

29 May 2026

LBS Bina Group

Embracing for Headwinds

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LBS's 1QFY26 core net earnings (-33% YoY) missed expectations as revenue recognition slowed during the period. Ongoing geopolitical tensions as well as higher fuel prices may weigh down on buying sentiment as well as construction costs, prompting us to cut our FY26F/FY27F earnings by 15%/13%. In addition, we widen our RNAV discount to 60% (from 50%), thereby reducing our TP for LBS to RM0.51. Even with these adjustments, LBS could still offer decent capital upside backed by yields of >7% for risk-accepting investors. **Maintain OUTPERFORM.**

1QFY26 missed expectations. LBS's 1QFY26 net profit (adjusted for RCPS and sukuk payments) came in at 14% of our full-year forecast and 13% of consensus full-year estimate. The negative deviation was mainly attributed by slower-than-expected revenue recognition.

YoY, 1QFY26 revenue and core net profit fell by 10% and 33%, respectively. This was mostly attributed by the quarter's recognition being predominantly made up by completed and near-completion projects, which also carried softer margins. The group opines that 2QFY26 could remain equally challenging before normalising in 2HFY26 as new launches see progressive development.

QoQ, 1QFY26 revenue and core net profit declined by 36% and 61%, respectively, for the same abovementioned reasons.

Highlights. LBS previously experienced delays to its FY25 launches due to uncertainties surrounding SST implementation, and management now expects further challenges from ongoing geopolitical tensions and elevated fuel prices, which are likely weighing on buyer sentiment, particularly within the affordable housing segment.

The group has guided for a 10%-15% increase in construction costs, which may be harder to pass through for affordable products. That said, we believe medium-term pressures could be cushioned by the group's upcoming Kwasa Damansara development, which will be skewed towards higher-end offerings with better margin potential.

In the nearer term, several projects are expected to support earnings momentum, including the group's Klebang joint venture with Oriental Holdings, slated for launch in 2HFY26, as well as its 53 GWh solar farm project in Senawang, which is expected to commence operations by end-FY26.

Forecast. Given the softer near-term outlook, we trim our sales projection for FY26F/FY27F from RM1.7b/RM1.8b to RM1.4b/RM1.5b to reflect potential softness in demand as well as the potential delay in new product launches. This led to a -15%/-13% cut to our forecasts.

Maintain OUTPERFORM but with a lower TP of RM0.51 (from RM0.64), as we raised our RNAV discount for LBS from 50% to 60%. This is to reflect the potential hurdles in its project realisability from softer buying sentiment and potential delays in its upcoming launch pipeline. In spite of the more conservative valuations, the stock may still offer a 16% capital upside with our revised earnings still able to offer dividend returns of 7%-8% should the group maintain a 40% payout. This is without imputing any earnings potential of special projects undertaken by the group (i.e. Melaka land reclamation and industrial development projects).

Risk to our call include: (i) extended overhang in the affordable home segment; (ii) drastic changes in mortgage rates; (iii) elevated inflation; and (iv) changes to project timeline and deliverables.

OUTPERFORM ↔

Price : **RM0.44**
Target Price : **RM0.51** ↓

Share Price Performance



KLCI	1,684.93
YTD KLCI chg	0.3%
YTD stock price chg	15.8%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	LBS MK Equity
Market Cap (RM m)	678.3
Shares Outstanding	1,541.5
52-week range (H)	0.51
52-week range (L)	0.37
3-mth avg. daily vol.	4,928,713
Free Float	52%
Beta	0.87

Major Shareholders

Gaterich Sdn Bhd	37.5%
Kumpulan Wang Persaraan	7.4%
Tan Sri Lim Wee Chai	3.2%

Summary Earnings Table

FY Dec (RM m)	2025A	2026F	2027F
Turnover	1,553.6	1,444.2	1,495.9
Operating Profit	275.6	262.0	278.5
Profit Before Tax	224.6	200.2	218.8
Net Profit	125.2	123.4	134.9
Core Net Profit	109.0	107.2	118.6
Consensus (NP)	-	133.3	139.0
Earnings Revision	-	-15%	-13%
Core EPS (sen)	7.1	6.9	7.7
Core EPS Growth (%)	66.5	-1.7	10.7
NDPS (sen)	3.3	3.2	3.5
BVPS (RM)	1.10	1.14	1.20
PER (x)	6.2	6.3	5.7
PBV (x)	0.40	0.38	0.37
Net Gearing (x)	0.4	0.3	0.2
Net Div. Yield (%)	7.5	7.3	8.0

* Note our CNP forecast is based on **profit attributable to ordinary shareholders** i.e. after deducting Perpetual Bonds and RCPS interest costs. Note that consensus' forecasts may have defined their CNP as before RCPS interest costs, resulting in higher forecasts.

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Results Highlights

	1Q	4Q	QoQ	1Q	YoY	3M	3M	YoY
FYE Dec (RM m)	FY26	FY25	Chg	FY25	Chg	FY26	FY25	Chg
Revenue	296.5	462.3	-35.9%	329.2	-9.9%	296.5	329.2	-9.9%
Cost of Sales	-195.8	-305.4	-35.9%	-221.1	-11.5%	-195.8	-221.1	-11.5%
Gross Profit	100.8	156.9	-35.8%	108.1	-6.8%	100.8	108.1	-6.8%
Operating Profit	48.0	89.5	-46.4%	61.2	-21.6%	48.0	61.2	-21.6%
Net Interest Income/(Expense)	-10.1	-11.6	-12.6%	-10.6	-4.7%	-10.1	-10.6	-4.7%
Associate Contributions	-0.1	0.0	-1057.1%	0.0	-937.5%	-0.1	0.0	-937.5%
Profit Before Tax	37.7	77.9	-51.6%	50.6	-25.5%	37.7	50.6	-25.5%
Taxation	-17.1	-33.2	-48.5%	-18.1	-5.5%	-17.1	-18.1	-5.5%
Minority Interest	-3.6	-4.1	-12.7%	-4.3	-16.2%	-3.6	-4.3	-16.2%
Net Profit	17.0	40.6	-58.1%	28.2	-39.7%	17.0	28.2	-39.7%
Core Net Profit*	13.8	35.1	-60.6%	20.7	-33.1%	13.8	20.7	-33.1%
Gross Profit Margin	34.0%	33.9%		32.8%		34.0%	32.8%	
Operating Margin	16.2%	19.4%		18.6%		16.2%	18.6%	
Pretax Margin	12.7%	16.8%		15.4%		12.7%	15.4%	
Net Margin	4.7%	7.6%		6.3%		4.7%	6.3%	
Effective Tax Rate	-45.3%	-42.6%		-35.7%		-45.3%	-35.7%	
Net Gearing (X)	0.36	0.36		0.45		0.36	0.45	

* Adjusted for sukuk and RCPS payments

Source: Company, Kenanga Research

Segmental Breakdown

	1Q	4Q	QoQ	1Q	YoY	3M	3M	YoY
External Revenue	FY26	FY25	Chg	FY25	Chg	FY26	FY25	Chg
Property Development	253.0	418.1	-39.5%	314.4	-19.5%	253.0	314.4	-19.5%
Construction & Trading	37.6	37.2	1.1%	9.0	316.5%	37.6	9.0	316.5%
Others	5.9	7.0	-15.9%	5.8	2.2%	5.9	5.8	2.2%
Total	296.5	462.3	-35.9%	329.2	-9.9%	296.5	329.2	-9.9%
Profit Before Tax								
Property Development	36.2	85.2	-57.4%	51.4	-29.5%	36.2	51.4	-29.5%
Construction & Trading	3.1	-9.7	-132.3%	-2.0	-252.7%	3.1	-2.0	-252.7%
Others	-1.7	2.4	-171.4%	1.2	-245.1%	-1.7	1.2	-245.1%
Total	37.7	77.9	-51.6%	50.6	-25.5%	37.7	50.6	-25.5%
Pretax Margin								
Property Development	14.3%	20.4%		16.4%		14.3%	16.4%	
Construction & Trading	8.3%	-26.0%		-22.6%		8.3%	-22.6%	
Others	-28.6%	33.7%		20.2%		-28.6%	20.2%	
Total	12.7%	16.8%		15.4%		12.7%	15.4%	

Source: Company, Kenanga Research

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside (%)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE (%)	Net Div. (sen)	Net Div Yld (%)
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
PROPERTY DEVELOPERS																	
Eco World Development Group	OP	2.03	2.35	15.8%	6,541.5	Y	10/2026	17.9	18.1	28.9%	1.4%	11.4	11.2	0.9	8.6%	8.0	3.9%
IOI Properties Group Bhd	MP	4.21	4.01	-4.8%	23,180.9	Y	06/2026	13.5	14.3	154.5%	5.9%	31.3	29.5	0.9	5.0%	6.0	1.4%
LBS Bina Bhd	OP	0.440	0.510	15.9%	678.3	Y	12/2026	6.9	7.7	-1.7%	10.7%	6.3	5.7	0.3	6.0%	3.3	7.5%
Mah Sing Group Bhd	OP	0.975	1.78	82.6%	2,496.1	Y	12/2026	10.9	11.7	7.0%	7.3%	9.0	8.4	0.6	6.7%	5.5	5.6%
Malaysian Resources Corp Bhd	MP	0.315	0.560	77.8%	1,407.3	Y	12/2026	1.8	1.4	19.2%	-18.9%	44.4	23.9	0.3	1.7%	1.0	3.2%
Paramount Corporation Bhd	OP	1.02	1.47	44.1%	635.2	Y	12/2026	19.1	21.8	66.6%	14.2%	5.3	4.7	0.4	7.8%	7.5	7.4%
S P Setia Bhd	OP	0.980	1.43	45.9%	4,950.4	Y	12/2026	6.6	9.7	-47.5%	46.3%	14.8	10.2	0.3	2.4%	2.5	2.6%
Sime Darby Property Bhd	OP	1.45	1.97	35.9%	9,861.2	Y	12/2026	8.2	9.2	8.0%	11.4%	17.6	15.8	0.9	5.1%	3.3	2.3%
Sunway Bhd	MP	5.30	5.66	6.8%	35,830.2	Y	12/2026	21.6	21.6	19.9%	0.3%	24.6	24.5	2.0	8.3%	6.5	1.2%
UOA Development Bhd	MP	1.80	1.82	1.1%	4,779.0	Y	12/2026	12.3	13.9	7.2%	13.0%	14.6	12.9	0.8	5.3%	11.1	6.2%
SECTOR AGGREGATE					90,360.2					20.0%	8.5%	22.6	20.8	0.7	5.4%		4.1%

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★		
	Community Investment	★	★	★		
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	☆		
	Anti-Corruption Policy	★	★	☆		
	Emissions Management	★	★	☆		
SPECIFIC	Product Quality & Safety	★	★	★		
	Effluent/Water Management	★	★	★		
	Waste Management	★	★	★		
	Biodiversity & Conservation	★	★	★		
	Green Building	★	★	★		
	Supply Chain Management	★	★	★		
OVERALL		★	★	★		

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

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%

**** The Expected Total Return might contain rounding discrepancy**

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

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