

26 November 2019

LBS Bina Group Berhad

9MFY19 Slightly Above Expectation

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9MFY19 CNP came in above our estimate but in line with consensus at 80%/74%, respectively. 11M19 property sales of RM1,475m is above management and our expectations. No dividend was declared, as expected. Post-results, we increase FY19E/FY20E earnings by 6%/7%. No new development with regards to the ZIC Land. Maintain MP with higher TP of RM0.520 (from RM0.495) as we switch to adjusted P/BV valuation method.

Slightly above expectation. 9MFY19 Core Net Profit (CNP) of RM52.8m came in slightly above our estimate, making up 80% of full-year estimates but in-line with consensus' estimate. The deviation was mainly due to stronger-than-expected profit from property development. Besides, 11MFY19 sales of RM1,475m are on track to exceed both management and our full-year targets of RM1.5b. No dividend was declared as expected.

Results highlight. YoY, 9MFY19 registered lower CNP of RM52.8m (-22%) mainly due to i) lower contribution from the construction and trading segment caused by softer profit margin from on-going projects, increase in both finance and depreciation cost, and ii) higher effective tax rate of 43% in 9MFY19 compared to 37% in 9MFY18 due to losses from certain subsidiary companies that could not be set off against taxable profit, non-tax deductible expenses and non-recognition of deferred tax asset for certain temporary difference; and iii) pretax loss of RM23.9m (vs a profit of RM9.0m in 9MFY18) in the management, investment & other division. QoQ, 3QFY19 recorded higher CNP of RM21.1m (+50%) largely due to i) increase in property revenue by 29% to RM357.7m driven by good take up rate and steady construction progress from on-going projects within Klang Valley, Pahang and Johor as well as ii) lower losses from motor racing circuit due to higher income from sponsorship and consultancy services.

Outlook. Management has achieved property sales of RM1.47b in 11M19, almost achieving the RM1.5b sales target. Total GDV launched amounted to RM1.7b for FY19 with no more new launches in the last quarter. Moving forward, launches will be mainly from CyberSouth, Bukit Jalil, Alam Perdana, Bandar Putera Indah and Taman Kinding Flora. As for the ZIC Land, the company is currently working to improve and revise the upgrading and transformation plan after the Chinese government unveiled the national development plan for Greater Bay Area. The company is targeting to resubmit the plan to the authority in near future. Besides, given that the group is highly geared (at 0.7x 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.

Earnings review. Post results, we increase our FY19/FY20E earnings by 6%/7% after raising our property sales and margin assumptions in view of the stronger take-up rate and improved margin.

Maintain MARKET PERFORM with higher TP of RM0.520 (from RM0.495). Our TP is based on P/BV of 0.67x (at minus 1.5 SD of its 3-year historical band) on an adjusted BV/share of RM0.78 (after imputing a 40% discount to its latest available inventory level of completed properties). We are switching to the more conservative P/BV valuation method (from RNAV) as a gauge to ascertain the trough valuations of property stocks amid the prevailing market down cycle. Our revised TP implies a 65% discount to our SoP valuation of RM1.47 per share (partial GDV and partial land bank basis).

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: RM0.495
Target Price: RM0.520 ↑

Share Price Performance



KLCI 1,591.35
YTD KLCI chg -5.9%
YTD stock price chg -22.7%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	LBS MK Equity
Market Cap (RM m)	766.1
Shares Outstanding	1,547.6
52-week range (H)	0.71
52-week range (L)	0.48
3-mth avg daily vol:	639,184
Free Float	40%
Beta	1.0

Major Shareholders

Gaterich Sdn Bhd	41.8%
Kumpulan Wang Persaraan Diperbadankan	11.3%
CIMB Group Holdings Bhd	4.3%

Summary Earnings Table

FY Dec (RM'm)	2018A	2019E	2020E
Turnover	1,122	1,504	1,527
EBIT	199	197	216
PBT	161	150	163
Net Profit (NP)	85	70	77
Core NP	85	70	77
Consensus (CNP)	N.A.	71	82
Earnings Revision	N.A.	6%	7%
Core EPS (sen)	5.5	4.5	4.9
Core EPS growth (%)	-18	-18	11
NDPS (sen)	1.8	1.3	1.5
BV/Share (RM)	0.91	0.98	1.02
Core PER (x)	9.1	11.7	10.7
PBV (x)	0.5	0.5	0.5
Net Gearing (x)	0.8	0.7	0.6
Dividend Yield (%)*	3.6	2.7	3.0



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Results Highlights

FY Dec (RMm)	3QFY19	2QFY19	QoQ	3QFY18	YoY	9MFY19	9MFY18	Ytd-YoY
Turnover	388.2	319.4	21.5%	410.3	-5.4%	1034.1	955.1	8.3%
Gross Profit	106.5	88.9	19.8%	97.1	9.6%	284.0	264.5	7.4%
EBITDA	69.5	60.2	15.4%	59.0	17.9%	184.3	168.2	9.6%
EBIT	61.3	52.2	17.4%	52.1	17.7%	160.2	148.9	7.6%
Interest Income/(expense)	-16.0	-14.1	13.1%	-8.5	88.5%	-40.2	-25.1	60.4%
Associate	0.0	0.0	-100.0%	0.0	-100.0%	0.0	0.0	-100.0%
PBT	45.3	38.1	19.0%	43.6	3.9%	120.0	123.8	-3.1%
Taxation	-16.9	-17.1	-1.2%	-15.9	6.1%	-51.5	-46.0	12.0%
Minority Interest	-7.4	-7.0	5.5%	-3.6	107.2%	-15.7	-9.8	60.1%
Net Profit	21.1	14.0	50.2%	24.1	-12.7%	52.8	68.0	-22.4%
Core NP	21.1	14.0	50.2%	24.1	-12.7%	52.8	68.0	-22.4%
Core EPS (sen)	1.35	0.90		1.75		3.39	4.93	
NDPS (sen)	0.0	0.0		0.0		0.0	0.0	
BVPS (RM)	0.86	0.87		0.96		0.86	0.96	
EBIT Margin	15.8%	16.4%		12.7%		15.5%	15.6%	
Pretax Margin	11.7%	11.9%		10.6%		11.6%	13.0%	
Net Gearing (x)	0.72	0.74		0.75		0.72	0.75	
Effective Tax Rate	37.3%	44.8%		36.5%		42.9%	37.1%	

Source: Company, Kenanga Research

Segmental Breakdown

FY Dec (RMm)	3QFY19	2QFY19	QoQ	3QFY18	YoY	9MFY19	9MFY18	Ytd-YoY
External Revenue								
Property Development	357.7	278.1	28.6%	365.3	-2.1%	901.0	817.3	10.2%
Construction & Trading	21.1	33.6	-37.2%	38.8	-45.7%	109.4	116.7	-6.3%
Management, Investment & Others	2.0	1.6	27.3%	1.9	9.0%	5.3	4.5	16.8%
Motor Racing Circuit	7.3	6.1	19.4%	4.3	71.8%	18.4	16.6	10.9%
Total	388.2	319.4	21.5%	410.3	-5.4%	1034.1	955.1	8.3%
Profit Before Tax								
Property Development	53.4	51.4	3.9%	39.4	35.4%	136.1	81.1	67.9%
Construction & Trading	2.8	6.1	-54.6%	12.6	-78.1%	13.4	40.3	-66.8%
Management, Investment & Others	-10.8	-15.9	-32.0%	-5.9	84.3%	-23.9	9.0	-366.0%
Motor Racing Circuit	0.0	-3.4	-100.4%	-2.5	-100.5%	-5.6	-6.5	-14.4%
Total	45.3	38.1	19.0%	43.6	3.9%	120.0	123.8	-3.1%
PBT Margins								
Property Development	14.9%	18.5%		10.8%		15.1%	9.9%	
Construction & Trading	13.0%	18.0%		32.3%		12.2%	34.5%	
Management, Investment & Others	-534.8%	-1001.6%		-316.4%		-454.2%	199.5%	
Motor Racing Circuit	0.2%	-55.4%		-58.3%		-30.3%	-39.2%	

Source: Company, Kenanga Research

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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.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	Price (RM)	
PROPERTY DEVELOPERS UNDER COVERAGE																		
AMVERTON BHD	1.10	401.6	Y	12/2019	-34.7%	1.3%	-83.6%	30.5%	16.8	102.5	78.5	0.6	0.6	0.5%	0.0%	0.890	UP	
ECO WORLD DEVELOPMENT GROUP	0.645	1,899.1	Y	10/2019	-1.7%	-16.9%	3.6%	21.5%	11.5	10.9	9.1	0.5	0.5	4.6%	1.4%	0.750	OP	
HUA YANG BHD	0.335	117.9	Y	03/2020	-11.0%	-1.2%	153.2%	-11.8%	N.A.	14.4	16.3	0.2	0.2	1.4%	0.0%	0.335	UP	
IOI PROPERTIES GROUP BHD	1.15	6,332.1	Y	06/2020	1.4%	2.6%	-3.0%	8.2%	9.6	9.9	9.1	0.3	0.3	3.5%	4.3%	1.55	OP	
LBS BINA GROUP BHD	0.495	766.1	Y	12/2019	34.1%	1.5%	-18.1%	10.6%	9.1	11.7	10.7	0.5	0.5	5.1%	2.7%	0.520	MP	
MAGNA PRIMA BHD	0.880	292.7	Y	12/2019	-19.6%	13.0%	-162.4%	-105.9%	N.A.	N.A.	N.A.	0.8	0.9	-5.2%	0.0%	0.695	UP	
MAH SING GROUP BHD	0.720	1,747.9	Y	12/2019	-0.1%	10.3%	-16.4%	14.1%	10.6	12.6	11.2	0.5	0.5	4.5%	5.6%	1.00	OP	
MALAYSIAN RESOURCES CORP BHD	0.750	3,309.0	Y	12/2019	-41.9%	70.5%	-95.3%	2791.2%	43.6	931.9	32.2	0.7	0.7	1.2%	0.0%	0.700	UP	
SIME DARBY PROPERTY BHD	0.765	5,202.6	Y	12/2019	127.9%	3.9%	7861.6%	-2.3%	744.3	9.3	9.6	0.6	0.5	5.9%	4.3%	1.10	OP	
SP SETIA BHD	1.25	5,053.1	Y	12/2019	5.5%	24.3%	15.6%	57.6%	24.2	20.9	13.3	0.4	0.4	1.7%	3.4%	1.80	OP	
SUNSURIA BHD	0.655	586.8	Y	09/2019	-2.7%	7.3%	-4.0%	4.8%	4.4	4.6	4.4	0.6	0.6	14.5%	0.0%	0.760	MP	
SUNWAY BHD	1.77	8,687.9	Y	12/2019	-2.7%	12.5%	-8.5%	10.6%	14.8	16.1	14.6	1.0	1.0	6.3%	3.3%	1.60	MP	
UEM SUNRISE BHD	0.740	3,357.7	Y	12/2019	37.0%	-14.3%	5.9%	-18.1%	10.3	9.7	11.9	0.5	0.5	4.8%	2.1%	0.835	OP	
UOA DEVELOPMENT BHD	1.93	3,794.4	Y	12/2019	0.6%	-0.4%	4.4%	0.8%	10.7	10.2	10.1	0.8	0.7	7.4%	7.3%	2.15	MP	
Simple Average					6.4%	8.1%	546.3%	200.8%	75.8	89.6	17.8	0.6	0.6	4.0%	2.4%			
*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	0.365	284.2	Y	04/2020	12.9%	38.7%	12.4%	96.4%	19.3	17.2	8.7	0.3	N.A.	1.6%	2.5%	0.375	N.A	
MATRIX CONCEPTS HOLDINGS BHD	1.92	1,579.8	Y	03/2020	4.4%	18.2%	6.1%	8.5%	7.2	6.8	6.3	1.1	1.0	16.1%	6.8%	2.28	BUY	
PARAMOUNT CORP BHD	1.32	800.8	Y	12/2019	N.A.	N.A.	N.A.	N.A.	8.7	N.A.	N.A.	0.7	N.A.	N.A.	N.A.	N.A.	BUY	
TAMBUN INDAH LAND BHD	0.760	329.4	Y	12/2019	-11.1%	3.8%	-21.2%	-0.1%	5.9	7.5	7.6	0.5	0.5	6.7%	5.9%	0.780	N.A	
TITIJAYA LAND BHD	0.295	372.6	Y	06/2020	8.4%	20.9%	28.3%	21.5%	11.2	8.7	7.2	0.4	0.3	2.9%	42.7%	0.280	N.A	
YONG TAI BHD	0.200	143.8	Y	06/2020	132.7%	8.3%	-3768.9%	-134.2%	N.A.	N.A.	N.A.	0.3	0.3	-1.9%	0.0%	0.230	N.A	

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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