



KTI Landmark Bhd

Making its mark in Sabah

ACE Market
Property Sector
SUBSCRIBE
IPO Price: RM0.30
Fair Value: RM0.36

Valuation / Recommendation

We have a SUBSCRIBE recommendation on KTI Landmark with an **FV of RM0.36 based on 15.0x FY25F EPS**, in line with comparable peers' valuation. KTI Landmark offers an attractive investment prospect with its growth opportunities in Sabah's property market, driven by its unique partnership with LPPB and strong project pipeline, which includes a mix of premium property and affordable housing developments.

Investment Highlights

Robust project pipeline. KTI Landmark has ongoing projects with a total GDV of RM2.2bn, which includes The Logg (RM1.0bn), Alam Mesra (RM863m) and the Sandakan project (RM108m). Of the three, only Sandakan is an LPPB contract, whereas the other two projects are owned by the group. Its current crown jewel, The Logg, is a 5-acre mixed development project comprised of 2 blocks of 28-storey luxury condos, 1 block of 28-storey apartments, a 4-star hotel and 5 levels of commercial buildings (retail+offices). Meanwhile, Alamesra is KTI Landmark's latest mixed development project (launched in late 2023), which is largely made up of 42 units of superlink terrace and 5 blocks of 39-storey apartments.

Decent unbilled sales. As of April 2024, KTI Landmark's unbilled sales amount to RM272m, more than half of which were contributed by The Logg project (RM156m sold). This level of unbilled sales should be enough to provide good earnings visibility for the group over the next two years. The Shorea & Astoria luxury condo portion of The Logg project is only 33.6% sold, because marketing activities were solely focused on Parkhill apartments previously (90% sold). Priced between RM800 and RM1,000 per sq ft, The Logg's luxury condo take-up rate is slower than other KTI Landmark's affordable housing projects, but its prime location in Luyang is expected to drive long-term sales in our view.

Diversifying into hotel and property management: KTI Landmark is expanding into the hotel industry with Avani Luyang @ The Logg (GDV: RM270m), managed by Minor Hotel Group Ltd under the "Avani" brand. Additionally, the group also plans to manage the tenancy of the commercial building within The Logg. We anticipate that the government's Visit Malaysia 2026 initiatives in Sabah, along with the expertise of the luxury hotel operator managing Avani, will boost future hotel occupancy rates.

Risk factors: (1) Dependency on LPPB (2) Risk of project delays (3) Challenge of acquiring sizeable landbanks (4) Dependency on foreign

FY Dec	FY22	FY23	FY24F	FY25F	FY26F
Revenue (RM m)	112.9	120.2	145.4	159.9	175.9
EBITDA (RM m)	17.1	20.8	29.7	32.4	34.7
PAT (RM m)	10.5	13.8	17.2	19.0	21.0
PAT Margin (%)	9.3	11.5	11.8	11.9	12.0
EPS (sen)	1.6	2.2	2.2	2.4	2.6
EPS Growth (%)	(32.9)	31.9	(0.4)	10.6	10.5
BV Per Share (sen)	21.5	21.3	25.2	27.6	30.2
PE (x)			14.0	12.6	11.4
Net Gearing (x)	0.1	1.1	1.0	1.3	1.4
ROE (%)			8.5	8.6	8.7

Business Overview

KTI Landmark Berhad is a property developer engaged in design and build construction services and property development. The group handle all development stages, focusing on residential, commercial, and mixed-use projects, primarily in Sabah, supported by in-house manufacturing of IBS components.

Listing Details

Listing date	19 June 2024
New shares (m)	160.0
Offer for sale (m)	45.0
Funds raised (RM m)	48.0

Post Listing

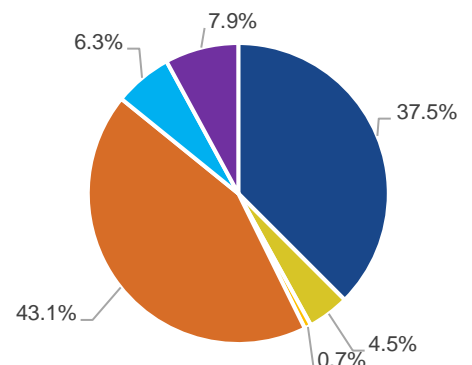
Ordinary shares (m)	800.0
Market cap (RM m)	240.0
Free float	25.6%
P/E (FY24F)	14.0

Top 2 Shareholders

Chin Mee Leen	60.7%
Loke Theen Fatt	13.7%

Utilisation of Proceeds

	RM m
Acquisition of land for development	18.0
Upgrading existing/expansion of casting yard/IBS facility for group's building division	2.1
Upgrade software and systems	0.3
Working capital for project development	20.7
Repayment of bank borrowings	3.0
Estimated listing expenses	3.8



Source: Company, Mercury Securities



Financial Highlights and Valuation

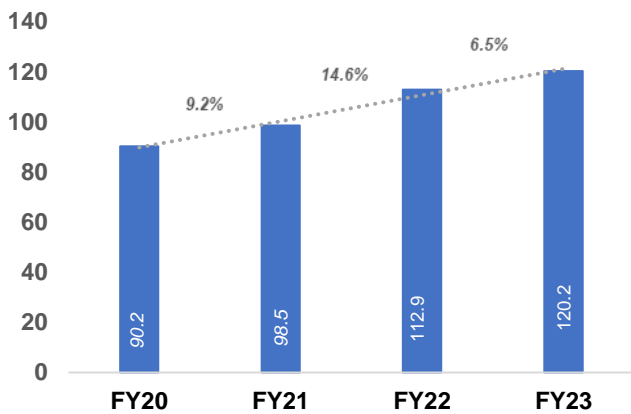
Unique partnership with LPPB. KTI Landmark primarily provides design-and-build construction services to Sabah's LPPB (Lembaga Pembangunan Perumahan & Bandar). Its projects are earned through a proposal to LPPB with an agreed-upon predetermined price. Upon approval, LPPB provides the landbank for the group to build. Once the project is completed, the group collects housing payments on behalf of LPPB and shares the profits on a 50:50 basis (with quarterly settlements).

KTI Landmark has consistently grown its revenue at a 3-year CAGR of 10%, from RM90m in FY20 to RM120m in FY23, mainly underpinned by contracts with LPPB. Income from LPPB projects accounted for 100% of FY20-FY21 revenue and 83-84% of FY22-FY23 revenue. For FY22-23, the remainder of the revenue came from land sales and the group's first mixed-use property development project, The Logg (a JV with LPPB, with a total estimated GDV of RM1.0bn).

The group has been a significant contributor to the Sabah state's development projects since 2010, representing 29% of all LPPB projects over the last five years.

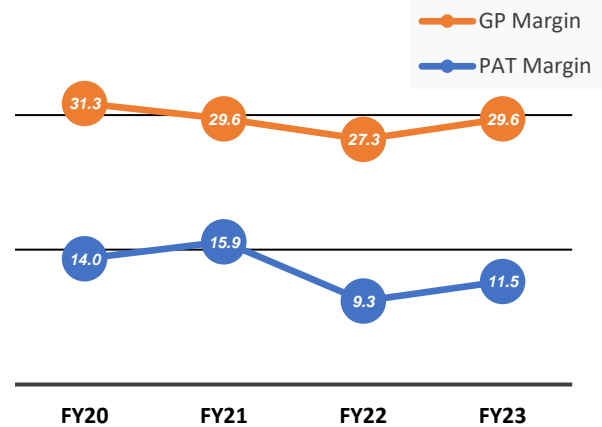
Steady margins. KTI Landmark has consistently maintained healthy GP margins around the 30% mark, though there was a slight dip in FY22 (to 27.6%). The decline in FY22 margins was mainly due to: (1) a mix of projects with lower GP contributions, (2) rebate package promotions for The Logg properties, and (3) predetermined lower pricing agreements with ongoing LPPB projects. On the back of stable building material costs going forward, we believe KTI Landmark should be able to maintain its GP margin around the 30% range in FY24-26F.

Figure 1: KTI Landmark's revenue trend (in RM m)



Source: Company, Mercury Securities

Figure 2: KTI Landmark's GP & PAT Margin (%)



Source: Company, Mercury Securities

RM2.2bn GDV worth of project pipeline. KTI Landmark has a robust pipeline of ongoing and future projects, with a total estimated GDV amounting to RM2.2bn. Notable projects include The Logg, Ayuria Place - Alamesra, and Sandakan (Refer to Figure 3 below). Of the three, only Sandakan is an LPPB contract, whereas the other two projects are owned by the group.



Figure 3: KTI Landmark future & on-going project pipeline details

Project Name		Commencement & Completion date	GDV (RM m)
The Logg, Luyang	Shorea Condominium	July 2019-Dec 2025	433.0
	Astoria Condominium		111.4
	Parkhill Apartments		247.0
	Avani Hotel		231.8
	Commercial building		4.8
Ayuria Place, Alamesra	The Village	Sept 2023-Dec 2024	51.6
	Araya Gardens	Sept 2023-Dec 2025	315.0
	Kayana Heights (Phase 1)	Jan 2024-Sept 2027	491.7
	Kayana Heights (Phase 2)	Dec 2025-Sept 2028	33.3
Sandakan (LPPB)	Phase 1	July 2024-Jan 2026	27.2
	Phase 2	Sept 2025-Sept 2027	47.4
	Phase 3	Sept 2026-Nov 2027	43.9
Taman Seri Lemawang	Phase 1H & 1I	Nov 2021-May 2024	96.8
Residensi Seri Akasia	Block A, B, C, D, E, F	Oct 2021-Jun 2025	29.1
Plaza Lemawang 2	N/A	Oct 2023-Jun 2025	35.7
Taman Bukit Alamanda	N/A	Nov 2021-Sep 2024	
Total			2,199.7

Source: Company, Mercury Securities

Decent unbilled sales. As of April 2024, KTI Landmark's unbilled sales amount to RM271.6m, more than half of which were contributed by The Logg project (RM156.2m sold). This level of unbilled sales should be enough to provide good earnings visibility for the group over the next two years.

Despite launching in Dec 2021, the Shorea & Astoria luxury condo portion of The Logg project is only 33.6% sold, because marketing activities were solely focused on Parkhill apartments previously (90% sold). Priced between RM800 and RM1,000 per sq ft, The Logg's luxury condo take-up rate is slower than other KTI Landmark's affordable housing projects, but its prime location in Luyang is expected to drive long-term sales. KTI Landmark is currently running several promotions to boost sales, including rebate packages and experiential home ownership packages (offering unit maintenance subscriptions for 12 months after the vacant possession date).

Figure 4: KTI Landmark sold and unsold units as of 22 April 2024

Project Name	Sold units (RM m)	% sold	Unsold units (RM m)	% unsold
Taman Seri Lemawang Phase 1E	30.7	99.0	0.5	1.0
Residensi Seri Akasia Block A B	29.8	98.8	0.4	1.2
Residensi Seri Akasia Block C D	18.5	84.4	12.3	15.6
The Logg - Parkhill	97.3	90.4	14.1	8.6
The Logg - Shorea & Astoria	58.9	33.6*	384.1	66.4
Taman Bukit Alamanda	35.7	100.0	-	0.0
Plaza Lemawang 2	0.7	7.3	28.3	92.7
	271.6		439.7	

Source: Company, Mercury Securities

*Shorea condo and Astoria condo respectively had 30.6% & 3% units sold as of April 2024

Details on The Logg, Luyang. The Logg is a 5-acre mixed development project comprised of: (1) Shorea and Astoria condominiums, (2) Parkhill apartments, (3) Avani Luyang @ The Logg: a 4-star hotel, and (4) a 5-level commercial building. KTI Landmark plans to manage the tenancy of the commercial building independently, along with the 4-star hotel, for which they have partnered with Minor Hotel Group (MHG), a luxury hotel service provider with 40 years of industry experience. The group is strategically branding the development project as a premium property brand.

The total gross development cost (GDC) for this development is estimated to be RM570m, which will be primarily financed via term financing, bridging loans, and internally generated funds. The 4-star hotel will be financed through term financing (RM120m) and internal funds (RM50m). Meanwhile, the remaining part of The Logg project will be financed via a combination of bridging loan and term financing (totalling RM300m), plus 30% of proceeds generated from The Logg unit sales (amounting to about RM150m).



JV arrangement with LPPB. The acquisition of the land for The Logg was through a 60:40 JV with LPPB. A total of RM26.1 million in compensation was paid to the original landowners, with KTI paying 60% (RM15.8 million) and PPB paying 40% (RM10.2 million). As part of the agreement, LPPB requires KTI Landmark to pay LPPB's entitlement over five years (2022 to 2027). The entitlement will be paid at 3x of LPPB's initial investment, which amounts to RM30.7m. As of April 2024, the Group has already paid RM20.7m to LPPB, leaving a remaining balance of RM12.0m. Once these payments are fulfilled, LPPB will transfer full ownership of The Logg to KTI Landmark.

Figure 5: Picture of The Logg*, Luyang



Source: Company, Mercury Securities

Figure 6: Detail for The Logg

Buildings	Detail	% progress	% units sold
Shorea Condominium	1-block 28-storey condominium	40%	30.6
Astoria Condominium	1-block 28-storey condominium		3*
Parkhill Apartments	1-block 28-storey apartment units		90.4
Avani Hotel	38-storey 4-star hotel (370 rooms)		N/A
Commercial building	2 levels of retail, 3 levels of offices.		N/A

Source: Company, Mercury Securities

*8 units of Astoria condominium were sold ahead of 4Q24 pre-launch

Details for Ayuria Place, Alamesra. Ayuria Place is a mixed development strategically located approximately 8 km from Kota Kinabalu City Centre and in close proximity to educational institutions such as Tunku Abdul Rahman University College and University Malaysia Sabah. The project offers convenient access to major highways and is near prominent landmarks like the Kota Kinabalu Industrial Park and Sabah State Legislative Assembly Building. Both commercial (The Village) and residential projects (Kayana Heights and Araya Gardens) altogether carry a total GDV of RM863m.

Figure 7: Picture of Ayuria Place, Alamesra



Source: Company, Mercury Securities

Figure 8: Detail for Alamesra

Buildings	Detail	% progress	% units sold
The Village	2-storey shoptlots	74	N/A
Araya Gardens	42 unit double-storey superlink terrace	24	-
Kayana Heights (Phase 1)	2-block 39-floor apartments	8	18
Kayana Heights (Phase 2)	3-block 39-floor apartments	-	

Source: Company, Mercury Securities

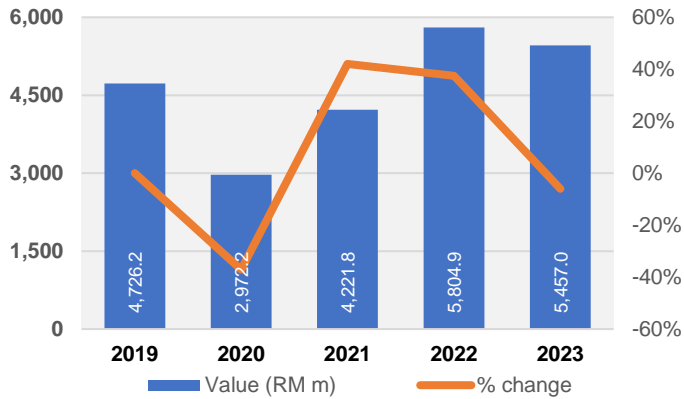
** 152 units of Kayana Heights have been booked as of 27 May 2024.

Land acquisition. Ayuria Mesra was built on a 20.4-acre landbank acquired by KTI Landmark in January 2023, valued at RM78m. The original plan for the land bank was to create 1,600 condominium units targeting college students as the main consumer base. However, after conducting a market survey, the group amended the project details to cater to the latest market needs, aiming to reach a



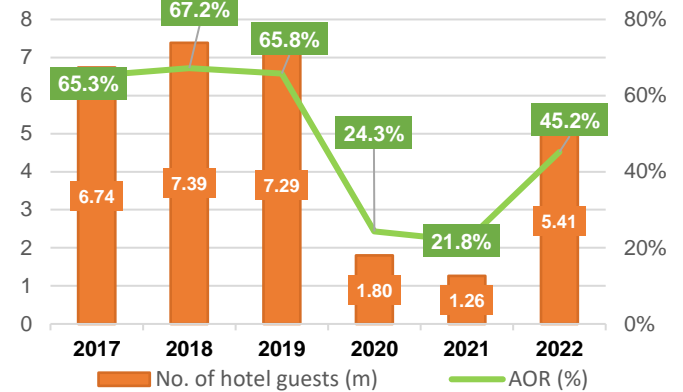
broader customer base instead. RM18m from the IPO proceeds will be used to partially repay the revolving credit initially used to fund the land bank acquisition, while the remaining balance of RM58m was secured through term loans with a bank prior.

Figure 9: Sabah's property transactions trend



Source: East Malaysia Region Property Market Report 2023

Figure 10: Hotel industry in Sabah



Source: Tourism Malaysia, Smith Zander

Sabah's residential property market outlook. Sabah's economy is demonstrating a strong post-pandemic recovery, with the property market showing significant resilience. According to East Malaysia Region Property Market Report, the total value of property transactions rose from RM1.8bn in 2018 to RM2.4bn in 2023, achieving a CAGR of 5.4%. Residential property supply increased to 290,708 units in 2023, reflecting a growing demand. Sabah's property transaction value has surpassed pre-pandemic levels, reaching RM5.8bn in 2022. Despite a slight decline in 2023, the transaction values remained higher than those recorded in 2019.

Revival of tourism in Sabah. Sabah has witnessed a huge decline in its tourism activity during the pandemic; based on Figure 10, we can see that Sabah saw a decline in its average occupancy rates to 24.3% in 2020 and still has not recovered to its pre-pandemic level in 2022. According to the Sabah State Budget 2024, the state government is planning to revive iconic events in Sabah, such as Mount Kinabalu International Climbathon and Sabah Fest in 2025, in preparation for Visit Malaysia Year 2026. In addition to that, a total of RM5m has been allocated to improve the tourism industry in Sabah in the coming years. Given KTI Landmark's hotel venture at The Logg, we believe this government initiative will most likely benefit KTI's hotel occupancy rate given its strategic location.

Balance sheet. Cash and cash equivalents stood at RM35m, with total borrowings of RM166m as of end-FY23, translating to a net gearing ratio of 0.96x.

RM0.36 FV based on 15.0x FY25F EPS. Valuation-wise, we peg a target PE of 15.0x for KTI Landmark, which is similar to comparable peers' average valuation (see Table below). We believe the stock has potential given the strong pipeline contribution from its mixture of affordable housing projects and premium property; the latter contributed by its own The Logg and Alamesra projects that have a combined GDV of RM1.8bn.



Peer Comparison (as at 28 May 2024)

Company	Bloomberg Ticker	Share Px (RM)	Mkt Cap	EPS Growth (%)		P/E (x)		P/B		ROE (%)		Net Dividend Yield (%)	
				RM m	24F	25F	24F	25F	24F	25F	24F	25F	24F
Glomac	GLMC MK	0.43	326.2	-5.9	53.9	16.8	10.9	0.3	0.3	1.8	2.1	2.9	3.5
I-Bhd	IBHD MK	0.25	464.2	74.6	18.2	22.7	19.2	0.4	0.4	1.7	2.0	2.0	2.0
Ibraco	IBRA MK	1.06	578.8	5.6	23.6	11.9	9.6	-	-	9.6	11.3	2.8	3.3
Tambun Indah	TILB MK	1.13	496.4	28.8	4.2	9.4	9.0	0.6	0.6	6.7	7.0	4.4	4.8
Sunsuria	SSR MK	0.515	461.4	118.8	12.0	15.5	13.8	0.4	0.4	-	-	-	-
Simply Average				44.3	22.4	15.0	13.6	0.4	0.4	4.9	5.6	3.1	3.4

Source: Bloomberg



Company Background

Figure 11: Business Overview

Principal activities	Design and Build Construction Services		Property Development	
	<ul style="list-style-type: none"> Supported by the Group's in-house construction services which are complemented by its in-house manufacturing of IBS components The Group has obtained the Grade 7 contractor certificate, Certificate of Government Procurement ("SPKK") and Certificate of Registration ("PKK") with CIDB. 			
Type of Development	Residential Property	Commercial Property	Mixed Development	
Geographical Market	Sabah, Malaysia			
Market Sector	Public Sector		Private Sector	
Customers	Individual end buyers	Individual end buyers or companies who generally purchase one or small number of units		

Source: Company, Mercury Securities

Property developer and construction service provider. KTI Landmark, founded in 2016, is a prominent property developer and construction service provider based in Sabah, Malaysia. The group has 40 years of experience in the provision of design, build and construction services for residential, commercial and mixed development in Sabah. The majority of revenue comes from its contracts with LPPB (84-100% of FY20-23 revenue). KTI Landmark has completed projects for LPPB in total amounting to RM 1.6bn in GDV, equivalent to 29.0% of all LPPB's projects over the 5 years up to 2023, making KTI Landmark the preferred partner for LPPB.

Prior to its focus on LPPB contracts, KTI Landmark established its presence in the property development industry in Sabah, starting with its first development, Taman Ehsan, in 1998. As of April 2024, the group had completed over nine of its own project developments, with a combined total GDV of RM208m in commercial, residential, and mixed developments for the general public.

Figure 12: KTI Landmark's past owned projects



Source: Company, Mercury Securities

In-house IBS system. KTI Landmark uses the precast concrete system IBS construction technique. IBS components are manufactured off-site at two casting yards near project areas and then transported to the project sites for assembly. The group owns five production lines within two casting yards: one in Tuaran with two lines and one in Kinarut with three lines. This method has allowed KTI Landmark to shorten construction time due to its in-house manufacturing capabilities.



Grade 7 contractor. The group holds the Sabah Grade 7 contractor certificate, Certificate of Government Procurement (SPKK), and Certificate of Registration (PKK) with CIDB. These certifications allow KTI Landmark to participate in tenders for construction works of unlimited value, enabling the group to bid for and execute large-scale government and private-sector construction projects.

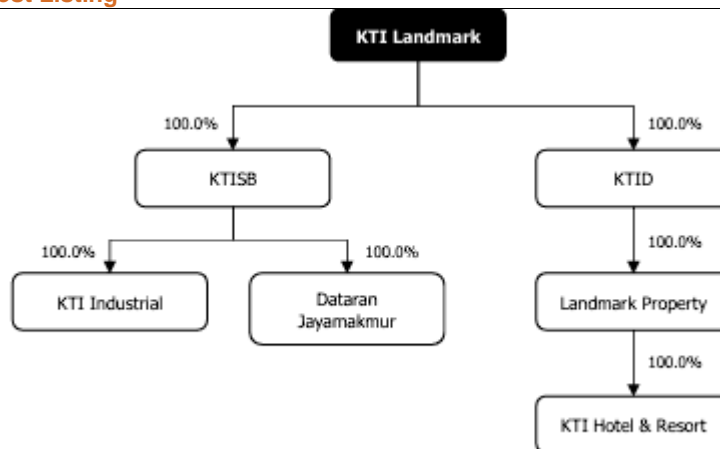
Family-driven leadership. KTI Landmark operates under the strong leadership of Loke Theen Fatt, who serves as the Managing Director and CEO. He is responsible for overseeing day-to-day management, formulating business strategies, and driving project development activities. His wife, Chin Mee Leen, provides advisory services and holds directorships in several subsidiaries. Their son, Wilson Loke Choon Syn, as the Executive Director, is leading the Group's expansion into the hotel industry. Additionally, Wilson's siblings, Stella Loke Pei Wen and Loke Pei Lee, hold executive positions within the company, contributing significantly to both operational and strategic functions.

Figure 13: Key Management Team

Name and Designation	Age	Profile
Loke Theen Fatt Managing Director/Chief Executive Officer MD/CEO	65	<ul style="list-style-type: none"> Oversees the operational functions of the company, ensuring project completion within scope and timelines. 46 years of experience within the construction industry. Instrumental in implementing strategic initiatives and operational efficiencies. Plays a key role in maintaining high standards of project delivery and client satisfaction.
Abdullah Azlan Bin Khalid Chief Operating Officer CEO	62	<ul style="list-style-type: none"> Responsible for managing overall construction operations. 35 years of experience in relevant industry. Bachelor of Science in construction management, Uni of Nebraska, USA. Has a professional Diploma in International Arbitration and is a member of MIPFM (2021).
Wilson Loke Choon Syn Executive Director	35	<ul style="list-style-type: none"> Responsible for sourcing prospective land for development, conducting market feasibility studies, overseeing project concept development and budgeting, project management, and managing the IBS operations of the Group. Manages the Group's venture into the hotel industry, specifically the development of Avani Luyang @ The Logg. Bachelor of Applied Finance from the University of South Australia in 2011
Chaw Ken Veun Chief Financial Officer	52	<ul style="list-style-type: none"> Oversees and manage the overall finance and accounting functions, including accounting, taxation, financial budgeting, and financial advisory for management decisions. 25 years of experience in finance and accounting work. Graduated with Bachelor of Business in Edith Cowan University, Australia (2015) and is a chartered Accountant of MIA (2002) with a CPA since 2001.

Source: Company

Figure 14: Group Structure Post Listing



Source: Company, Mercury Securities



Future Plans & Business Strategies

Acquisition of new land. KTI Landmark plans to acquire more land for future projects in Sabah. The group has started negotiations to purchase an 82-acre plot in Tuaran, Sabah. The identified land in Tuaran currently lacks the necessary planning and development consent. However, KTI Landmark expects to finalise a joint venture agreement with the landowner within 12 months of listing. If negotiations are successful, development activities will begin. It's estimated that obtaining the planning and development consent from authorities will take one year, and the overall construction process is expected to take approximately five years.

IBS production line expansion. KTI Landmark plans to use RM2.2m from the IPO proceeds to purchase and install a new IBS production line at their Kinarut casting yard. The new IBS production line will be housed in approximately 174,000 sq ft of the Kinarut casting yard. The Kinarut casting yard has a total land area of about 653,000 sq ft, providing enough space for the new production line. The installation of the new IBS production line is expected to take 6-9 months to complete. This new line will focus on producing hollow core slabs and supporting existing IBS components, including a batching and mixing plant. Once operational, the group anticipates that the upgrade will increase its annual manufacturing capacity by 16,100 m².

Diversification of income. KTI Landmark is planning to diversify its revenue via a hotel venture spearheaded by the director's son, Wilson Loke Choon Syn. Notably, the group has approached Thailand-based Minor Hotel Group (MHG) Ltd to partner with and manage Avani Luyang @ The Logg" for a term of 20 years from the opening/completion date (Dec 2025). Avani Hotel will be branded as a luxury 4-star hotel featuring 370 units with 17 rooms on each floor, with an estimated GDV of RM247m. RM3m has been allocated from the IPO proceeds to fully settle an existing term loan financing for the hotel. We believe that the luxury hotel brand will help elevate the premium brand value of The Logg and increase the property's value in the long term.

Additionally, KTI Landmark will also manage the operations and tenancy of a commercial building in The Logg. The commercial building comprises 2 levels of retail space featuring 45 retail outlets, 12 kiosks, 4 outdoor alfresco units, and 3 levels of purpose-built offices.

Key Risks

Dependency on LPPB projects. KTI Landmark is heavily dependent on LPPB for its pipeline of projects, with most of its revenue derived from design and build contracts awarded by LPPB. A cessation or reduction in project awards from LPPB would adversely affect the company's financial performance.

Risks of project delays. KTI Landmark faces risks of delays in completing design and build construction and property development projects, which can lead to cost overruns, legal implications, and legal claims affecting revenue and profitability. Factors beyond control, such as regulatory approvals, material availability, and environmental issues, can cause these delays.

Risk of not acquiring new landbank. The risk of not acquiring new landbanks presents a significant challenge for KTI Landmark, aside from its LPPB-related projects. Landbank acquisition involves navigating regulatory approvals, negotiating with landowners, and ensuring that the land is suitable for the company's project capacity in terms of cost and size. The risk of not being able to secure new landbanks in the future will significantly impact the financial performance of KTI Landmark.

Foreign labour. KTI Landmark faces significant risks due to its dependency on foreign labour. This reliance can lead to project delays and increased costs if there are disruptions in the availability of foreign workers due to regulatory changes, immigration policies, or global events. Additionally, fluctuations in labour costs and potential challenges in managing a diverse workforce can impact the overall efficiency and profitability of their projects.



IPO Details

	Offer for Sale (m)	Public Issue (m)	Total (m)	(%)
<u>Retail Offering</u>				
Malaysian Public (Bumiputera)	-	20.0	20.0	2.5
Malaysian Public (Non-Bumiputera)	-	20.0	20.0	2.5
Pink form allocations	-	40.0	40.0	5.0
<u>Institutional Offering</u>				
Bumiputera investor approved by MITI	20.0	80.0	100.0	12.5
Selected investors	25.0	-	25.0	3.1
<u>Total</u>	45.0	160.0	205.0	25.6

Source: Company



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