



LAGENDA PROPERTIES BERHAD

Share Price (RM)*	1.19
Market Cap (RM mil)*	996.42
Market	Main
Stock Code	7179
Sector	Property
FTSE ESG Rating	N/A
Shariah Compliance	Yes

Revenue by Business Segment to external customers as of 1H22



*as of 11 November 2022

Company Profile

1. Can you provide a brief background and history of the company, including key milestones achieved throughout the years? Describe your business segments and offerings.

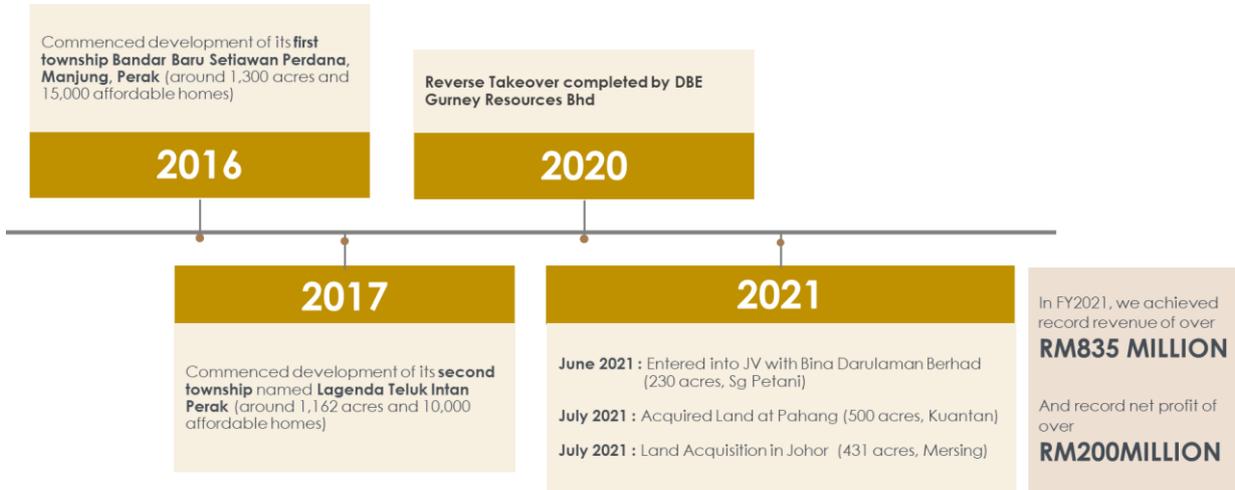
Lagenda Properties Berhad (Lagenda) is an affordable home and integrated township developer listed on the Main Market of Bursa Malaysia Securities Berhad.

We focus on our core expertise of developing self-sustaining townships, prioritising community-based facilities and public amenities that meet the needs of most Malaysian home buyers who fall within the B40 and the M40 household income group classification.

Our goal is to build economical and affordable homes while prioritising sustainability and wholesome living.

Our two current major affordable housing township projects are Bandar Baru Setia Awan Perdana in Sitiawan (BBSAP), Perak and Lagenda Teluk Intan (LTI) in Teluk Intan, Perak which comprise of a combined development area of over 2,500 acres and over 25,000 affordable homes upon completion.

Our business model is highly scalable, and we will continue to expand our business blueprint in other states of Malaysia to achieve our vision of being a Nationwide Affordable Township Developer with upcoming townships in Kedah, Pahang, Selangor, and Johor. Our deliberate landbank strategies will ensure that we are able to launch at least one new township per year to deliver long-term sustainable growth.





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2. What are your key success factors?

We have a distinctive focus on affordable landed homes targeted mainly for the B40 and M40 household income groups which are the underserved segments in the property market.

On top of the focus on affordable prices and landed homes, our current major townships namely BBSAP and LTI are self-sustainable and include facilities and amenities that are parallel to higher end townships such as clubhouse, swimming pool, futsal court and badminton courts.

To achieve this, we adopt a lean structure and focus on scalability, cost efficiency and consistency in our built quality. Furthermore, we are actively seeking synergistic partnerships such as our JV with Inta Bina Berhad, which will help us to optimise our construction cost.

Our lean cost structure and manufacturing model enabled us to achieve a profit after tax (PAT) margin of 24.1% for the financial year ended 31 December 2021. We aim to achieve higher efficiency in every township as we replicate based on the previous frameworks and adapt to what we learn along the way, with the goal of maximising returns for all stakeholders.

<ul style="list-style-type: none"> Our launches are in mass volume for greater bargaining power and cost efficiencies  <p>MANUFACTURING MODEL</p>	<ul style="list-style-type: none"> In-house building materials arm and in-house main/sub-contractors.  <p>IN-SOURCING OF MATERIALS</p>	<ul style="list-style-type: none"> Products & Offering – Our products are highly affordable with amenities and facilities catered for the B40 and M40 household income groups.  <p>EARNING VISIBILITY FOR CONTRACTORS</p>
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3. What changes do you expect in the business as we transition into the endemic phase? How will that affect your business plans and opportunities?

We are mindful of the labour shortage that could impact the margins of our construction business this year.

To mitigate this, Lagenda has been improving the efficiency and productivity of our construction segment by harnessing technologies such as industrialised building system (IBS) in order to reduce the reliance on manual labour.

We believe that the use of technologies can help the Group to hedge against the risks of manpower shortage and reduce the costs associated with labour shortage.

With the increase in demand for affordable housing, Lagenda aims to capitalise on this demand using our expanded capabilities in building construction, land acquisition business strategy; and diversifying our landbank to reduce dependency on a select few townships.

4. How do you differentiate yourself from other developers?

We thrive to add significant value to our homes despite offering them at an affordable price that drive us to our vision of “Making home ownership affordable for Malaysians”.

We believe we are the only pure-play affordable township developer with a reverse engineered pricing strategy to ensure that our homes are truly affordable to the B40 and M40 household income groups. The affordable price point of our townships does not compromise the quality of living that Lagenda townships offers - with clubhouse and recreational facilities made to cultivate a healthy communal culture within the township with sustainability at its core.

There is a shortage of housing within the B40 group’s reach across most states in Malaysia, leading to a large addressable market for Lagenda. A home is a necessity and most of our buyers are first-time home buyers. With our focus on lifestyle and competitive pricing strategy, we are confident of continued high take-up rates. We believe that the demand for housing by the B40 group is resilient at the right prices.

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5. What are your landbanking, marketing and sales strategies?

Our remaining landbank is more than 3,000 acres while our strong balance sheet with a low net gearing ratio of 0.05 times as of 30 June 2022 positions us well for further land banking activities.

Aside from our internal sales force and external agents, we have adopted a “Buyer Introduce Buyer” scheme, which has proven to be successful. We are very heartened that our buyers put their trust in us and introduce friends and family to enjoy the lifestyle and value that we provide.

6. How do you manage cost pressures and what is your pricing strategy?

Demand for housing by the B40 group is resilient if the price is right. As such, the prices of our homes are reverse engineered to ensure an affordable monthly instalment payment for the B40 and M40 household income groups in different states. This is to ensure affordability for our target market. With our competitive pricing strategy and lifestyle focus, we are confident of continued high take-up rates.

7. What are your challenges and how do you address them?

The property sector remains cyclical with peaks and troughs along with the macroeconomics. Affordable homes, however, remains a resilient segment and has seen consistent demand regardless of the property or economic cycles we are in. This is evidenced by our record revenue and profit during financial year (FY) 2021 despite the movement restrictions imposed by the government to control the spread of the Covid-19 virus.

Another factor that could affect our business outlook is the changes in Bank Negara Malaysia’s (BNM’s) Overnight Policy Rate (OPR) policy. Post-Covid and amid rising inflation, BNM has set the tone for consistent increase in OPR, which will have an impact on consumers’ expenditure for big-ticket items such as homes. The low absolute price of our homes, however, insulates our buyers from a significant increase in their monthly instalment amount. In addition, up to 60% of our buyers utilise loans provided by Lembaga Pembiayaan Perumahan Sektor Awam (LPPSA), which carries a fixed interest rate.

On the macroeconomic front, the overall economy remains tepid as the focus is largely on recovery from the Covid-19 pandemic. Along with other external global uncertainties, the natural response for consumers is to hold back on large ticket purchases such as homes and cars. That said, the demand for affordable homes remains robust and we are actively taking consistent steps to ensure the right product with the right price at the right place is being introduced.

8. Describe your recent financial results and what investors can expect going forward.

We achieved a record profit of RM200.5 million for FY2021. It is always the aim of the Group to ensure that we improve yearly to provide strong returns to our shareholders and to ensure steady support to the government for their affordable homes agenda.

We are satisfied with our performance so far in 2022 as confirmed sales grew month-on-month in the first and second quarters and we anticipate this momentum to continue into the second half of the year based on encouraging activities witnessed in the second quarter, coupled with our forthcoming launches over the next few months.

For this year, we plan to launch approximately 6,000 homes with a gross development value of approximately RM1 billion, including maiden launches outside of Perak. Our first project in Sungai Petani was launched in September 2022, followed by Mersing, Johor by the first half of 2023 and Kuantan, Pahang in the second half of 2023.

[Quarterly report on consolidated results for the financial period ended 30 June 2022](#)



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9. Tell us about your efforts in the area of sustainability.

We are on a journey to improve ourselves on the sustainability as well as environment, social and governance (ESG) aspects continuously. We have started to embark on various ESG initiatives, including setting targets and incorporating formal policies and hope to share such data with shareholders in the future.

We recognise the need to reduce emissions and promote renewable energy. As a start, we will install 1,000 residential solar photovoltaics systems across three projects developed by Lagenda in the state of Perak. Upon completion of the project, these installations will potentially produce approximately 2.8 Gigawatt hour (GWh) of clean electricity, which neutralises about 1,950 tonnes of carbon emissions per year.

We have introduced a waste management practice that will reduce construction waste produced at our construction sites. With prefabricated materials (cast in situ wall) used in our BBSAP township, we are able to reduce significant amounts of construction waste, subsequently reducing our carbon footprint and emission.

The heart of what we do is intertwined with social responsibility. We believe that every Malaysian family should own a home. Home ownership has been a constant challenge, and both BNM & Khazanah Research have issued statistics that home ownership is seriously unaffordable across most states. Ensuring home prices are affordable is our priority. We strongly believe in empowering every Malaysian family to own a home regardless of income level and this social cause is what drives us as a Group.

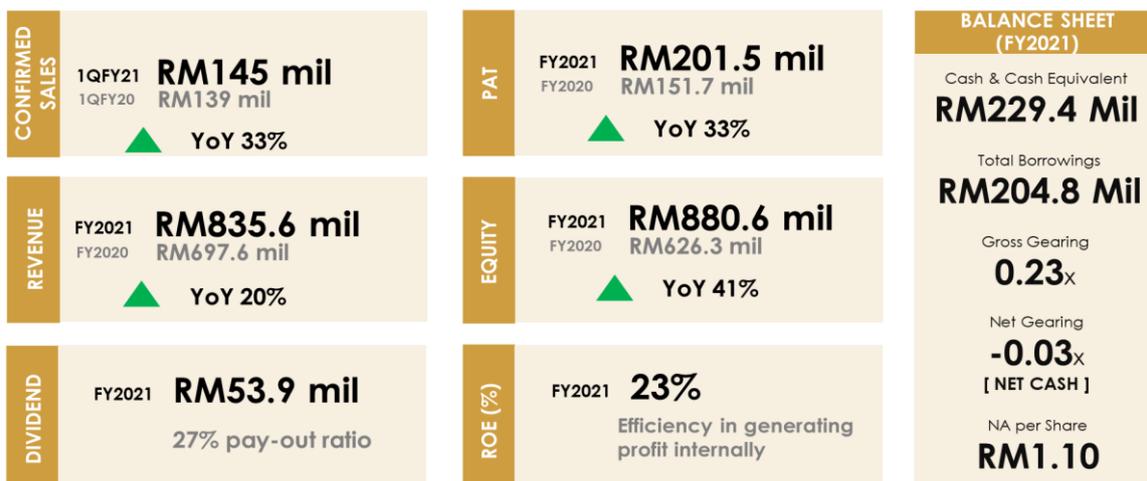
We embed ESG into our Group’s culture with the aim that the entire Group and our service providers adopt ESG practices while being mindful about our approaches in regard to matters related to the environment.

10. What is your value proposition and why should investors invest in your company?

Lagenda is still a young organisation and aims to deliver sustainable growth and enhanced financial performance as we improve year-on-year.

On top of our current township projects, Lagenda aims to launch at least one township annually with sales of 2,000 homes in each new township per annum. Our strong balance sheet and low net gearing provide us with ample room for future growth and landbanking activities. We believe our model is highly scalable and will continue our aim to expand our developments into other states of Malaysia.

We are committed to paying out 25% to 30% of our profits as dividends although this is not a formal dividend policy. For FY2021, our payout ratio was 27%. We believe in a balanced approach in rewarding shareholders and setting aside funds for growth.





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11. In line with being a Purpose and Performance Driven PLC, are there headline key performance indicators that you wish to share with your stakeholders/investors?

We target to launch at least one township annually with sales of 2,000 homes in each new township. In terms of profitability, we target to maintain profit margin that range between 20% to 25% as we maintain our lean cost structure. Our return on equity target is 20% or more as we try to optimise our performance by operating efficiently. We will continue to pay 25% to 30% of our profits as dividends to reward our shareholders. Finally, our sales growth is projected to be around 10% per annum for the next five years.

 <p>1 TOWNSHIP / YEAR Lagenda envisions to launch at least one township annually with sales of 2,000 homes in each new township per annum.</p>	 <p>20-25% PROFIT MARGIN Maintain our lean cost structure with the aim of delivering healthy profit margin of 20-25%</p>
 <p>>20% ROE Maintain a healthy ROE to optimize use of our equities</p>	 <p>25% - 30% DIVIDEND PAYOUT Continue with dividend payout of between 25% - 30% of profits</p>
 <p>>10% P.A CONFIRMED SALES GROWTH for the next 5 years</p>	

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