

4QFY20 RESULTS UPDATE

24 June 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: 4QFY20 results

FYE Mar (RM mln)	Quarter-on-Quarter			Year-on-Year		Cumulative		
	4QFY20	3QFY20	% chg	4QFY19	% chg	FY20	FY19	% chg
Revenue	19.4	36.7	-47.1%	47.5	-59.2%	139.7	134.4	3.9%
Operating profit	6.9	4.9	40.3%	32.9	-79.1%	30.7	53.2	-42.3%
Finance costs	(0.8)	(0.7)		1.1		(2.6)	(2.4)	
Pre-tax profit	7.3	3.9	85.8%	34.6	-78.9%	26.8	52.9	-49.3%
Tax	2.3	(2.2)		(0.7)		(5.7)	(3.9)	
Net profit	11.0	(0.6)	n.m.	30.4	-63.9%	15.3	41.7	-63.2%
Reported EPS (sen)	0.37	(0.41)	n.m.	1.02	-63.7%	0.52	1.41	-63.1%
Op. profit margin	35.4%	13.3%		69.1%		22.0%	39.6%	
Pre-tax margin	37.5%	10.7%		72.7%		19.2%	39.3%	
Net profit margin	56.5%	n.m.		64.0%		11.0%	31.0%	
Net assets/share (RM)	0.36							

4QFY20 Results Review

- L&G returned to profitability in the quarter under review with 4QFY20 net profit of RM11.0 mln. This brought full year net profit to RM15.3 mln, which was ahead of our earlier expectation of RM9.3 mln, mainly due to writeback of financial obligation, stronger-than-expected share of profit from associate and a positive tax charge in 4QFY20.
- 4QFY20 revenue fell 47.1% YoY on soft property sales given the weak property market and slower progress billings. Construction works were halted from 18 March 2020 following the Movement Control Order ("MCO") imposed by the Government in an effort to curb the spread of Covid-19 pandemic.
- During the quarter, the Group also recorded a fair value loss of RM4.0 mln on an investment, though this was offset by a writeback of financial obligation amounted to RM6.2 mln as well as a RM5.1 mln profit contribution from its associate, Country Garden (M) Properties Sdn. Bhd.
- For the full year, Group revenue inched up 3.9% YoY to RM139.7 mln on higher contribution from both property and education segments. Operating profit, however, declined 42.3% YoY largely owing to the lower profit margins from the property segment, partially offset by higher contribution from the education business.
- The Group's existing property projects include the Astoria in Ampang, Sena Parc in Senawang and Damansara Seresta in Bandar Sri Damansara. New property sales in 4QFY20 was only RM19.8 mln -- about 66% from own projects with the balance from associate and JV projects. Nevertheless, total unbilled sales of RM211.6 mln (or RM160.0 mln excluding JV/associate portion) would provide some near-term visibility.

Segmental Breakdown	Y-o-Y			Year-to-date		
	4QFY20	4QFY19	% Chg	FY20	FY19	% Chg
Revenue						
Property	12.8	41.3	-69.0%	116.0	109.8	5.7%
Education	5.5	4.7	17.3%	19.4	15.7	24.0%
Others	1.1	1.5	-28.4%	4.3	9.0	-52.3%
Group	19.4	47.5	-59.2%	139.7	134.4	3.9%
Operating profit						
Property	0.5	20.4	-97.7%	25.2	35.4	-28.9%
Education	2.4	1.0	128.1%	6.3	4.6	37.0%
Others	4.1	11.4	-64.4%	(0.7)	13.2	nm
Group	6.9	32.9	-79.1%	30.7	53.2	-42.3%
Operating profit margin						
Property	3.6%	49.4%		21.7%	32.3%	
Education	42.4%	21.8%		32.2%	29.1%	
Others	383.2%	771.0%		nm	147.1%	
Group	35.4%	69.1%		22.0%	39.6%	

- Meanwhile, the education division recorded higher turnover and operating margin in FY20 on fee increase last year as well as higher student enrolments especially at the international school following opening of additional classes for upper primary and secondary schools.
- Looking ahead, we expect the Group to record a weak quarter ahead in 1QFY20 due to restricted movement and business activities during MCO which would hit the property segment hard. The situation may improve slowly towards 2HCY20 with the gradual easing of movement and re-opening of economy. Consumer sentiment will remain cautious, in our opinion, although the various initiatives and economic stimulus packages by the Government could help bring some respite for the property sector. To recap, Government has re-introduced Home Ownership Campaign, uplifted 70% margin financing limit for 3rd residential property above RM600,000, stamp duty exemption for 1st RM1.0 mln of residential property and full stamp duty exemption on loan agreements (for sale and purchase agreements signed between 1 June 2020 and 31 May 2021).
- On balance, against the backdrop of challenging outlook, we introduced our conservative FY21 estimates with revenue and net profit at RM141.4 mln and RM16.7 mln respectively, with the assumptions of persistent subdued property outlook, but buffered by steady contributions from the education segment. The Group's balance sheet remained solid with stable net gearing position of 0.09x as at end-March 2020, supported by net assets per share of 36 sen.
- The Group has not declared nor proposed any dividend for the year. This is a break from the past where it used to pay 2.0 sen dividend a year before reducing it to 1.5 sen in FY18 and 1.0 in FY19. This is not a total surprise, though, given its soft performance and tough operating environment ahead with the need to conserve cash.

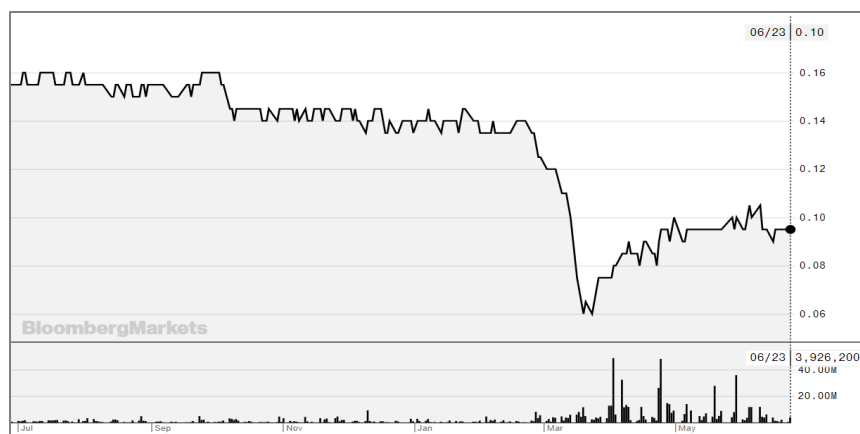
Recommendation

We maintain our Hold recommendation with unchanged fair value of 16 sen, derived from ascribing a reduced 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
Revenue growth	117.9%	44.7%	3.9%	1.2%
EBIT (RM m)	88.2	52.8	30.7	29.0
Net profit (RM m)	67.1	41.7	15.3	16.7
Net profit growth	88.8%	-37.9%	-63.2%	9.1%
Net profit margin	72.2%	31.0%	11.0%	11.8%
EPS (sen)	2.5	1.4	0.5	0.6
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	0.8

Key Valuation Metrics	FY18A	FY19A	FY20A	FY21f
P/E (x)	6.1	10.6	28.8	26.7
P/BV (x)	0.4	0.4	0.4	0.4
P/cashflow (x)	5.8	8.7	18.0	16.6
Dividend yield	10.7%	7.1%	0.0%	0.0%
ROE	6.5%	3.9%	1.4%	1.5%
Net gearing (x)	Net cash	Net cash	0.1	0.1

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



Source: Bloomberg

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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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