

01 July 2020

LBS Bina Group Berhad

1QFY20 Below Expectations

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1QFY20 CNP came in below our/consensus estimate at 12%/13%, respectively. No dividend declared as expected. 6M20 property sales of RM317m are tracking below both management and our full year sales target of RM1.6b. Post-results, we lower our FY20E and FY21E CNP to RM42m and RM69, respectively. No new development with regards to the ZIC Land. Downgraded to UP with unchanged TP of RM0.330 based on P/BV of 0.40x which is at the minus 2SD level.

Below expectation. 1QFY20 Core Net Profit (CNP) of RM9.3m came in below our/consensus estimate at 12%/13% of full-year forecast. The deviation was mainly due to: (i) lower-than-expected revenue from both property and construction divisions, and (ii) lower-than-expected profit margin from property development segment. Besides, 6M20 sales of RM317m is tracking below both management and our target of RM1.6b each. No dividend was declared as expected.

Results' highlight. YoY, 1QFY20 registered lower CNP of RM9.3m (-47%) mainly due to: (i) lower contribution from construction and trading segment (-69%) caused by the implementation of MCO, (ii) lower profit margin from the sales of property despite slight increase in revenue, and (iii) significant drop in motor racing circuit segment revenue which widened losses as the scheduled racing events have been postponed due to the outbreak of Covid-19. QoQ, the first quarter recorded lower CNP by 48% compared to RM17.9m achieved in the preceding quarter, dragged by lower margin from property, construction and motor racing segment.

Outlook. Management has revised the sales target to RM1.0b (from RM1.6b) for FY20 with RM317m achieved as at June 2020. Total planned GDV launch is revised to RM1.701b (from RM2.321b), mainly from CyberSouth, LBS Alam Perdana, Genting Midhills 2, Emerald Garden 3, Cameron Highlands and Taman Kinding Flora. Besides, unbilled sales of RM1.805b as at May 2020 provide slightly more than a year earnings' visibility. As for the ZIC Land, there is no major new development, and 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 the near future.

Earnings review. Post results, we lower our FY20E/FY21E CNP by 46%/15% to RM42m/RM69m, respectively, after revising our sales target to RM1.0b and lower our margin assumption.

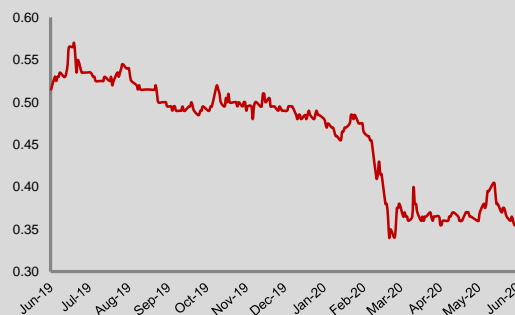
Downgraded to UNDERPERFORM with unchanged TP of RM0.330. We maintain our conservative P/BV valuation method as a gauge to ascertain the trough valuations of property stocks amid the prevailing market down-cycle. Our TP is based on P/BV of 0.40x (at minus 2SD of its 3-year historical band) on an adjusted BV/share of RM0.82 (after imputing a 40% discount to its latest available inventory level of completed properties).

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

UNDERPERFORM ↓

Price: **RM0.370**
Target Price: **RM0.330** ↔

Share Price Performance



KLCI 1,500.97
YTD KLCI chg -5.5%
YTD stock price chg -25.3%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	LBS MK EQUITY
Market Cap (RM m)	560.2
Shares Outstanding	1,514.0
52-week range (H)	0.59
52-week range (L)	0.31
3-mth avg daily vol:	4,919,614
Free Float	38%
Beta	0.9

Major Shareholders

Gaterich Sdn Bhd	35.9%
Kumpulan Wang Persaraan Diperbadankan	11.5%
Lim Wee Chai	6.8%

Summary Earnings Table

FY Dec (RM m)	2019A	2020E	2021E
Turnover	1,325	1,315	1,482
EBIT	209	149	169
PBT	154	96	116
Net Profit (NP)	68	42	69
Core NP	68	42	69
Consensus (CNP)	N.A.	70	74
Earnings Revision	N.A.	-46%	-15%
Core EPS (sen)	4.3	2.7	4.4
Core EPS growth (%)	-21	-38	65
NDPS (sen)	0.0	0.8	1.3
BV/Share (RM)	0.87	0.89	0.92
Core PER (x)	10.9	13.8	8.4
PBV (x)	0.5	0.4	0.4
Net Gearing (x)	0.7	0.6	0.6
Dividend Yield (%)	0.0	2.2	3.6



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Results Highlights

FY Dec (RM m)	1QFY20	4QFY19	QoQ	1QFY19	YoY
Turnover	299.3	291.1	2.8%	326.6	-8.4%
Gross Profit	75.0	95.2	-21.2%	88.6	-15.4%
EBITDA	46.3	62.6	-26.1%	54.6	-15.2%
EBIT	37.3	53.0	-29.6%	46.7	-20.1%
Interest Income/(expense)	-12.8	-15.0	-14.7%	-10.1	27.4%
Associate	0.0	0.0	-95.7%	0.0	-166.7%
PBT	24.5	38.0	-35.6%	36.6	-33.1%
Taxation	-12.9	-14.0	-7.5%	-17.5	-26.3%
Minority Interest	-2.2	-6.1	-63.7%	-1.4	62.4%
Net Profit	9.3	17.9	-47.8%	17.7	-47.2%
Core NP	9.3	17.9	-47.8%	17.7	-47.2%
Core EPS (sen)	0.61	1.15		1.13	
NDPS (sen)	0.0	0.0		0.0	
BVPS (RM)	0.88	0.88		0.87	
EBIT Margin	12.5%	18.2%		14.3%	
Pretax Margin	8.2%	13.1%		11.2%	
Net Gearing (x)	0.54	0.69		0.81	
Effective Tax Rate	52.8%	36.8%		47.9%	

Source: Company, Kenanga Research

Segmental Breakdown

FY Dec (RM m)	1QFY20	4QFY19	QoQ	1QFY19	YoY
External Revenue					
Property Development	285.0	278.1	2.5%	265.2	7.4%
Construction & Trading	11.3	3.1	266.5%	54.7	-79.4%
Management, Investment & Others	1.9	2.4	-22.2%	1.6	12.8%
Motor Racing Circuit	1.2	7.5	-84.0%	5.0	-75.6%
Total	299.3	291.1	2.8%	326.6	-8.4%
Profit Before Tax					
Property Development	29.3	44.4	-34.1%	31.3	-6.6%
Construction & Trading	1.4	2.2	-34.5%	4.6	-68.9%
Management, Investment & Others	-2.2	-8.6	-74.1%	2.9	-176.9%
Motor Racing Circuit	-4.0	0.0	N.M.	-2.2	82.0%
Total	24.5	38.0	-35.6%	36.6	-33.1%
PBT Margins					
Property Development	10.3%	16.0%		11.8%	
Construction & Trading	12.6%	70.5%		8.3%	
Management, Investment & Others	-119.6%	-359.7%		175.4%	
Motor Racing Circuit	-329.5%	0.3%		-44.2%	

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																		
ECO WORLD DEVELOPMENT GROUP	0.415	1,221.9	Y	10/2020	-26.6%	2.1%	-22.0%	17.6%	6.1	7.8	6.6	0.3	0.3	3.4%	1.9%	0.395	MP	
IOI PROPERTIES GROUP BHD	0.980	5,396.0	Y	06/2020	-20.0%	18.6%	-19.1%	28.7%	8.2	10.1	7.8	0.3	0.3	2.9%	3.1%	1.21	OP	
LBS BINA GROUP BHD	0.370	560.2	Y	12/2020	-0.7%	12.7%	-38.2%	65.0%	10.9	13.8	8.4	0.5	0.4	3.1%	2.2%	0.330	UP	
MAGNA PRIMA BHD	0.740	246.1	Y	12/2020	-13.0%	33.9%	-115.9%	-126.8%	N.A.	N.A.	N.A.	0.5	0.5	-5.2%	0.0%	0.520	UP	
MAH SING GROUP BHD	0.530	1,286.7	Y	12/2020	-20.6%	49.0%	-45.9%	108.5%	11.8	22.1	10.4	0.4	0.4	1.7%	5.7%	0.450	MP	
MALAYSIAN RESOURCES CORP BHD	0.470	2,073.7	Y	12/2020	-36.4%	42.7%	174.3%	70.8%	87.0	79.7	31.8	0.4	0.4	1.4%	0.0%	0.750	OP	
SIME DARBY PROPERTY BHD	0.680	4,624.6	Y	12/2019	-49.3%	6.6%	-42.1%	21.1%	6.5	11.3	9.3	0.5	0.5	4.3%	2.6%	0.880	OP	
SP SETIA BHD	0.845	3,415.9	Y	12/2020	-9.2%	19.0%	13.8%	81.4%	13.4	11.7	6.4	0.2	0.2	2.0%	2.6%	0.860	OP	
SUNWAY BHD	1.37	6,714.9	Y	12/2020	-14.9%	32.5%	-34.1%	43.5%	10.5	16.0	11.2	0.7	0.7	4.4%	3.1%	1.68	OP	
UEM SUNRISE BHD	0.435	1,973.8	Y	12/2020	-39.6%	6.7%	-70.2%	25.9%	6.3	7.0	8.1	0.3	0.3	1.4%	0.0%	0.565	OP	
UOA DEVELOPMENT BHD	1.85	3,637.1	Y	12/2020	6.6%	15.7%	-9.0%	13.3%	10.0	10.3	9.1	0.7	0.7	7.0%	7.6%	1.79	OP	
Simple Average					-20.3%	21.8%	-19.0%	31.7%	16.8	19.0	10.9	0.4	0.4	2.4%	2.6%			

*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

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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Published and printed by:

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