

# Flash Note



Refer to important disclosures at the end of this report

AllianceDBS Research, Malaysia Equity

28 Feb 2018

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

Mkt. Cap: US\$150m | 3m Avg. Daily Val: US\$0.15m

Last Traded Price ( 27 Feb 2018): RM0.20

Price Target 12-mth: RM0.28 (40% upside) (Prev RM0.28)

Shariah Compliant: Yes

### Analyst

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## Turning around

- 3QFY18 results met expectations
- Unbilled sales of RM197m offers near-term earnings visibility
- Launch of Damansara Seresta in Mar 2018 to drive earnings growth
- 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)	7.9	15.0	24.6	10.4
PE Pre Ex. (X)	nm	109.0	24.6	10.4
P/Cash Flow (X)	83.0	nm	276.2	nm
EV/EBITDA (X)	nm	12.3	7.4	6.5
Net Div Yield (%)	7.9	5.0	5.0	5.0
P/Book Value (X)	0.4	0.5	0.6	0.5
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

**Strong 3QFY18 performance.** Land & General (L&G) reported 3QFY18 core net profit of RM5.3m which was a strong turnaround from its core loss of RM20m (stripping out write-backs and land compensation) in 1HFY18 as its Astoria project has started to contribute meaningfully following the completion of the podium stage.

**Higher revenue in 3QFY18.** L&G's 3QFY18 revenue came in at RM24.9m, which represents a jump of 9% q-o-q and 245% y-o-y. This is also the highest quarterly revenue since 4QFY16 as Astoria was only launched in mid-CY16. Property development accounted for 76% of 3QFY18 revenue while its education business contributed 15%.

**More launches going forward.** 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) in Mar 2018. A strong sales performance from the project could help deliver impressive earnings growth given its small earnings base.

**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 75% to its RNAV, and offers a decent dividend yield of 5%. We expect a dividend to be declared in the upcoming 4QFY18 results in May 2018. With a net cash position of RM188m (representing ~32% of its market cap), L&G is set to unlock its deep land value via more launches.



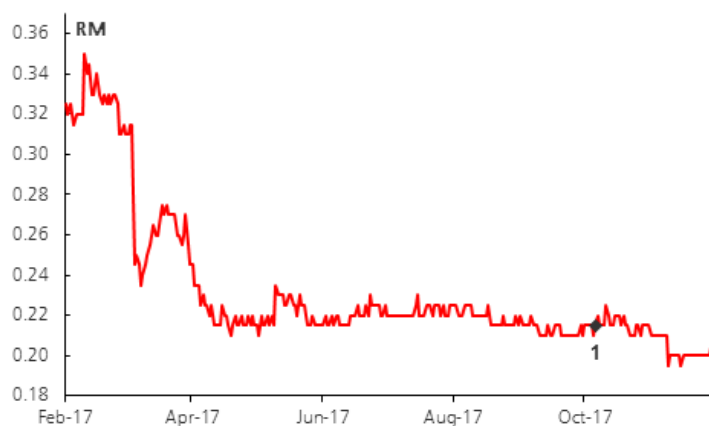
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### Quarterly / Interim Income Statement (RMm)

FY Mar	3Q2017	2Q2018	3Q2018	% chg yoy	% chg qoq
Revenue	7.20	22.8	24.9	245.1	8.9
Cost of Goods Sold	(9.8)	(26.6)	(22.9)	134.0	(13.9)
<b>Gross Profit</b>	<b>(2.6)</b>	<b>(3.8)</b>	<b>1.98</b>	<b>nm</b>	<b>nm</b>
Other Oper. (Exp)/Inc	4.43	3.34	4.88	10.2	46.0
<b>Operating Profit</b>	<b>1.86</b>	<b>(0.4)</b>	<b>6.87</b>	<b>269.1</b>	<b>(1,750.2)</b>
Other Non Opg (Exp)/Inc	8.63	(0.8)	(1.1)	nm	32.3
Associates & JV Inc	(0.5)	0.0	0.0	nm	nm
Net Interest (Exp)/Inc	(0.6)	(1.0)	(1.0)	(65.2)	(3.6)
Exceptional Gain/(Loss)	8.60	35.5	0.0	nm	nm
<b>Pre-tax Profit</b>	<b>18.0</b>	<b>33.3</b>	<b>4.77</b>	<b>(73.5)</b>	<b>(85.7)</b>
Tax	(3.1)	(9.1)	2.69	(185.6)	(129.5)
Minority Interest	1.03	1.17	(2.1)	nm	nm
<b>Net Profit</b>	<b>15.9</b>	<b>25.4</b>	<b>5.34</b>	<b>(66.4)</b>	<b>(78.9)</b>
Net profit bef Except.	7.30	(10.2)	5.34	(26.8)	nm
EBITDA	17.9	(1.2)	6.69	(62.7)	nm
<b>Margins (%)</b>					
Gross Margins	(35.7)	(16.5)	8.0		
Opg Profit Margins	25.8	(1.8)	27.6		
Net Profit Margins	220.7	111.2	21.5		

Source of all data: Company, AllianceDBS

### Target Price & Ratings History



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	01 Nov 17	0.22	0.28	BUY

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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