



Land & General Bhd (LGH MK) : BUY

Mkt. Cap: US\$143m | 3m Avg. Daily Val: US\$0.13m

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

Price Target 12-mth: RM0.23 (15% upside) (Prev RM0.24)

Shariah Compliant: Yes

Analyst

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Delayed launches due to challenging market

- 1QFY19 results missed expectations
- Weak property sales in 1QFY19
- Cut FY19-20F earnings by 40%/33% for delayed launches
- Maintain BUY with revised TP of RM0.23

Forecasts and Valuation

FY Mar (RMm)	2018A	2019F	2020F	2021F
Revenue	80.3	158	258	352
EBITDA	16.4	36.1	66.0	112
Pre-tax Profit	87.1	25.0	54.4	99.8
Net Profit	75.4	10.2	29.2	66.5
Net Pft (Pre Ex.)	(2.8)	10.2	29.2	66.5
Net Pft Gth (Pre-ex) (%)	93.1	nm	186.3	127.7
EPS (sen)	2.57	0.34	0.99	2.24
EPS Pre Ex. (sen)	(0.1)	0.34	0.99	2.24
EPS Gth Pre Ex (%)	97	nm	186	128
Diluted EPS (sen)	2.57	0.34	0.99	2.24
Net DPS (sen)	1.50	1.50	1.00	1.00
BV Per Share (sen)	37.9	36.4	35.8	37.1
PE (X)	7.8	58.1	20.3	8.9
PE Pre Ex. (X)	nm	58.1	20.3	8.9
P/Cash Flow (X)	nm	5.3	19.5	27.0
EV/EBITDA (X)	24.6	11.0	7.2	4.8
Net Div Yield (%)	7.5	7.5	5.0	5.0
P/Book Value (X)	0.5	0.6	0.6	0.5
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	8.5	0.9	2.7	6.2

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

What's New

Weak 1QFY19. Land & General (L&G) reported a 1QFY19 net profit of RM1.8m, which only accounted for 10% of our initial FY19 full-year estimate. The weaker-than-expected results were largely due to the lack of contribution from new launches, especially Damansara Seresta which had been imputed in our earnings forecast. Also, the profit margin of its education business dipped as a result of higher overheads following the launch of its international school.

Slow property sales. L&G achieved RM14m property sales in 1QFY19, largely due to its Sena Parc project in Senawang. Meanwhile, unbilled sales stood at RM176m which will underpin its earnings visibility in the near term.

Banking on new launches. L&G has not officially launched the second phase of Damansara Foresta called Damansara Seresta (RM480m GDV) though it is open for booking since Mar 2018. We had earlier expected the project to be launched by 1QFY19 amid encouraging response. However, the delayed launch has derailed L&G's near-term earnings momentum, and a strong sales performance from the project would be critical to sustain its earnings growth.

Cut FY19-20F earnings by 40%/33%. This is mainly to account for the delays for its new launches, as a recovery in the property market remains elusive. Therefore, we revise down our TP to RM0.23, based on an unchanged 70% discount to our RNAV. Nevertheless, we retain our BUY rating in view of the currently unjustified steep discount of 74% to its RNAV, as well as its attractive dividend yield of 7.5%. Its strong balance sheet with RM193m net cash (6.6 sen/share) will allow the company to continue to reward its shareholders, in line with its practice over the past few years.

Flash Note

Quarterly / Interim Income Statement (RMm)

FY Mar	1Q2018	4Q2018	1Q2019	% chg yoy	% chg qoq
Revenue	22.0	20.9	22.1	0.3	5.6
Cost of Goods Sold	(19.6)	(19.1)	(22.1)	12.6	15.7
Gross Profit	2.38	1.80	0.0	nm	nm
Other Oper. (Exp)/Inc	1.88	4.61	5.15	173.7	11.7
Operating Profit	4.26	6.41	5.13	20.4	(20.0)
Other Non Opg (Exp)/Inc	2.28	(1.6)	(0.3)	nm	(83.1)
Associates & JV Inc	0.0	(3.3)	(0.8)	nm	(74.5)
Net Interest (Exp)/Inc	(1.0)	(1.0)	(1.1)	(5.7)	(6.5)
Exceptional Gain/(Loss)	24.9	17.8	0.0	nm	(100.0)
Pre-tax Profit	30.5	18.3	2.96	(90.3)	(83.8)
Tax	(8.4)	3.81	(0.5)	(94.6)	(111.9)
Minority Interest	1.60	(1.3)	(0.7)	nm	(45.3)
Net Profit	23.7	20.8	1.79	(92.4)	(91.4)
Net profit bef Except.	(1.3)	3.02	1.79	nm	(40.5)
EBITDA	15.4	2.21	4.94	(67.8)	123.8
Margins (%)					
Gross Margins	10.8	8.6	(0.1)		
Opg Profit Margins	19.3	30.7	23.2		
Net Profit Margins	107.6	99.4	8.1		

Source of all data: Company, AllianceDBS

Target Price & Ratings History



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	29 Dec 17	0.22	0.28	BUY

Note: Share price and Target price are adjusted for corporate actions.

Source: AllianceDBS

Analyst: QUAH He Wei, CFA

DISCLOSURE

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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