

03 September 2019

LBS Bina Group Berhad

1H19 Below Expectation

By Adrian Ng | adrian.ng@kenanga.com.my

1H19 CNP came below our/consensus estimates at 34%/38%, respectively. 8M19 property sales of RM1,007m is in-line with management and our expectations. No dividend declared, as expected. Post-results, we cut FY19E-20E earnings by 28-15%. No new development with regards to the ZIC Land. Maintain MP with unchanged TP of RM0.495

Below expectation. 1H19 Core Net Profit (CNP) of RM31.7m came in below our/consensus estimate, making up 34%/38% of respective full-year estimates. The deviation was mainly due to: (i) weaker-than-expected profit margin from property development and motor racing circuit segment, and (ii) higher-than-expected depreciation and finance costs. However, 8M19 sales of RM1,007m came in-line with both management and our targets of RM1.5b at 67%. No dividend was declared as expected.

Results highlight. YoY-Ytd, 1H19 registered lower CNP of RM31.7m (-27.7%), despite stronger profit contribution from property development segment (+98.7%). However, it was offset by lower profit generated from construction segment (-61%) and loss-making management and investment segment (-187.9%) as well as motor racing circuit segment (-38.9%). The lower profit generated from construction segment was mainly due to weaker profit margin from on-going construction project, loss incurred by subsidiary company and higher depreciation and finance cost. **QoQ,** 2Q19 recorded CNP of RM14.0m (-20.7%) compared to RM17.7m in 1Q19, mainly due to losses from management (-RM15.9m) and motor racing circuit segment (-RM3.4m) on lower income from racing events.

Outlook. Management has set FY19 sales target at RM1.5b with a balance of RM878m worth of projects yet to be launched, coming from projects namely, CyberSouth, Residensi Bintang Bukit Jalil, Alam Perdana, 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 before end of the year. 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. 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.

Earnings review. Post results, we slash our FY19-20E earnings by 28-15% by lowering our margin assumption from property, construction and motor racing circuit segments as well as increasing our depreciation and finance cost assumptions. However, with unbilled sales currently at RM1.7b, providing slightly more than one-year of visibility, we maintain our top-line estimation.

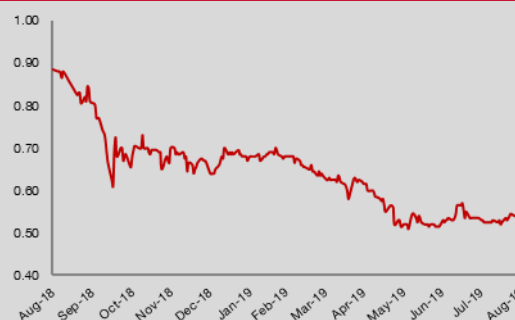
Maintain MARKET PERFORM with unchanged TP of RM0.495. The valuation does not include ZIC Land as we believe that the land value may take longer than expected to be realised. Our TP is based on SoP discount of 67% on its FD SoP/share of RM1.47. For its Malaysia property projects, we apply a property discount of 80% (at historical trough level), which is above MAHSING of 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 comparable peer like MITRA with an 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: RM0.525
Target Price: RM0.495 ↔

Share Price Performance



KLCI 1,612.14
YTD KLCI chg -4.6%
YTD stock price chg -18.0%

Stock Information

Shariah Compliant Yes
Bloomberg Ticker LBS MK EQUITY
Market Cap (RM m) 818.0
Shares Outstanding 1,558.1
52-week range (H) 0.89
52-week range (L) 0.51
3-mth avg daily vol: 1,226,056
Free Float 43%
Beta 1.0

Major Shareholders

Gaterich Sdn Bhd 41.2%
Kumpulan Wang Persaraan Diperbadankan 11.5%
CIMB Group Holdings Bhd 4.3%

Summary Earnings Table

FY Dec (RM'm)	2018A	2019E	2020E
Turnover	1,122	1,473	1,486
EBIT	199	190	207
PBT	161	143	154
Net Profit (NP)	85	66	72
Core NP	85	66	72
Consensus (CNP)	N.A.	82.8	90.3
Earnings Revision	N.A.	-28%	-15%
Core EPS (sen)	5.5	4.2	4.6
Core EPS growth (%)	-18	-22	9
NDPS (sen)	1.8	1.3	1.4
BV/Share (RM)	0.91	0.97	1.02
Core PER (x)	9.5	12.3	11.2
PBV (x)	0.6	0.5	0.5
Net Gearing (x)	0.8	0.7	0.6
Dividend Yield (%)*	3.5	2.4	2.7

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Results Highlights

FY Dec (RMm)	2Q19	1Q19	QoQ	2Q18	QoQ	1H19	1H18	YoY
Turnover	319.4	326.6	-2.2%	304.8	4.8%	645.9	544.9	18.5%
Gross Profit	88.9	88.6	0.3%	83.7	6.2%	177.5	167.4	6.1%
EBITDA	60.2	54.6	10.3%	52.4	14.8%	114.8	109.2	5.1%
EBIT	52.2	46.7	12.0%	45.9	13.9%	98.9	96.8	2.2%
Interest Income/(expense)	-14.1	-10.1	40.6%	-8.9	58.2%	-24.2	-16.6	46.0%
Associate	0.0	0.0	-200.0%	0.0	-116.7%	0.0	0.0	-100.0%
PBT	38.1	36.6	4.1%	36.9	3.3%	74.7	80.2	-6.9%
Taxation	-17.1	-17.5	-2.6%	-12.8	33.3%	-34.6	-30.1	15.2%
Minority Interest	-7.0	-1.4	412.9%	-3.3	114.8%	-8.4	-6.3	33.3%
Net Profit	14.0	17.7	-20.7%	20.8	-32.6%	31.7	43.9	-27.7%
Core NP	14.0	17.7	-20.7%	20.8	-32.6%	31.7	43.9	-27.7%
Core EPS (sen)	0.90	1.13		1.62		2.03	3.41	
NDPS (sen)	0.0	0.0		0.0		0.0	0.0	
BVPS (RM)	0.87	0.87		1.04		0.87	1.04	
EBIT Margin	16.4%	14.3%		15.0%		15.3%	17.8%	
Pretax Margin	11.9%	11.2%		12.1%		11.6%	14.7%	
Net Gearing (x)	0.74	0.81		0.67		0.74	0.67	
Effective Tax Rate	44.8%	47.9%		34.7%		46.4%	37.5%	

Source: Company, Kenanga Research

Segmental Breakdown

FY Dec (RMm)	2Q19	1Q19	QoQ	2Q18	QoQ	1H19	1H18	YoY
External Revenue								
Property Development	278.1	265.2	4.8%	258.5	7.6%	543.3	452.0	20.2%
Construction & Trading	33.6	54.7	-38.6%	37.9	-11.3%	88.3	77.9	13.4%
Management, Investment & Others	1.6	1.6	-3.2%	1.8	-10.4%	3.2	2.6	22.3%
Motor Racing Circuit	6.1	5.0	23.7%	6.6	-6.8%	11.1	12.3	-10.1%
Total	319.4	326.6	-2.2%	304.8	4.8%	646.0	544.9	18.6%
Profit Before Tax								
Property Development	51.4	31.3	63.9%	18.3	180.5%	82.7	41.6	98.7%
Construction & Trading	6.1	4.6	33.0%	14.9	-59.3%	10.6	27.7	-61.7%
Management, Investment & Others	-15.9	2.9	-653.1%	5.7	-379.0%	-13.1	14.9	-187.9%
Motor Racing Circuit	-3.4	-2.2	55.0%	-2.0	67.9%	-5.6	-4.0	38.9%
Total	38.1	36.6	4.1%	36.9	3.3%	74.7	80.2	-6.9%
PBT Margins								
Property Development	18.5%	11.8%		7.1%		15.2%	9.2%	
Construction & Trading	18.0%	8.3%		39.3%		12.0%	35.6%	
Management, Investment & Others	-1001.6%	175.4%		321.8%		-403.7%	561.9%	
Motor Racing Circuit	-55.4%	-44.2%		-30.7%		-50.4%	-32.6%	

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	5%	10%	25
Bandar Saujana Putra	100%	3356	3356	5%	10%	95
D'Island Residence	100%	1178	1178	5%	10%	36
Skylake Residence	100%	191	191	5%	10%	8
Taman Tasik Puchong, Phase 2	100%	128	128	5%	10%	5
Alam Awana Industrial Park @ U10 Shah Alam	100%	179	179	5%	10%	7
Bukit Chera	100%	319	319	5%	10%	12
Telok Gong	100%	295	295	5%	10%	11
LBS CyberSouth, Dengkil	81%	7510	6083	5%	10%	160
LBS Alam Perdana	80%	2418	1934	5%	10%	68
Seri Kembangan	100%	647	647	5%	10%	23
Other small parcels	100%	16	16	5%	10%	1
Country Heights, Kajang	100%	3	3	5%	10%	0
<u>Pahang</u>						
Cameron Centrum	69%	2253	1555	5%	10%	41
Tengkolok	61%	472	288	5%	10%	10
Cameron Golden Hills	100%	54	54	5%	10%	2
Taman Royal Lily	51%	357	182	5%	10%	7
Kampung Raja	61%	134	82	5%	10%	3
Sinaran Makhota	100%	139	139	5%	10%	6
Midhills, Genting	100%	73	73	5%	10%	3
Midhills 2, Genting	85%	516	439	5%	10%	15
<u>Perak</u>						
Chemor, Ipoh	100%	271	271	5%	10%	10
Chemor, Ipoh	100%	31	31	5%	10%	1
Puncak Jelapang Maju	100%	18	18	5%	10%	1
Jelapang Maju Light Industrial Park	100%	9	9	5%	10%	0
Kampar Land	100%	331	331	5%	10%	12
<u>Johor</u>						
Bandar Putra Indah	100%	995	995	5%	10%	32
Johor CBD	100%	2299	2299	5%	10%	60
Tampoi, Johor	75%	901	676	5%	10%	22
Danga Bay	85%	873	742	5%	10%	24
Kota Tinggi, Kulai Johor	80%	5425	4340	5%	10%	114
Taman Molek	100%	405	405	5%	10%	14
<u>Sabah</u>						
Celebrity Residence, KK	100%	646	646	5%	10%	22
Unbilled sales		1422.00	1422.00	5%	10%	56
Shareholders fund as at FY17						1202
Malaysia Property RNAV						2110
Zhuhai Holdings	10%					84
Construction based on FY19E PER of 7.0x	59%					152
Dilution impact						202
FD SOP						2548
FD SOP per share						1.47
Malaysia Property RNAV discount						-80%
Implied SoP discount						-67%
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.	1-Yr. Fwd.	
PROPERTY DEVELOPERS UNDER COVERAGE																		
AMVERTON BHD	1.07	390.6	Y	12/2019	-22.4%	-3.1%	-75.5%	-3.8%	16.3	66.5	69.1	0.5	0.5	0.8%	0.0%	1.00	UP	
ECO WORLD DEVELOPMENT GROUP	0.670	1,972.7	Y	10/2019	-4.4%	-18.3%	9.5%	18.8%	11.9	10.9	9.2	0.4	0.4	4.8%	1.4%	1.15	OP	
HUA YANG BHD	0.345	121.4	Y	03/2020	-11.0%	-1.2%	153.2%	-11.8%	N.A.	14.8	16.8	0.2	0.2	1.4%	0.0%	0.335	UP	
IOI PROPERTIES GROUP BHD	1.19	6,552.3	Y	06/2020	1.4%	2.6%	-3.0%	8.2%	9.9	10.2	9.5	0.4	0.3	3.5%	4.2%	1.65	OP	
LBS BINA GROUP BHD	0.525	818.0	Y	12/2019	31.3%	0.9%	-22.4%	9.5%	9.5	12.3	11.2	0.6	0.5	4.8%	2.4%	0.495	MP	
MAGNA PRIMA BHD	1.19	395.8	Y	12/2019	-5.6%	28.8%	-572.6%	-139.5%	N.A.	N.A.	N.A.	0.8	0.8	-2.0%	0.0%	0.710	UP	
MAH SING GROUP BHD	0.865	2,099.9	Y	12/2019	-0.1%	10.3%	-16.4%	14.1%	12.8	15.3	13.5	0.6	0.6	4.5%	4.6%	1.00	OP	
MALAYSIAN RESOURCES CORP BHD	0.730	3,220.8	Y	12/2019	-41.9%	70.5%	-95.3%	2791.2%	42.5	907.1	31.4	0.7	0.7	1.2%	0.0%	0.700	UP	
SIME DARBY PROPERTY BHD	0.880	5,984.7	Y	12/2019	127.9%	3.9%	7861.6%	-2.3%	856.2	10.8	11.0	0.6	0.6	5.9%	3.7%	1.10	OP	
SP SETIA BHD	1.56	6,306.3	Y	12/2019	5.5%	24.3%	27.2%	46.0%	28.7	22.6	15.4	0.4	0.4	1.9%	4.5%	1.85	MP	
SUNSURIA BHD	0.730	654.0	Y	09/2019	-2.7%	7.3%	-4.0%	4.8%	4.9	5.1	4.9	0.7	0.7	14.5%	0.0%	0.760	MP	
SUNWAY BHD	1.65	8,044.1	Y	12/2019	-2.7%	12.5%	-8.5%	10.6%	13.8	15.0	13.6	1.0	0.9	6.3%	3.6%	1.60	MP	
UEM SUNRISE BHD	0.670	3,040.1	Y	12/2019	37.0%	-14.3%	5.9%	-18.1%	9.3	8.8	10.7	0.5	0.4	4.8%	2.3%	0.835	OP	
UOA DEVELOPMENT BHD	1.99	3,912.4	Y	12/2019	0.6%	-0.4%	4.4%	0.8%	11.0	10.6	10.5	0.8	0.8	7.4%	7.0%	2.15	MP	
Simple Average					8.0%	8.8%	518.9%	194.9%	85.6	85.4	17.4	0.6	0.6	4.3%	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	0.375	292.0	Y	04/2020	12.9%	38.7%	25.7%	90.1%	21.5	17.1	9.0	0.3	N.A.	1.6%	2.4%	0.405	N.A	
MATRIX CONCEPTS HOLDINGS BHD	1.90	1,494.9	Y	03/2020	4.6%	3.2%	7.6%	7.5%	6.8	6.4	5.9	1.1	1.0	16.3%	6.8%	2.28	BUY	
PARAMOUNT CORP BHD	1.35	819.0	Y	12/2019	-1.4%	8.4%	2.4%	5.3%	8.9	8.7	8.3	0.8	N.A.	7.2%	4.7%	1.83	BUY	
TAMBUN INDAH LAND BHD	0.760	329.4	Y	12/2019	-11.1%	1.5%	-21.2%	1.9%	5.9	7.5	7.4	0.5	0.5	6.7%	5.9%	0.863	BUY	
TITIJAYA LAND BHD	0.295	373.8	Y	06/2020	19.5%	13.8%	58.2%	1.7%	10.7	6.8	6.7	0.3	0.3	3.7%	43.4%	0.310	BUY	
YONG TAI BHD	0.215	116.7	Y	06/2020	132.7%	8.3%	-3768.9%	-134.2%	N.A.	N.A.	N.A.	0.4	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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KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my

