

LBS Bina Group Berhad

1Q19 Broadly In-line

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1Q19 CNP came broadly within our/consensus estimates at 19% each. 5M19 property sales of RM524m is also broadly in-line as we expect stronger sales in subsequent quarters. No dividend declared, as expected. Post-results, no changes made to our estimates. No new development with regards to the ZIC Land. Thus, we maintain MP but lower TP to RM0.495 (from RM0.675) after removing the ZIC Land valuation that may require a longer time to materialise.

Broadly within. 1Q19 Core Net Profit (CNP) of RM17.7m is broadly within both our/street's estimates at 19% each. We deemed the performance as broadly within as we expect stronger billings over the subsequent quarters. Similarly, 5M19 sales of RM524m also came broadly in-line with both management and our target's of RM1.5b at 35% as we expect stronger sales with new launches coming from Residensi Bintang Bukit Jalil, Alam Perdana, Bandar Putera Indah, Taman Kinding Flora and CyberSouth projects. No dividend was declared as expected.

Results highlight. YoY-Ytd, despite stronger revenue (+36.0%) coming from stronger property development billings (+37.1%), CNP declined by 23.3% due to: (i) lower margin from construction segment due to higher operating expenses, (ii) higher net interest expense (+31.8%) particularly with the development of Alam Perdana and CyberSouth township as per guided by management, and (iii) higher effective tax rate of 47.9% (+8.1 ppt). QoQ, 1Q19 revenue was higher by 95.7% due to stronger property progress billings. However, CNP was only higher marginally (+3.4%) due to lower property development segment's PBT margin (-15.3 ppt) as previous quarters saw higher cost savings from projects such as BSP21 and Desiran Bayu.

Outlook. Management has set FY19 sales target at RM1.5b with a balance of RM1.2b worth of projects yet to be launched, coming from projects namely, CyberSouth, Residensi Bintang Bukit Jalil, Alam Perdana, Bandar Putera Indah and Taman Kinding Flora. As for the ZIC Land, there is no new development on the transformation plan. Given that the group is highly geared (at 0.81x net gearing), it is more likely that they will find a partner to develop the land. The group may sell part of the land rights to a China-based partner for local advantage if it means speeding up the development progress. However, we think that this may not happen any time soon due to the uncertainties arising from the on-going trade war between U.S. and China.

No changes to earnings. Unbilled sales currently at RM1.7b, providing slightly more than one-year of visibility.

Maintain MARKET PERFORM with a lower TP of RM0.495. We lowered our TP to RM0.495 (from RM0.675) after we removed the ZIC Land from our valuation because we believe that the land value may take longer than expected to be realised. Given its high net gearing position and the US-China trade tension is showing no sign of easing, we think that LBS may develop this land only when market condition is more conducive and upon better balance sheet health. For its Malaysia property projects, we apply a property discount of 80% (at historical trough level), which is above MAHSING's 76% due to the latter having a much lighter balance sheet. For its construction segment, we ascribed a PER of 7.0x to its FY19E earnings, which is slightly above a comparable like MITRA's ascribed 6.0x PER. We are comfortable with our call as there is a lack of near-term catalyst while we have also accounted for the overall challenging property market. However, positive developments with regards to the ZIC Land may warrant a re-rating of our call.

Risks to our call include; (i) stronger/weaker-than-expected property sales, (ii) changes in real estate policies, (iii) changes in lending environment, and (iv) positive/negative news development of ZIC Land.

MARKET PERFORM ↔

Price: RM0.520
Target Price: RM0.495 ↓

Share Price Performance



KLCI	1,650.76
YTD KLCI chg	-2.4%
YTD stock price chg	-18.8%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	LBS MK Equity
Market Cap (RM m)	810.7
Shares Outstanding	1,559.0
52-week range (H)	0.94
52-week range (L)	0.51
3-mth avg daily vol:	595,295
Free Float	44%
Beta	1.1

Major Shareholders

Gaterich Sdn Bhd	40.7%
Kumpulan Wang Persaraan Diperbadankan	11.5%
CIMB Group Holdings Bhd	4.2%

Summary Earnings Table

FY Dec (RM'm)	2018A	2019E	2020E
Turnover	1,122	1,473	1,486
EBIT	199	227	229
PBT	161	187	193
Net Profit (NP)	85	92	95
Core NP	85	92	95
Consensus (CNP)	n.a.	93	101
Earnings Revision	n.a.	n.a.	n.a.
Core EPS (sen)	5.5	5.9	6.1
Core EPS growth (%)	-18%	8%	3%
NDPS (sen)	1.8	1.8	1.8
BV/Share (RM)	0.91	0.99	1.04
Core PER (x)	9.5	8.8	8.5
PBV (x)	0.6	0.5	0.5
Net Gearing (x)	0.8	0.7	0.5
Dividend Yield (%)*	3.5%	3.4%	3.5%

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Results Highlights

FY Dec (RMm)	1Q19	4Q18	QoQ	1Q18	QoQ	3M19	3M18	YoY
Turnover	326.6	166.8	95.7%	240.1	36.0%	326.6	240.1	36.0%
Gross Profit	88.6	95.1	-6.8%	83.6	6.0%	88.6	83.6	6.0%
EBITDA	54.6	57.9	-5.7%	56.8	-3.9%	54.6	56.8	-3.9%
EBIT	46.7	50.0	-6.8%	51.0	-8.4%	46.7	51.0	-8.4%
Interest Income/(expense)	-10.1	-13.1	-23.3%	-7.6	31.8%	-10.1	-7.6	31.8%
Associate	0.0	0.1	-104.1%	0.0	-57.1%	0.0	0.0	-57.1%
PBT	36.6	37.0	-1.1%	43.3	-15.5%	36.6	43.3	-15.5%
Taxation	-17.5	-20.1	-12.6%	-17.3	1.7%	-17.5	-17.3	1.7%
Minority Interest	-1.4	0.2	n.m.	-3.0	-54.8%	-1.4	-3.0	-54.8%
Net Profit	17.7	17.1	3.4%	23.0	-23.3%	17.7	23.0	-23.3%
Core NP	17.7	17.1	3.4%	23.0	-23.3%	17.7	23.0	-23.3%
Core EPS (sen)	1.13	1.20		2.26		1.13	2.26	
NDPS (sen)	0.0	0.0		0.0		0.0	0.0	
BVPS (RM)	0.87	0.95		1.28		0.87	1.28	
EBIT Margin	14.3%	30.0%		21.2%		14.3%	21.2%	
Pretax Margin	11.2%	22.2%		18.0%		11.2%	18.0%	
Net Gearing (x)	0.81	0.79		0.65		0.81	0.65	
Effective Tax Rate	47.9%	54.3%		39.8%		47.9%	39.8%	

Source: Company, Kenanga Research

Segmental Breakdown

FY Dec (RMm)	1Q19	4Q18	QoQ	1Q18	QoQ	3M19	3M18	YoY
External Revenue								
Property Development	265.2	117.5	125.7%	193.5	37.1%	265.2	193.5	37.1%
Construction & Trading	54.7	39.8	37.6%	40.0	36.8%	54.7	40.0	36.8%
Management, Investment & Others	1.6	1.9	-13.8%	0.9	89.0%	1.6	0.9	89.0%
Motor Racing Circuit	5.0	7.6	-35.2%	5.8	-13.8%	5.0	5.8	-13.8%
Total	326.6	166.8	95.7%	240.1	36.0%	326.6	240.1	36.0%
Profit Before Tax								
Property Development	31.3	31.9	-1.7%	23.3	34.4%	31.3	23.3	34.4%
Construction & Trading	4.6	3.4	33.2%	12.8	-64.5%	4.6	12.8	-64.5%
Management, Investment & Others	2.9	0.6	348.4%	9.2	-68.5%	2.9	9.2	-68.5%
Motor Racing Circuit	-2.2	1.0	n.m.	-2.0	9.5%	-2.2	-2.0	n.m.
Total	36.6	37.0	-1.1%	43.3	-15.5%	36.6	43.3	-15.5%
PBT Margins								
Property Development	11.8%	27.1%		12.0%		11.8%	12.0%	
Construction & Trading	8.3%	8.6%		32.1%		8.3%	32.1%	
Management, Investment & Others	175.4%	33.7%		1052.1%		175.4%	1052.1%	
Motor Racing Circuit	-44.2%	13.4%		-34.8%		-44.2%	-34.8%	

Source: Company, Kenanga Research

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FD SoP						
Projects	Stake	Remaining GDV (RM'm)	Effective Remaining GDV (RM'm)	Net Margin	WACC	DCF value (RM'm)
<u>KL/Selangor</u>						
Bukit Jalil Project	100%	807	807	6%	10%	30
Bandar Saujana Putra	100%	3356	3356	6%	10%	114
D'Island Residence	100%	1178	1178	6%	10%	43
Skylake Residence	100%	191	191	6%	10%	9
Taman Tasik Puchong, Phase 2	100%	128	128	6%	10%	6
Alam Awana Industrial Park @ U10 Shah Alam	100%	179	179	6%	10%	9
Bukit Chera	100%	319	319	6%	10%	14
Telok Gong	100%	295	295	6%	10%	13
LBS CyberSouth, Dengkil	51%	3288	1677	6%	10%	49
LBS Alam Perdana	80%	2418	1934	6%	10%	56
Seri Kembangan	100%	647	647	6%	10%	28
Other small parcels	100%	16	16	6%	10%	1
Country Heights, Kajang	100%	3	3	6%	10%	0
<u>Pahang</u>						
Cameron Centrum	69%	2253	1555	6%	10%	49
Tengkolok	61%	472	288	6%	10%	13
Cameron Golden Hills	100%	54	54	6%	10%	3
Taman Royal Lily	51%	357	182	6%	10%	8
Kampung Raja	61%	134	82	6%	10%	4
Sinaran Makhota	100%	139	139	6%	10%	7
Midhills, Genting	100%	73	73	6%	10%	3
Midhills 2, Genting	85%	516	439	6%	10%	18
<u>Perak</u>						
Chemor, Ipoh	100%	271	271	6%	10%	12
Chemor, Ipoh	100%	31	31	6%	10%	2
Puncak Jelapang Maju	100%	18	18	6%	10%	1
Jelapang Maju Light Industrial Park	100%	9	9	6%	10%	0
Kampar Land	100%	331	331	6%	10%	14
<u>Johor</u>						
Bandar Putra Indah	100%	995	995	6%	10%	38
Johor CBD	100%	2299	2299	6%	10%	67
Tampoi, Johor	75%	901	676	6%	10%	26
Danga Bay	85%	873	742	6%	10%	28
Kota Tinggi, Kulai Johor	80%	5425	4340	6%	10%	126
Taman Molek	100%	405	405	6%	10%	17
<u>Sabah</u>						
Celebrity Residence, KK	100%	646	646	6%	10%	27
Unbilled sales		1422.00	1422.00	6%	10%	68
Shareholders fund as at FY17						1202
Malaysia Property RNAV						2105
Zhuhai Holdings	10%					84
Construction based on FY19E PER of 7.0x	59%					152
Dilution impact						202
FD SOP						2543
FD SOP per share						1.47
Malaysia Property RNAV discount						-80%
Implied SoP discount						-66%
Target Price (RM)						0.495

Source: Kenanga Research, Company

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Peer Comparison

Name	Last Price	Market	Shariah	Current	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div.Yld. (%)	Target	Rating
	(RM)				Cap (RM'm)	Compliant	FYE	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	
PROPERTY DEVELOPERS UNDER COVERAGE																	
AMVERTON BHD	1.08	394.3	Y	12/2019	-0.7%	3.4%	-58.8%	7.3%	16.5	40.0	37.3	0.6	0.5	1.4%	0.0%	1.00	UP
ECO WORLD DEVELOPMENT GROUP	0.860	2,532.2	Y	10/2019	-4.4%	-18.3%	23.4%	23.9%	15.3	12.4	10.0	0.7	0.6	4.5%	1.2%	1.15	OP
HUA YANG BHD	0.305	107.4	Y	03/2020	-11.0%	-1.2%	153.2%	-11.8%	N.A.	13.1	14.8	0.2	0.2	1.4%	0.0%	0.335	MP
IOI PROPERTIES GROUP BHD	1.34	7,378.2	Y	06/2019	-15.0%	-6.0%	5.3%	0.7%	11.2	10.6	10.5	0.4	0.4	3.8%	3.7%	1.65	OP
LBS BINA GROUP BHD	0.520	810.7	Y	12/2019	31.3%	0.9%	7.9%	3.4%	9.5	8.8	8.5	0.6	0.5	6.6%	3.4%	0.495	MP
MAGNA PRIMA BHD	0.900	299.4	Y	12/2019	40.0%	11.1%	9637.5%	338.9%	N.A.	1,194.8	272.2	0.8	0.8	0.1%	0.0%	0.740	UP
MAH SING GROUP BHD	0.905	2,197.1	Y	12/2019	4.5%	7.0%	-2.5%	1.0%	13.4	13.7	13.6	0.6	0.6	5.2%	4.4%	1.05	OP
MALYSIAN RESOURCES CORP BHD	0.930	4,091.9	Y	12/2019	-37.3%	58.2%	3.8%	46.1%	54.1	52.1	35.7	0.8	0.8	1.6%	1.5%	0.750	UP
SIME DARBY PROPERTY BHD	1.06	7,208.9	Y	12/2019	13.6%	12.5%	7.8%	16.9%	19.6	18.2	15.6	0.7	0.8	4.1%	2.2%	1.10	MP
SP SETIA BHD	2.19	8,831.2	Y	12/2019	7.8%	29.7%	71.3%	50.5%	40.2	23.5	15.6	0.6	0.6	2.5%	3.2%	2.45	OP
SUNSURIA BHD	0.695	618.5	Y	09/2019	-18.5%	7.4%	-14.7%	9.7%	4.7	5.5	5.0	0.7	0.7	12.9%	0.0%	0.760	OP
SUNWAY BHD	1.69	8,251.0	Y	12/2019	-2.7%	12.5%	-8.5%	22.5%	14.1	15.4	12.6	1.0	1.0	6.3%	3.5%	1.60	MP
UEM SUNRISE BHD	0.860	3,902.2	Y	12/2019	37.0%	-14.3%	9.0%	-11.7%	12.0	11.0	12.4	0.6	0.6	4.9%	1.2%	0.850	MP
UOA DEVELOPMENT BHD	2.34	4,314.3	Y	12/2019	0.6%	-0.4%	4.6%	0.9%	13.0	12.4	12.3	0.9	0.9	7.4%	6.0%	2.15	MP
Simple Average					3.2%	7.3%	702.8%	35.6%	18.6	102.2	34.0	0.7	0.6	4.5%	2.2%		
*SIMEPROP change of FY-end from 30-Jun to 31-Dec. Our historical numbers are based on FY18A while 1-Yr and 2-Yr Fwd are based on FY19E and FY20E figures																	
CONSENSUS NUMBERS																	
GLOMAC BHD	0.355	277.0	Y	04/2019	-37.9%	22.4%	-81.8%	179.8%	8.9	48.6	17.4	0.3	N.A.	0.6%	1.1%	0.390	SELL
MATRIX CONCEPTS HOLDINGS BHD	1.93	1,518.5	Y	03/2020	9.5%	7.1%	6.8%	9.0%	7.0	6.5	6.0	1.1	1.1	16.2%	6.7%	2.33	BUY
PARAMOUNT CORP BHD	2.09	905.7	Y	12/2019	-1.4%	8.4%	2.4%	5.3%	9.9	9.6	9.1	0.8	N.A.	7.2%	4.3%	2.56	BUY
TAMBUN INDAH LAND BHD	0.750	325.1	Y	12/2019	-14.3%	10.6%	-22.4%	10.1%	5.9	7.6	6.9	0.5	N.A.	7.1%	5.7%	0.897	BUY
TITIJAYA LAND BHD	0.290	369.2	Y	06/2019	-14.3%	13.9%	-28.4%	17.1%	5.1	7.1	6.1	0.3	0.3	3.9%	1.7%	0.360	BUY
YONG TAI BHD	0.335	179.0	Y	06/2019	28.1%	108.6%	-168.0%	66.5%	11.5	N.A.	11.3	0.4	0.5	-4.5%	0.0%	0.343	NEUTRAL

Source: Bloomberg, Kenanga Research

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Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%
NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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