LBS Bina Group Bhd

Company Update
BUY (↔)

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Realigning to Better Prospect Ahead

Price: RM 0.395
Target Price: RM 0.64(↔)

Post-9MFY25 briefing key takeaways include: (i) potential monetisation of the remaining 3.5 acres of Johor land, with discussions currently underway with a prospective buyer; (ii) elevated cost of sales during the 3QFY25 attributed mainly to a one-off RM34m accounting adjustment relating to future works in the Kita @ Cybersouth project; (iii) reaffirmation of FY25's property sales targets of RM1.5bn (RM1.3b achieved YTD) and (iv) no intention to issue new perpetual sukuk in the near term. We remain positive on LBS's 8 x 8 Strategy, which focuses on optimised land utilisation, township expansion, and a diversified product mix. Reiterate BUY with an RNAV-based TP of RM0.64.

We attended LBS's 3QFY25 briefing and gathered several key insights on its operational developments and outlook. The key takeaways include:

1. **Potential to monetise remaining land in Johor.** To recap, LBS's subsidiary Sinaran Restu Sdn Bhd disposed two parcels of land in Johor Bahru to Asiana Square Sdn Bhd in Nov 2025 for a total cash consideration of RM110m. However, gain recognition (c.RM45m) may be deferred to FY26, as 90% of the SNP payment is expected only next year. Management views the divestment positively, as it enables LBS to reallocate resources back to its core Klang Valley market—particularly timely given the newly secured Kwasa Land, which carries an estimated GDV of RM8.3bn. The proposed 'PJ West' development in Kwasa Damansara comprises 2,922 residential units across low and mid-rise condominiums and landed homes, to be rolled out in phases over 14 years. Notably, LBS still has 3.5 acres of Johor land remaining, which it intends to monetise. Discussions with a potential buyer are ongoing, with a deal targeted for next year. Although the earlier 2-acre parcel comprised both freehold and leasehold land while the remaining 3.5 acres are fully leasehold, management remains confident that pricing will be broadly comparable.
2. **High cost of sales margin in 3QFY25 dragged by one - off expenses.** LBS guided that the spike in cost of sales margin (3QFY25: 75%, 2QFY26: 65%, 3QFY24: 68%) was due to a one-off accounting adjustment of RM34m that risen from their future project in Kita @ Cybersouth which changed from serviced apartments to commercial shops. This necessitated a reallocation of infrastructure costs.
3. **Latest launches update.** As of 27 Nov 25, LBS has launched 6 projects with GDV of RM958.2m which below the RM2.3bn yearly target as per its 8 x 8 strategy guidance. We noted that yearly planned launches may be adjusted based on property market sentiment to align with demand and market conditions. Currently, the remaining projects will defer to FY26 due to SST uncertainties especially for serviced apartments which sit on commercial titles but were later confirmed to be SST-exempt. We view the SST impact if any, as manageable as it only reduces net margins by a lower single digit of 3%. Mitigation wise, LBS is now reviewing the selling price per unit, cost structure and design optimisation. Pending finalisation, the FY26 indicative launch pipeline is expected to be around RM2.6bn, with final numbers will be shared after December.
4. **Perpetual sukuk — plans for redemption.** The RM93m perpetual sukuk will mature in March 2026, and the group intends to redeem it and there is no plan so far to issue a new perpetual sukuk.

Share Price Performance

Business Overview

LBS Bina Group Berhad is a Malaysian property developer primarily focused on affordable and mid-range residential housing, supported by a strong presence in key growth corridors such as Klang Valley, Johor, and Pahang. Known for its township developments (e.g., Bandar Saujana Putra).

Return Information			
KLCI (pts)			1,624.57
YTD KLCI chg.			-1.1%
YTD Stock Price chg.			-28.2%
Price Performance	**1M**	**3M**	**12M**
Absolute (%)	-7.1%	-10.2%	-23.9%
Relative to KLCI (%)	0.0%	1.9%	0.9%
Stock Information			
Market Cap (RM m)			609.0
Issued Shares (m)			1,541.7
52-week High (RM)			0.58
52-week Low (RM)			0.40
Est. Free Float (%)			52%
Beta vs FBM KLCI			1.1
3-month Avg Vol. (m)			2,031,446
Shariah Compliant			Yes
Bloomberg Ticker			LBS MK

Top 3 Shareholders	%
Gaterich Sdn Bhd	37.5%
KWAP	8.2%
Sri Lim Hock San	2.8%

FY Mar (RM m)	FY24A	FY25E	FY26E
Revenue	1,434.7	1,281.2	1,504.7
EBITDA	297.4	270.2	285.2
PBT	190.9	152.3	174.1
Net Profit	108.5	115.7	132.3
Core Net Profit	108.5	115.7	132.3
Core EPS (sen)	7.0	7.5	8.6
Core EPS Growth (%)	(26.3)	6.7	14.3
Net DPS (sen)	4.7	2.3	2.6
BV Per Share (sen)	5.6	5.3	4.6
Net Div. Yield (%)	11.9	5.7	6.5
P/E (x)	5.6	5.3	4.6
ROE (%)	12.7	5.3	5.8

Outlook. We remain positive on LBS's 8×8 Strategy, which focuses on efficient land utilisation, continued township expansion, and a diversified product mix spanning residential, commercial/retail, industrial, and hospitality segments. Remaining quarter performance is expected to be supported by upcoming launches including the landed D'Island Residence, high-rise Kita@Cybersouth, industrial Telok Gong, and landed Bandar Putera Indah (combined GDV of RM1.02bn). As of October 2025, LBS owns a 3,778-acre landbank with RM33bn in GDV, while unbilled sales stand at RM1.34bn (1.05x our FY25E revenue), offering healthy earnings visibility.

Earnings forecast. Unchanged.

Valuation. We retained our 75% discount to our estimated revalued net asset value (RNAV) of RM2.54 per share. Our TP (RM0.64) implies a FY25-26E forward P/E range of 5.25x–6.0x, which is significantly below the broader property sector average of 11.3x–12.5x and well beneath the 16.0x–21.4x range of selected property developer peers. The steep discount reflects prevailing macroeconomic uncertainties and the challenging outlook for the property sector in the near term.

Investment Case. We like LBS for its compelling risk-reward, supported by a i) healthy unbilled sales pipeline and strong launch across residential, commercial, and industrial segments, ii) leadership in affordable housing, while iii) disciplined financial management and landbank optimisation under the 8 x 8 Strategy.

Key Risks include: (i) Subdued property sales, b) Construction cost fluctuations and c) Project launches and completion delay.

RNAV Valuation table:

Valuation	RNAV (RM m)
Property development (DCF @ 9.4% WACC)	2,626.9
Shareholder fund/ equity (inclusive of irredemable convertible preference share)	1629.7
Total RNAV	4,256.6
Enlarged share capital inclusive of irredeemable convertible preference share conversion (m units)	1,672.76
RNAV per share	2.54
Targeted discount to RNAV	75%
ESG Premium	0%
Intrinsic value per share	**0.64**
Current market price	0.395
Upside	61%

Key Financial Data

Balance Sheet

FYE Dec	FY23	FY24	FY25F	FY26F	FY27F
PPE	53.8	104.0	81.8	67.1	56.8
Trade and other receivables	449.2	506.5	427.1	501.6	526.6
Contract Assets	456.7	416.7	427.1	501.6	526.6
Tax asset	19.2	29.2	29.2	29.2	29.2
Other assets	3,135.1	3,070.3	2,524.9	2,604.2	2,625.1
Deposit, bank and cash	156.4	220.3	833.2	870.8	960.2
Assets	**4,270.4**	**4,347.1**	**4,323.4**	**4,574.5**	**4,724.7**
LT borrowings	157.3	369.0	369.0	369.0	369.0
ST borrowings	445.0	363.0	363.0	363.0	363.0
Payables	1,120.2	941.7	837.0	995.4	1,048.8
Other liabilities	702.4	581.1	581.1	581.1	581.1
Liabilities	**2,425.0**	**2,254.8**	**2,150.1**	**2,308.6**	**2,362.0**
Share capital	922.9	922.9	922.9	922.9	922.9
Reserves and retained earning	544.7	722.0	803.0	895.7	992.4
Shareholder's equity	**1,455.6**	**1,629.7**	**1,710.7**	**1,803.3**	**1,900.1**
NCI	166.8	239.6	239.6	239.6	239.6
Equity	**1,845.4**	**2,092.2**	**2,173.3**	**2,265.9**	**2,362.7**
Equity and Liabilities	**4,270.4**	**4,347.1**	**4,323.4**	**4,574.5**	**4,724.7**

Cash Flow Statement

FYE Dec	FY23	FY24	FY25F	FY26F	FY27F
Profit before taxation	249.4	190.9	152.3	174.1	181.9
Depreciation & amortisation	13.2	14.4	30.3	24.2	20.2
Changes in working capital	466.6	(132.9)	151.0	(79.9)	(26.8)
Net interest received/ (paid)	(54.9)	(29.9)	(61.5)	(61.5)	(61.5)
Share of associate profits	-	-	-	-	-
Tax paid	(110.0)	(101.1)	(36.6)	(41.8)	(43.7)
Others	99.1	35.0	74.3	73.5	72.7
Operating Cash Flow	**663.3**	**(23.5)**	**309.9**	**88.7**	**142.8**
Capex	(12.6)	(9.0)	(8.1)	(9.5)	(10.0)
Others	(73.2)	(175.4)	(1.6)	(1.9)	(2.0)
Investing Cash Flow	**(85.8)**	**(184.4)**	**(9.7)**	**(11.4)**	**(12.0)**
Issuance of shares	-	-	-	-	-
Changes in borrowings	(155.7)	130.1	-	-	-
Dividends paid	(37.7)	(82.0)	(34.7)	(39.7)	(41.5)
Others	(92.2)	116.1	-	-	-
Financing Cash Flow	**(285.6)**	**164.1**	**(34.7)**	**(39.7)**	**(41.5)**
Net cash flow	291.9	(43.8)	265.4	37.6	89.4
Forex	-	-	-	-	-
Beginning cash	261.5	554.8	511.5	776.9	814.5
Ending cash	**553.4**	**511.1**	**776.9**	**814.5**	**903.9**

Income Statement

FYE Dec	FY23	FY24	FY25F	FY26F	FY27F
Revenue	1,806.1	1,434.7	1,281.2	1,504.7	1,579.9
EBITDA	356.6	297.4	270.2	285.2	288.1
Depn & amort	13.2	14.4	30.3	24.2	20.2
Net interest expense	(65.4)	(64.9)	(75.1)	(75.1)	(75.1)
Associates & JV	0.5	0.3	0.3	0.3	0.3
EI	-	-	-	-	-
Pretax profit	**249.4**	**190.9**	**152.3**	**174.1**	**181.9**
Taxation	(82.1)	(82.4)	(36.6)	(41.8)	(43.7)
MI	-	-	-	-	-
Net profit	**159.4**	**265.9**	**115.7**	**132.3**	**138.2**
Core net profit	**159.4**	**108.5**	**115.7**	**132.3**	**138.2**

Key Statistics & Ratios

FYE Dec	FY23	FY24	FY25F	FY26F	FY27F
Growth					
Revenue	4.8%	-20.6%	-10.7%	17.4%	5.0%
EBITDA	12.5%	-16.6%	-9.2%	5.5%	1.0%
Pretax profit	15.0%	-23.5%	-20.2%	14.3%	4.5%
Net profit	21.7%	-35.2%	6.7%	14.3%	4.5%
Core EPS Growth	15.9%	-29.7%	6.7%	14.3%	4.5%
Profitability					
EBITDA margin	19.7%	20.7%	21.1%	19.0%	18.2%
Net profit margin	9.3%	7.6%	9.0%	8.8%	8.8%
Effective tax rate	32.9%	43.2%	24.0%	24.0%	24.0%
ROA	3.7%	2.5%	2.7%	2.9%	2.9%
ROE	8.64	12.71	5.33	5.84	5.85
Leverage					
Debt/ Assets (x)	0.16	0.22	0.22	0.22	0.21
Debt/ Equity (x)	0.38	0.46	0.44	0.44	0.42
Net debt/ equity (x)	0.25	0.29	0.06	0.04	(0.00)

Key Drivers

FYE Dec	FY23	FY24	FY25F	FY26F	FY27F
Unbilled Sales (RM m)	1,999	1,684	1,459	1,725	1,812
GP margin	28.3%	33.9%	33.5%	32.7%	32.6%
PAT margin	9.3%	7.6%	9.0%	8.8%	8.8%

Valuation

FYE Dec	FY23	FY24	FY25F	FY26F	FY27F
EPS (sen)	10.0	7.0	7.5	8.6	9.0
Core EPS (sen)	9.5	7.0	7.5	8.6	9.0
P/E (x)	4.8	6.5	6.1	5.4	5.1
EV/ EBITDA (x)	3.3	4.4	3.1	2.8	2.4
Net DPS (sen)	2.7	4.7	2.3	2.6	2.7
Yield	5.9%	10.2%	4.9%	5.6%	5.8%
BV per share (RM)	1.20	1.36	1.30	1.35	1.41
P/BV (x)	0.4	0.3	0.4	0.3	0.3

Source: Mercury Securities, Bloomberg

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