nm
Net Interest (Exp)/Inc	(0.6)	(1.0)	(1.0)	(70.9)	(0.9)
Exceptional Gain/(Loss)	15.6	33.7	35.5	127.7	5.4
<b>Pre-tax Profit</b>	<b>21.4</b>	<b>30.8</b>	<b>33.3</b>	<b>55.6</b>	<b>8.1</b>
Tax	(5.8)	(8.5)	(9.1)	58.3	7.6
Minority Interest	(5.4)	1.60	1.17	nm	(26.9)
<b>Net Profit</b>	<b>10.3</b>	<b>23.9</b>	<b>25.4</b>	<b>146.8</b>	<b>6.0</b>
Net profit bef Except.	(5.3)	(9.8)	(10.2)	(90.9)	4.0
EBITDA	14.1	6.93	(1.2)	nm	nm
<b>Margins (%)</b>					
Gross Margins	(5.4)	(75.0)	(16.5)		
Opg Profit Margins	31.7	(35.8)	(1.8)		
Net Profit Margins	65.4	204.6	111.2		

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, 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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Wong Ming Tek, Executive Director

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