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LBS Bina Group Bhd

Margins Over Momentum

Company Update
BUY (↔)
research@mersec.com.my
Friday, November 20, 2026
Price: RM 0.345
Target Price: RM 0.520 (↔)

Coming from its post-results briefing, we remain positive on LBS Bina Group Berhad's (LBS) long-term prospects, although near-term earnings will be weighed down by weaker property sales and elevated construction costs. Management cut its FY26 sales target to RM1.1bn (from RM1.4bn), with RM971m achieved as at 17 November 2026, and now prioritises profitability over launch volume. Unbilled sales remain healthy at RM1.03bn, with ~60% to be recognised in FY27, while an indicative FY27 launch pipeline of RM2.0bn or above, anchored by the RM8.3bn Kwasa Damansara township, should drive the recovery. We cut our FY26E/FY27E earnings by 40%/36% to RM78m/RM92m on lower sales and GP margin assumptions, but maintain our RNAV-derived TP of RM0.52 based on an unchanged 80% discount. Reiterate our BUY call.

We attended LBS Bina Group Berhad's 3QFY26 post-results briefing, with key takeaways as follows:

1. **Recap, LBS's 9MFY26 earnings remained weak despite a QoQ improvement in 3QFY26.** Topline declined 11.9% YoY to RM961.7m, while Bottomline fell 42.5% to RM48.7m. Management attributed the decline mainly to the completion or near completion of certain development projects. The YoY decline was also due to a higher comparative base, as 9MFY25 earnings benefited from larger reversals of accrued costs and contingency sums no longer required for completed projects. On a quarterly basis, 3QFY26 earnings rose 10.2% QoQ to RM16.6m, partly aided by a similar reversal for completed projects, while GP margin was broadly maintained at 27.1% (2QFY26: 27.5%). Construction and trading also grew its share of revenue to 13.4% (FY25: 4.6%).

2. **FY26 sales target cut to RM1.1bn, with recovery only expected from FY27.** Management lowered its FY26 sales target to RM1.1bn from RM1.4bn previously. Property sales reached RM971m as at 17 November 2026, lagging last year's c.RM1.2bn at a similar point despite a comparable level of launches. Management explained that sales were weaker as launches were delayed, first by uncertainty over SST implementation in 2025, and then by the need to redesign products after the Middle East conflict pushed up construction costs in 2026. With a RM345m booking pipeline, of which about 50% is expected to convert, the revised target appears within reach. Management expects sales momentum to recover from FY27, underpinned by an indicative launch pipeline of RM2.0bn GDV or above, with official targets to be announced in early 2027.

3. **Construction costs rose 10–15%, but profitability margins are expected to improve from FY27.** Higher fuel and related costs lifted construction costs. The impact is largely confined to the remaining works of ongoing projects, many of which are ~80% complete, while newer launches have already priced in the revised costs. Management aims to protect margins through a greater mix of landed properties, value engineering, wider Building Information Modelling (BIM) adoption to minimise cost variations, and economies of scale from higher sales. Management reiterated its targets of GP margin above 25% and PBT margin above 10%.

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). The Company is currently listed in Main Market.

Return Information	
KLCI (pts)	1,566.16
YTD KLCI chg.	-6.8%
YTD Stock Price chg.	-9.2%

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)	526.7
Issued Shares (m)	1,526.5
52-week High (RM)	0.52
52-week Low (RM)	0.34
Est. Free Float (%)	56%
Beta vs FBM KLCI	1.0
3-month Avg Vol. (m)	1,781,577
Shariah Compliant	Yes
Bloomberg Ticker	LBS MK EQUITY

Top 3 Shareholders	%
Gaterich Sdn Bhd	37.9%
KWAP	7.5%
Sri Lim Hock San	3.6%

FY Dec (RM m)	FY25A	FY26E	FY27E
Revenue	1,554	1,293	1,432
EBITDA	299.2	202.3	224.0
PBT	224.6	119.2	140.8
Net Profit	137.9	77.5	91.5
Core Net Profit	137.9	77.5	91.5
Consensus Net Profit	-	*79.3*	*107.5*
Earnings Revision (%)		*-40%*	*-36%*
Core EPS (sen)	8.1	5.0	5.9
Core EPS Growth (%)	88.2	(38.1)	*18.1*
Net DPS (sen)	1.3	2.0	2.4
Net Div. Yield (%)	3.1%	5.8%	6.9%
BV Per Share (sen)	131.2	145.1	133.8
PB (x)	0.32	0.24	0.26
P/E (x)	5.2	6.9	5.8
ROE (%)	6.8%	3.5%	4.4%

4. **Potential OPR hikes expected to have limited impact on both funding costs and demand.** Net gearing rose to 0.52x as at 9MFY26 (FY25: 0.31x), mainly due to the RM150m third Sukuk tranche raised to fund the launch pipeline, and a lower equity base following the RM93m perpetual Sukuk redemption. Nevertheless, this remains within management's 0.6x threshold. Cash declined to RM532.6m (FY25: RM653.2m), partly due to the repayment of borrowings. On funding costs, ~60% of borrowings are Sukuk at effectively fixed rates, which should cushion the impact of any OPR hike. On demand, management noted that gradual hikes would mainly filter out borderline buyers, who make up only a small portion of its customer base.

5. **LBS is prioritising profitability over launch volume, while unbilled sales underpin near-term visibility.** Management acknowledged that its previous RM8bn three-year cumulative launch target is no longer realistic following the recalibration of project launches, and will prioritise project profitability over launch volume. YTD launches stood at RM1.1bn GDV, on par with FY25, with KLOOP (RM105m) and Andamai (RM632m) still targeted for 4QFY26, subject to project readiness. Meanwhile, management expects unbilled sales to hold at around RM1.03bn through year-end, as 4QFY26 billings are replenished by new sales, with 60% to be recognised in FY27 and 40% in FY28. Average take-up remained healthy at 82% across 22 ongoing projects, while completed unsold inventory stayed low at RM116m.

6. **Kwasa Damansara and Klebang anchor long-term growth, with a Johor land gain due in May 2027.** Sherwood Residence, the first phase of the RM8.3bn Kwasa Damansara township, is targeted for launch in 2QFY27. It covers ~25 acres of landed homes with a GDV of RM700–800m. The >RM7bn Klebang joint venture provides a second major catalyst. Separately, completion of the RM110m Johor land disposal, expected to yield more than RM40m in profit, has been extended to May 2027, and discussions are ongoing for a second-phase transaction.

Post Briefing, we cut our FY26E/FY27E earnings by 40%/36% to RM78m/RM92m. The revision reflects (i) management's lower FY26 sales target of RM1.1bn (from RM1.4bn), which reduces new sales feeding into billings in 4QFY26 and FY27, and (ii) a lower GP margin assumption of 28% for both years (from 33%), to account for the 10–15% increase in construction costs on the remaining works of ongoing projects. Our revised margin remains above management's >25% target and broadly in line with the 29.3% achieved in 9MFY26. FY27E earnings should be supported by the recognition of ~60% of the RM1.03bn unbilled sales, while the contribution from Sherwood Residence should be modest given its targeted 2QFY27 launch.

Valuation. Our RNAV-derived TP remained at RM0.52, which implies a FY27E forward P/E of 6.9x, which is a discount to the broader property sector index of 8.7x/9.3x for FY26E/FY27E. 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). This implies a capital upside of 51% to its current share price of RM0.345, or a total return of 58% including a FY27E dividend yield of 6.9%. **BUY** Call maintained.

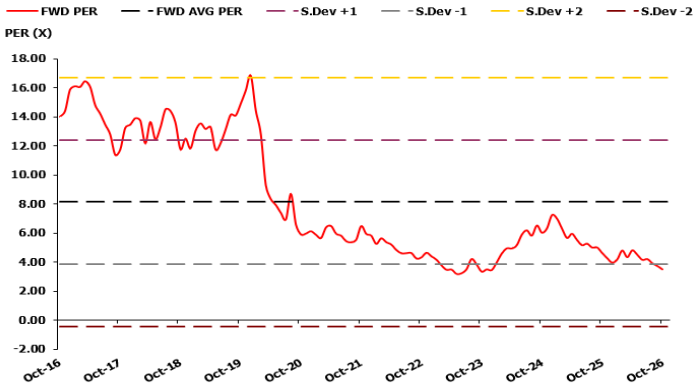
Investment Case. We like LBS for its compelling risk-reward, supported by i) a healthy RM1.03bn unbilled sales base and an 82% average take-up rate across ongoing projects, ii) its leadership in affordable housing, further supported by the Budget 2027 extension of stamp duty exemptions for first-time homebuyers to 2030, iii) landbank optimisation under the 8 x 8 Strategy, with a 3,893-acre landbank carrying RM37bn in potential GDV, and iv) an indicative FY27 launch pipeline of RM2.0bn or above, anchored by Sherwood Residence (GDV: RM700–800m), the first phase of the RM8.3bn Kwasa Damansara township targeted for launch in 2QFY27, alongside the >RM7bn Klebang development as key long-term catalysts.

Key risks include: i) Delays in converting the construction order book, ii) Weaker-than-expected property sales, iii) Escalation of Middle East geopolitical risks, and iv) Construction cost volatility.

RNAV Valuation table:

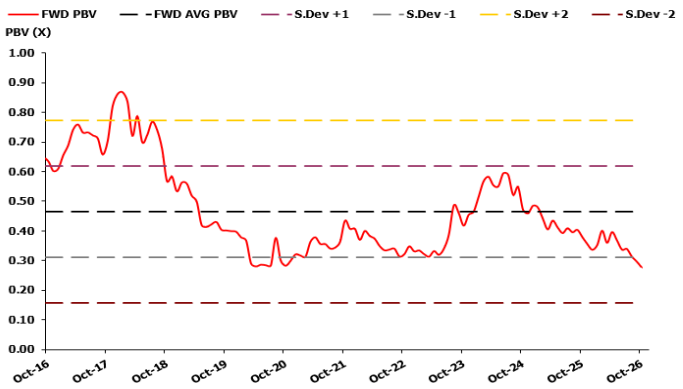
Valuation	RNAV (RM m)
Property development (DCF @ 7% WACC)	2,581.8
Shareholder fund/ equity (inclusive of irredemable convertible preference share)	1646.2
Total RNAV	4,228.0
Enlarged share capital inclusive of irredeemable convertible preference share conversion (m units)	1,624.2
RNAV per share	2.60
Targeted discount to RNAV	80%
ESG Premium	0%
Intrinsic value per share (RM)	**0.52**
Current market price (RM)	**0.345**
Upside	51%

Figure 1: 10-Year P/E Band



Source: Bloomberg, Mercury Research

Figure 2: 10-Year P/B Band



Source: Bloomberg, Mercury Research

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Key Financial Data

Income Statement

FY Dec (RM m)	2024A	2025A	2026E	2027E	2028E
Revenue	1,435	1,554	1,293	1,432	1,631
EBITDA	255.5	299.2	202.3	224.0	255.2
Depreciation & Amortization	39.2	10.2	10.2	10.3	0.0
Operating Profit	213.5	288.4	192.1	213.7	244.7
Interest Inc/(Exp)	(29.9)	(36.5)	(60.1)	(60.1)	(60.1)
Profit Before Tax	148.9	224.6	119.2	140.8	171.9
Taxation	(82.4)	(86.7)	(41.7)	(49.3)	(60.2)
Net Profit	224.0	137.9	77.5	91.5	111.7
PATAMI	**224.0**	**137.9**	**77.5**	**91.5**	**111.7**

Balance Sheet

Fixed Assets	104.0	98.5	110.3	113.3	117.3
ROU Assets	170.3	150.8	163.9	161.5	159.4
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	2,035.3	2,090.7
Receivables	510.0	563.2	519.8	433.0	479.1
Other Current Assets	695.1	473.5	620.9	534.1	580.2
Cash	349.5	653.2	696.1	834.8	881.0
Total Assets	**4,347**	**4,435**	**4,671**	**4,632**	**4,807**
Payables	1,223.8	1,040.1	1,251.2	1,113.8	1,206.4
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**	**2,049.6**	**2,135.9**	**2,234.5**
Shareholders' Equity	1,629.7	1,691.8	1,906.2	1,732.7	1,953.1
Minority Interests	239.6	240.1	240.1	240.1	240.1
Total Equity	**2,092.2**	**2,024.9**	**2,239.3**	**2,065.8**	**2,286.2**

Cashflow Statement

FY Dec (RM m)					
Operating CF	(65.5)	67.9	131.6	242.2	67.2
Investing CF	(184.4)	(173.1)	(9.8)	(10.9)	(12.4)
Financing CF	164.1	112.3	(31.0)	(36.6)	(44.7)
Change In Cash	**(85.7)**	**7.1**	**90.8**	**194.7**	**10.1**
Free CF	(74.5)	55.3	123.4	233.1	56.9

Financial Data & Ratios

FY Dec	2024A	2025A	2026E	2027E	2028E
Growth					
Turnover	-20.6%	8.3%	-16.8%	10.7%	13.9%
EBITDA	-18.7%	17.1%	-32.4%	10.7%	13.9%
Operating Profit	-21.5%	35.0%	-33.4%	11.2%	14.5%
PBT	-28.1%	50.8%	-46.9%	18.1%	22.1%
Core Net Profit	-43.2%	88.2%	-38.1%	18.1%	22.1%
Profitability					
Gross Profit Margin	33.9%	32.7%	28.0%	28.0%	28.0%
EBITDA Margin	17.8%	19.3%	15.6%	15.6%	15.6%
Operating Margin	14.9%	18.6%	14.9%	14.9%	15.0%
PBT Margin	10.4%	14.5%	9.2%	9.8%	10.5%
Core Net Margin	4.6%	8.1%	6.0%	6.4%	6.9%
Effective Tax Rate	-55.3%	-38.6%	-35.0%	-35.0%	-35.0%
ROA	1.5%	3.1%	2.8%	3.1%	3.4%
ROE	10.7%	6.8%	3.5%	4.4%	4.9%
Leverage					
Debt/Asset (x)	0.22	0.29	0.27	0.27	0.26
Debt/Equity (x)	0.46	0.63	0.57	0.61	0.56
Net (Cash)/Debt	0.63	0.49	0.49	0.45	0.34
Net Debt/Equity (x)	0.29	0.30	0.28	0.27	0.19
Valuations					
Core EPS (sen)	4.31	8.11	5.02	5.93	7.24
NDPS (sen)	4.70	1.30	2.01	2.37	2.90
BV/sh (RM)	1.36	1.31	1.45	1.34	1.48
PER (x)	8.00	4.25	6.87	5.82	4.77
Div. Yield (%)	13.6%	3.8%	5.8%	6.9%	8.4%
PBV (x)	0.25	0.26	0.24	0.26	0.23
EV/EBITDA (x)	4.45	3.84	5.68	4.04	1.29

Source: Mercury Securities, Company

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