LBS Bina Group Bhd

Company Update
BUY (↔)
research@mersec.com.my
Monday, August 24, 2026
Price: RM 0.425
Target Price: RM 0.520 (↔)

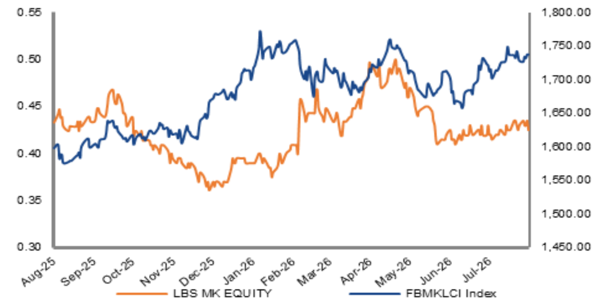
Near-Term Recalibration, Long-Term Growth Intact

Slower property sales, launch deferments and persistent construction-cost pressures prompted us to cut FY26E/FY27E earnings by 11%/6% to RM129m/RM144m. Management expects a much better progressive billings to support an earnings recovery in 2HFY26, although the RM1.4bn property-sales and RM2.3bn launch targets appear increasingly challenging. Nevertheless, RM1.06bn in unbilled sales provides near-term earnings visibility, while the RM8bn-plus Kwasa Damansara and RM7bn Klebang developments underpin the longer-term growth pipeline. We retain our RNAV-derived TP of RM0.52, as the revisions do not materially alter long-term project value and NTA, although execution uncertainty warrants maintaining the 80% RNAV discount. Maintain BUY, supported by undemanding valuations and an exciting dividend yield of 8%–9%.

We attended LBS Bina Group Berhad's 2QFY26 post-results briefing, with key takeaways as follows:

1. **Recap, LBS's 6MFY26 earnings** weakened despite resilient revenue. Revenue remained broadly stable at RM637.0m, as lower property-development contributions following the completion or near completion of several projects were offset by stronger construction and trading revenue. Nevertheless, weaker property-development profitability and higher administrative and operating expenses led to a 42% YoY decline in PATAMI to RM32.1m. The weaker earnings conversion reflected a less favourable project mix, persistent cost pressures and the absence of contingency-sum reversals recorded in the comparative periods. LBS also declared an interim DPS of 0.85 sen, reinforcing its 40% dividend-payout commitment.
2. **Management expects a much better 2HFY26, although the property-sales target remains challenging.** The anticipated recovery will be supported by higher progressive billings and improving construction progress across ongoing developments, although its strength will depend on project execution, new launches and persistent cost pressures. Property sales reached RM664.1m as at 19 August 2026, representing 47% of the RM1.4bn FY26 target, with achievement increasingly dependent on the response to projects scheduled for 4QFY26.
3. LBS is recalibrating its launch pipeline while preserving near-term earnings visibility. The Group had launched RM577m worth of projects against its RM2.3bn FY26 target as at 19 August, although management indicated that approximately RM1.4bn may be more achievable, with around RM800m subject to review or deferment. Launches will be assessed based on demand, pricing, costs and readiness, with Idaman MBI and Amira Cyberjaya recalibrated, while Alam Perdana Commercial, Sungai Penchala and Cameron Centrum remain targeted for 4QFY26. Meanwhile, RM1.061bn in unbilled sales provides near-term earnings visibility, while completed inventory remained manageable at RM125m, equivalent to only 1.8% of the RM7bn worth of properties launched between 2022 and 2025.

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)			1,736.48
YTD KLCI chg.			3.4%
YTD Stock Price chg.			11.8%
Price Performance	**1M**	**3M**	**12M**
Absolute (%)	-1.2%	-7.6%	-1.8%
Relative to KLCI (%)	-2.1%	-9.3%	-10.5%

Stock Information	
Market Cap (RM m)	655.2
Issued Shares (m)	1,541.5
52-week High (RM)	0.52
52-week Low (RM)	0.37
Est. Free Float (%)	52%
Beta vs FBM KLCI	1.0
3-month Avg Vol. (m)	2,076,163
Shariah Compliant	Yes
Bloomberg Ticker	LBS MK EQUITY

Top 3 Shareholders	%
Gaterich Sdn Bhd	37.5%
KWAP	7.5%
Sri Lim Hock San	3.2%

FY Dec (RM m)	FY25A	FY26E	FY27E
Revenue	1,554	1,386	1,505
EBITDA	299.2	282.0	304.6
PBT	224.6	198.9	221.4
Net Profit	137.9	129.3	143.9
Core Net Profit	125.2	129.3	143.9
Consensus Net Profit	113.0	115.3	126.7
Earnings Revision (%)		*-11%*	*-6%*
Core EPS (sen)	8.1	8.4	9.3
Core EPS Growth (%)	88.2	3.2	11.3
Net DPS (sen)	1.3	3.4	3.7
Net Div. Yield (%)	3.1%	7.9%	8.8%
BV Per Share (sen)	131.2	143.7	135.8
PB (x)	0.32	0.30	0.31
P/E (x)	5.2	5.1	4.6
ROE (%)	6.8%	5.8%	6.9%

4. **Cost pressures are expected to persist, although SST exposure and balance-sheet risks remain manageable.** Construction costs are likely to remain elevated in 2HFY26, limiting the scope for a material margin recovery through lower input costs. Nevertheless, management considers the SST impact manageable, as exposure is mainly concentrated within selected commercial developments. Net gearing increased moderately to 0.35x from 0.31x at end-FY25 following additional development-related borrowings, while cash declined to RM591.1m after debt repayments. **Project take-up remained healthy, supported by sizeable long-term catalysts and an enhanced dividend commitment.** Overall take-up averaged approximately 68%, led by Alam Perdana and Idaman at 86% and 91%, respectively, although take-up varied across projects. Kwasa Damansara has become LBS's principal long-term priority, with the 192-acre development carrying an estimated GDV exceeding RM8bn and its first launch targeted for 2027. The 561-acre Klebang joint venture provides another major catalyst, with an estimated GDV of RM7bn and a RM600m first commercial phase targeted for 2HFY26, subject to approvals.

Post Update, we revised down our FY26E/FY27E earnings by 11%/6% to RM129m/RM144m. This incorporates management's expectation of stronger progressive billings in 2HFY26 without assuming that all delayed launches convert immediately into revenue. Our FY27E earnings should benefit from fuller contributions from Klebang and existing unbilled sales, but Kwasa Damansara should contribute only modestly initially because its first launch is planned for 2027.

Valuation. Our RNAV-derived TP remained at RM0.52. The revised near-term revenue forecasts do not directly reduce the RNAV because the valuation is based on long-term development profits and NTA. Nevertheless, the weaker execution outlook supports retaining the substantial 80% RNAV discount (Unchanged). Coupled with an exciting dividend yield of 8%-9% and undervalued at current price, **BUY call** maintained.

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 @ 7% WACC)	2,581.8
Shareholder fund/ equity (inclusive of irredemable convertible preference share)	1646.2
Total RNAV	4,228.0
Enlarged share capital inclusive of irredeemable convertible preference share conversion (m units)	1,624.5
RNAV per share	2.60
Targeted discount to RNAV	80%
ESG Premium	0%
Intrinsic value per share (RM)	0.52
Current market price (RM)	0.425
Upside	22%

Key Financial Data

Income Statement

FY Dec (RM m)	2024A	2025A	2026E	2027E	2028E
Revenue	1,435	1,554	1,505	1,580	1,663
EBITDA	255.5	299.2	306.2	319.9	336.8
Depreciation & Amortization	39.2	10.2	10.3	10.4	0.0
Operating Profit	213.5	288.4	295.9	309.5	326.2
Interest Inc/(Exp)	(29.9)	(36.5)	(60.1)	(60.1)	(60.1)
Profit Before Tax	148.9	224.6	223.0	236.6	253.4
Taxation	(82.4)	(86.7)	(78.1)	(82.8)	(88.7)
Net Profit	224.0	137.9	145.0	153.8	164.7
PATAMI	224.0	137.9	145.0	153.8	164.7

Balance Sheet

	2024A	2025A	2026E	2027E	2028E
Fixed Assets	104.0	98.5	111.6	115.4	119.5
ROU Assets	170.3	150.8	164.2	161.9	159.8
Intangible Assets	55.5	43.1	43.1	43.1	43.1
Other Fixed Assets	296.9	376.9	376.9	376.9	376.9
Inventories	2,165.8	2,076.2	2,139.4	2,119.9	2,150.0
Receivables	510.0	563.2	519.8	503.5	528.6
Other Current Assets	695.1	473.5	620.9	604.6	629.6
Cash	349.5	653.2	925.2	658.0	1,105.2
Total Assets	**4,347**	**4,435**	**4,901**	**4,583**	**5,113**
Payables	1,223.8	1,040.1	1,251.2	1,200.9	1,249.7
ST Borrowings	363.0	333.6	333.6	333.6	333.6
Other ST Liability	61.4	56.7	56.7	56.7	56.7
LT Borrowings	369.0	935.5	935.5	935.5	935.5
Other LT Liability	237.5	44.4	44.4	44.4	44.4
Net Assets	2,092.2	2,024.9	2,279.6	2,359.4	2,445.3
Shareholders' Equity	1,629.7	1,691.8	1,879.3	1,775.3	1,967.2
Minority Interests	239.6	240.1	240.1	240.1	240.1
Total Equity	2,092.2	2,024.9	2,212.4	2,108.4	2,300.3

Cashflow Statement

FY Dec (RM m)	2024A	2025A	2026E	2027E	2028E
Operating CF	(65.5)	67.9	199.1	166.1	143.9
Investing CF	(184.4)	(173.1)	(11.4)	(12.0)	(12.6)
Financing CF	164.1	112.3	(58.0)	(61.5)	(65.9)
Change In Cash	(85.7)	7.1	129.7	92.6	65.4
Free CF	(74.5)	55.3	189.6	156.1	133.4

Financial Data & Ratios

FY Dec	2024A	2025A	2026E	2027E	2028E
Growth					
Turnover	-20.6%	8.3%	-3.1%	5.0%	5.3%
EBITDA	-18.7%	17.1%	2.3%	4.5%	5.3%
Operating Profit	-21.5%	35.0%	2.6%	4.6%	5.4%
PBT	-28.1%	50.8%	-0.7%	6.1%	7.1%
Core Net Profit	-43.2%	88.2%	15.8%	6.1%	7.1%
Profitability					
Gross Profit Margin	33.9%	32.7%	32.7%	32.6%	32.6%
EBITDA Margin	17.8%	19.3%	20.3%	20.2%	20.2%
Operating Margin	14.9%	18.6%	19.7%	19.6%	19.6%
PBT Margin	10.4%	14.5%	14.8%	15.0%	15.2%
Core Net Margin	4.6%	8.1%	9.6%	9.7%	9.9%
Effective Tax Rate	-55.3%	-38.6%	-35.0%	-35.0%	-35.0%
ROA	1.5%	3.1%	10.5%	2.9%	2.8%
ROE	10.7%	6.8%	6.6%	7.3%	7.2%
Leverage					
Debt/Asset (x)	0.22	0.29	0.26	0.28	0.25
Debt/Equity (x)	0.46	0.63	0.57	0.60	0.55
Net (Cash)/Debt	0.63	0.49	0.49	0.27	0.48
Net Debt/Equity (x)	0.29	0.30	0.28	0.14	0.29
Valuations					
Core EPS (sen)	4.31	8.11	9.39	9.96	10.67
NDPS (sen)	4.70	1.30	3.76	3.99	4.27
BV/sh (RM)	1.36	1.31	1.43	1.37	1.49
PER (x)	10.44	5.55	4.79	4.52	4.22
Div. Yield (%)	10.4%	2.9%	8.4%	8.9%	9.5%
PBV (x)	0.33	0.34	0.31	0.33	0.30

Source: Mercury Securities, Company

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