

3QFY19 RESULTS UPDATE

28 February 2019

Land & General Berhad

Bursa / Bloomberg Code: L&G / LGH MK

Price : RM0.15

Market Capitalization : RM446.0 mln

Market : Main Market

Sector : Properties

Recommendation : Buy

L&G: 3QFY19 results

FYE Mar (RM mln)	Quarter-on-Quarter			Year-on-Year		Cumulative		
	3QFY19	2QFY19	% chg	3QFY18	% chg	9MFY19	9MFY18	% chg
Revenue	38.7	26.1	47.9%	24.3	58.8%	86.9	69.0	25.9%
Operating profit	10.4	4.8	115.7%	6.4	63.3%	20.4	70.2	-71.0%
Finance costs	(1.4)	(1.1)		(1.0)		(3.6)	(3.0)	
Pre-tax profit	15.2	0.2	>100%	4.3	>100%	18.3	67.6	-72.9%
Tax	(1.5)	(1.3)		2.8		(3.2)	(14.6)	
Net profit	11.0	(1.6)	n.m.	4.9	>100%	11.2	53.6	-79.1%
Reported EPS (sen)	0.37	(0.05)	n.m.	0.17	n.m.	0.38	2.03	-81.3%
Op. profit margin	26.9%	18.5%		26.2%		23.4%	101.7%	
Pre-tax margin	39.2%	0.7%		17.6%		21.1%	97.9%	
Net profit margin	28.5%	n.m.		20.3%		12.9%	77.6%	
Net assets/share (RM)	0.37							

3QFY19 Results Review

- L&G's 3QFY19 results bounced back rather strongly in 3QFY19 after a loss-making 2QFY19. Net profit for the quarter more than doubled YoY to RM11.0 mln from RM4.9 mln a year ago, with 9MFY19 bottom line at RM11.2 mln. The 9MFY19 performance exceeded our expectation, having accounted for 112% of our estimate.
- The 3QFY19 profit was primarily supported by higher contribution from the property division following new sales and progress billings from Astoria, Sena Parc and Seresta projects. In addition, fair value gain on investment as well as share of profit from associate further boosted the bottom line.
- Meanwhile, the education division continued to deliver consistent and steady results with revenue and operating profit up 10.0% and 31.4% YoY respectively due to additional student enrolment from the international school.
- On cumulative performance, 9MFY19 revenue was up 25.9% YoY chiefly (again) on stronger results from the property division. Net profit, nevertheless, was down 79.1% YoY due to high-base effect in previous year following write-back of expenses in 9MFY18.
- Looking ahead, the Group's outlook continues to hinge upon consumer sentiments and the property sector performance, which have not showed much improvement thus far. As such, we believe the sales of Sena Parc and Seresta are also progressing rather slowly. In 3QFY19, L&G's property division registered new property sales of approximately RM37 mln while unbilled sales as of end-Dec 2018 stands at about RM280 mln. Both figures include its own projects as well as projects from its associate/JV.

	Y-o-Y			Year-to-date		
	3QFY19	3QFY18 restated	% Chg	9MFY19	9MFY18	% Chg
Revenue						
Property	33.0	18.5	78.1%	68.5	50.6	35.4%
Education	3.9	3.5	10.0%	10.9	10.4	5.2%
Others	1.8	2.3	-21.2%	7.4	8.0	-7.3%
Group	38.7	24.3	58.8%	86.9	69.0	25.9%
Operating profit						
Property	9.9	6.2	60.4%	15.0	69.9	-78.6%
Education	1.4	1.1	31.4%	3.5	3.8	-7.6%
Others	(0.9)	(0.9)	nm	1.8	(3.6)	nm
Group	10.4	6.4	63.3%	20.4	70.2	-71.0%
Operating profit margin						
Property	30.0%	33.3%	-10.0%	21.9%	138.2%	
Education	36.1%	30.2%	19.5%	47.6%	47.7%	
Others	nm	nm	nm	2.1%	nm	
Group	26.9%	26.2%		23.4%	101.7%	

- In view of the improved 3QFY19 results, we revised our FY19 earnings estimates to RM18.7 mln to account for higher contribution from its associate. We, however, retain our FY20 profit estimate of RM26.7 mln at this juncture, pending overall uptick in the property sector as the near-term outlook continues to be challenging, in our opinion.
- Balance sheet-wise, the Group remains in net cash position with net cash per share of 1.9 sen as at end-Dec 2018, backed by net assets per share of 37 sen.
- No dividend was declared for the quarter under review.

Recommendation

We maintain our **Buy** recommendation on L&G at this juncture with an unchanged fair value of **27 sen**. We continue to derive our fair value from ascribing a target P/BV of 0.7x on its projected FY19 book value. We are cognizant that FY19 performance may not be exciting due to the soft property market condition, which also explained the slow property launch by developers such as L&G. Nevertheless, we opine there is value in the company given its landbank and existing book value (not even considering its RNAV) but this would certainly require patience from investors. The property sector is cyclical in nature. The upturn in cycle may come gradually over the next 12 months, and L&G earnings should improve from FY20 onwards.

Key Financials (FYE Mar)	FY17A	FY18A	FY19F	FY20F
Revenue	42.7	80.3	125.2	227.7
Revenue growth	-87.5%	88.2%	56.0%	81.9%
EBIT (RM m)	70.3	95.7	25.7	49.7
Net profit (RM m)	35.5	75.4	17.4	26.7
Net profit growth	-62.6%	112.3%	-76.9%	53.6%
Net profit margin	83.3%	93.9%	13.9%	11.7%
EPS (sen)	3.2	2.8	0.6	0.9
Div/share (sen)	2.0	1.5	1.0	1.0
Payout ratio	164.9%	58.3%	168.3%	109.6%
BV/share (RM)	0.38	0.39	0.39	0.39
Cash flow/share (sen)	3.0	2.7	0.8	1.2

Key Valuation Metrics	FY17A	FY18F	FY19F	FY20F
P/E (x)	4.7	5.4	25.2	16.4
P/BV (x)	0.4	0.4	0.4	0.4
P/cashflow (x)	5.1	5.6	19.2	13.0
Dividend yield	13.3%	10.0%	6.7%	6.7%
ROE	8.4%	7.1%	1.5%	2.4%
Net gearing (x)	Net cash	Net cash	Net cash	Net cash

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



Source: Bursa Marketplace

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

DISCLAIMER

This report has been prepared by ZJ Advisory Sdn Bhd pursuant to the Mid and Small Cap Research Scheme ("MidS") administered by Bursa Malaysia Berhad. This report has been produced independent of any influence from Bursa Malaysia Berhad or the subject company. Bursa Malaysia Berhad and its group of companies disclaims any and all liability, howsoever arising, out of or in relation to the administration of MidS and/or this report.

This report is for information purposes only and has been prepared by ZJ Advisory based on sources believed to be reliable at the time of issue of this report. We however do not give any guarantee as to the accuracy or completeness of the information provided. Any opinions or estimates in this report are that of ZJ Advisory as of this date and are subject to change without notice. ZJ Advisory has no obligation to update its opinion or the information in this report beyond the scope of participation under MidS.

This report is under no circumstances to be construed as an offer to sell or a solicitation of an offer to buy any securities. Investors should seek financial regarding the appropriateness of investing in any securities discussed or opined in this report. Investors should understand that statements regarding future prospects may not materialize. This report may contain forward looking statement and forecasts, which are based on assumptions that are subject to uncertainties. Any deviation from the expectations may have adverse effect on the projections and prospects contained herein. ZJ Advisory accepts no liability for any direct, indirect or consequential loss arising from the use of this report.

ZJ Advisory and/or its directors and staff may have an interest in the securities mentioned herein. Furthermore, ZJ Advisory and its related companies may, from time to time, provide or seek to provide advisory and/or other services for the company(ies) mentioned in this report, and may be involved in share placement exercise involving securities mentioned herein. In reviewing this research report, investors should be aware that any or all of the foregoing, may among other things, give rise to real or potential conflicts of interest.

This research report is available at MidS' website. For more information on MidS and for other research reports, please visit www.bursamids.com.

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
