

LIM SEONG HAI CAPITAL BHD

(LSH MK EQUITY, LSH.KL)

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Unlocking multi-billion GDV potential from Morib Rejuvenation Plan

Company Report

BUY

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Price: RM2.32
Target Price: RM3.00

Rationale for report: Company Update

YE to Sep	FY24	FY25F	FY26F	FY27F
FD Core EPS (sen)	8.7	11.1	15.3	19.8
PE (x)	26.0	20.3	14.8	11.4

Source: AmInvestment Bank Bhd

Quick Take

- Lim Seong Hai (LSH) has accepted a letter from Seriemas Resort (SRSB), on behalf of PNB Development and Selangor State, confirming the agreed-in-principle commercial terms for Morib Rejuvenation Project. Key terms include:
 - 1) Combined 60-year lease with renewals (20+20+20 years) over 139 acres golf course
 - 2) Combined 60-year lease with renewals (30+30 years) for 5 acres beachfront land to build and operate new clubhouse and hotel apartments.
 - 3) Exclusive development rights over approx.150 acres of land, with a 12-year right of first refusal (ROFR) over the remaining 303 acres.
- We view the project as a strategic winning deal for LSH, reinforcing our core thesis of the group's structurally higher margin and asset-light operating model.
- The structure grants LSH; -
 - i) Long-term control over premium recreational real states through leases,
 - ii) Sizeable development rights over 600 acres land (150+303 acres ROFR), unlocking multi-billion gross development value (GDV) potential,
 - iii) Recurring income streams over hospitality and tourism assets,
 - iv) Future pipeline visibility of 2x bigger land size with zero capex for 12 years and,
 - v) State-linked partnerships that elevate LSH's brand equity as a preferred partner for future state-led projects (e.g., IDRISSE Selangor).
- **Maintain BUY with a TP of RM3.00 (+29% upside), as LSH advances toward high-margin township development and stable recurring income from hospitality assets.** Our TP is pegged to 15x FY27F PE, +0.5SD to mid-small cap construction 5-year average.

TABLE 1 : VALUATION MATRIX

YE 30 Sep	FY23	FY24	FY25F	FY26F	FY27F
Revenue (RM mil)	357.8	361.4	618.7	740.0	973.0
Core net profit (RM mil)	58.9	74.3	95.1	130.9	169.3
FD Core EPS (sen)	7.0	8.7	11.1	15.3	19.8
FD Core EPS growth (%)	40.9	23.6	28.0	37.7	29.3
Consensus Net Profit (RM mil)	-	-	95.0	115.3	144.6
DPS (sen)	2.5	2.5	3.3	4.6	5.9
PE (x)	32.2	26.0	20.3	14.8	11.4
EV/EBITDA (x)	25.0	18.9	14.1	9.5	7.4
Div yield (%)	1.4	1.4	1.9	2.6	3.4
ROE (%)	23.5	16.6	16.8	18.7	21.0
Net Gearing (%)	18.6	6.9	4.9	nm	4.0

Source: Company, AmInvestment Bank Bhd estimates

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