



Lim Seong Hai Capital Bhd

Versatile Construction Player

ACE Market
Construction Sector
Subscribe
IPO Price: RM0.88
Fair Value: RM1.06

Valuation / Recommendation

We have a SUBSCRIBE recommendation on Lim Seong Hai Capital Bhd (LSHC), with an **FV of RM1.06 based on 10.8x FY26F EPS**, implying a 20% upside from the IPO price. Our target PE valuation is in-line with domestic comparable peers' average, reflective of LSHC's strong earnings growth (16-25% for FY25-27F) driven by its robust outstanding orderbook, healthy property development pipeline, and strong margins. Key re-rating catalysts include higher-than-expected orderbook win and stronger property sales.

Investment Highlights

Strong outstanding orderbook. LSHC delivered a strong 3-year revenue CAGR of 52.2%, surging from RM67.4m in FY21 to RM361.4m in FY24. This was driven by the company's strategic diversification into construction and engineering-related services as well as property development. As at 31 Jan 2025, LSHC's outstanding orderbook stands at RM1.52bn, representing a stellar 7.2x cover of its FY24's construction revenue. To enhance its orderbook resilience, LSHC plans to increase its exposure to infrastructure projects. Some notable efforts include entering a 3-year strategic collaboration with Permodalan Negeri Selangor Berhad and IJM Corp to pursue infrastructure projects under the IDRIS and explore potential concession ownership opportunities. As management does not have an orderbook replenishment target, we conservatively assume new job wins at RM400m per annum, which is consistent with LSHC's historical track record.

Diversified revenue stream. LSHC continues diversifying its revenue streams through a robust property development pipeline and expansion into facility management services. The ongoing LSH Segar Project (GDV: RM396m) and the upcoming Lake Side Homes Project (RM1.15bn GDV, launching in 2QFY25) provide strong earnings visibility for LSHC through FY25-27F, with future growth supported by active landbank expansion. Concurrently, LSHC is leveraging its construction and property expertise to drive recurring income via facility management services, with the aim of expanding it into a standalone division.

Still double-digit margin in FY25-27F. LSHC's margins exhibited volatility between FY21-24 (11.8%-25.2%), due to project-specific cost structures. Looking ahead, we expect margins to stabilise at 14.5%-16.2% in FY25-27F, reflecting increased operating and construction costs as LSHC expands and takes on more versatile construction jobs. LSHC's double-digit margins are driven by cost saving from IBS adoption and synergies within its integrated model, leveraging in-house material supply and property development opportunities.

Risk factors for LSHC include (1) Failure to replenish orderbook; (2) Construction cost fluctuation; and (3) Delay in project progress recognition.

FY Sep	FY23	FY24	FY25F	FY26F	FY27F
Revenue (RM m)	357.8	361.4	452.1	545.8	631.8
EBITDA (RM m)	80.7	104.5	103.2	114.9	127.9
PAT (RM m)	58.9	74.3	73.1	82.0	91.8
PAT Margin (%)	16.5%	20.6%	16.2%	15.0%	14.5%
EPS (sen)	8.3	10.5	8.7	9.8	11.0
EPS Growth (%)	40.8	26.2	(17.0)	12.1	12.0
BV Per Share (sen)	59.6	67.3	91.0	99.1	108.2
PE (x)	10.6	8.4	10.1	9.0	8.0
Net Gearing (x)	Cash	Cash	Cash	Cash	Cash
ROE (%)	14.0	15.6	11.4	11.7	12.0

Business Overview

Lim Seong Hai Capital Bhd is a full-fledged construction company that specializes in providing construction, provision of construction-related services and solutions and property development as well as distribution and retailing of construction materials, lighting related M&E products and hardware tools.

Listing Details

Listing date	21 March 2025
New shares (m)	132.0
Offer for sale (m)	59.0
Funds raised (RM m)	116.2

Post Listing

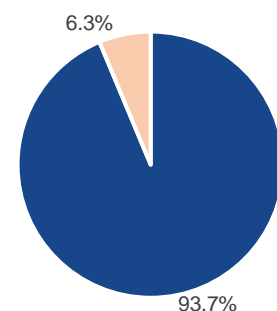
Ordinary shares (m)	838.4
Market cap (RM m)	737.8
Free float (%)	27.6
P/E (FY26F)	9.0

Top 3 Shareholders

LSH Resources Sdn Bhd	64.7%
Tan Sri KC Lim	1.8%
Datuk Lim Keng Guan	1.8%

Utilisation of Proceeds

	RM m
Working capital for construction projects	108.7
Estimated listing expenses	7.3

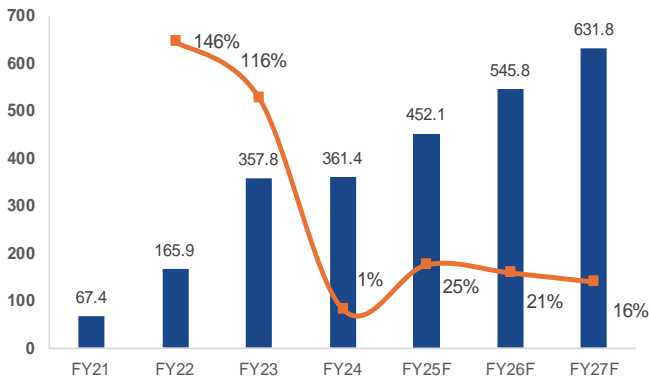


Source: Company, Mercury Securities



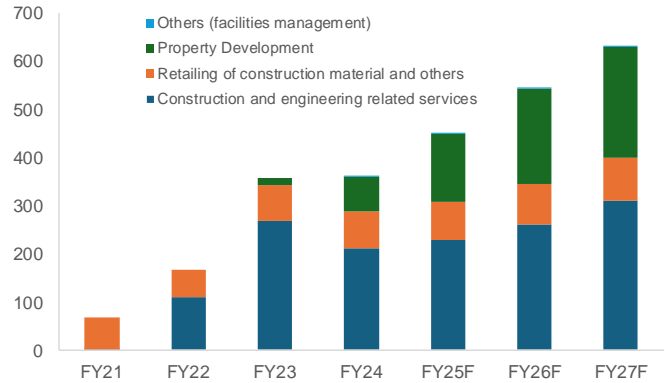
Financial Highlights and Valuation

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



Source: Company, Mercury Securities

Figure 2: Revenue breakdown (in RM m)



Source: Company, Mercury Securities

Stellar revenue growth. LSHC delivered an impressive 3-year revenue CAGR of 52.2%, surging from RM67.4m in FY21 to RM361.4m in FY24. This strong growth is primarily driven by the company's strategic diversification into construction and engineering related services as well as property development. LSHC initially focused on retailing construction materials, lighting, mechanical and electrical (M&E) products, hardware, and machinery rental. However, the company expanded its revenue base by moving into construction and engineering-related services with the full acquisition of LSHBB in October 2021. Additionally, LSHC further ventured into property development through the acquisitions of ASSB and LSH Ventures in April 2023.

We expect the LSHC to record a commendable 16%-25% revenue growth in FY25-27F, mainly underpinned by the strong growth in its property development segment.

Robust outstanding orderbook. As at 31 Jan 2025, LSHC's outstanding construction orderbook stands at RM1.52bn, representing a strong 7.2x cover of its FY24 construction segment revenue. Its current orderbook consists of building construction projects (67%) and infrastructure construction and engineering work projects (33%). We believe this robust orderbook will help to ensure its earnings visibility in FY25-27F.

LSHC is actively expanding its order book by increasing exposure to infrastructure and engineering projects. Notably, the company has entered into a strategic collaboration with Permodalan Negeri Selangor Berhad and IJM Corporation Berhad on March 2024, to pursue infrastructure projects under the Southern Selangor Integrated Regional Development (IDRISS). This three-year collaboration leverages LSHC's construction expertise and BEST Framework solutions, IJM's industry reputation, and Permodalan Negeri Selangor Berhad's experience in land development. The parties will jointly study connectivity routes, submit proposals, and bid for projects, positioning LSHC for potential contract wins.

Additionally, LSHC also plans to leverage its management's expertise in highway construction to explore concession ownership opportunities. This would allow the company not only to execute construction and engineering works but also to undertake long-term operations and maintenance, securing a steady stream of recurring income.

As management does not have an orderbook replenishment target, we conservatively assume new job wins at RM400m per annum, which is consistent with the company's historical track record.



Figure 3: Construction order book breakdown (in RM m)


Project Name / Project Type	Customer	Project Location	Start Date / Expected Completion Date							Percentage Completion ⁽¹⁾	Contract Value (RM mil)	Outstanding Orderbook (RM mil) ⁽¹⁾
			2021	2022	2023	2024	2025	2026	2027			
Construction Projects												
● LSH Segar	ASSB	Cheras, Kuala Lumpur	[Timeline bar from 2022 to 2026]							48.91%	260.6	133.1
● Lake Side Homes	ASES	Sungai Besi, Kuala Lumpur	[Timeline bar from 2025 to 2029]							0.52%	779.9	775.8
● Sentul Ria	LSH Holdings	Sentul, Kuala Lumpur	[Timeline bar from 2023 to 2026]							7.78%	103.9	95.8
Wisma LSH Extension	LSH Holdings	Setapak, Kuala Lumpur	[Timeline bar from 2024 to 2025]							8.55%	9.0	8.2
Total Building Projects										1,153.3	1,013.0	
Infrastructure Construction and Engineering Work Projects												
Flood retention	Pertama Makmur Sdn Bhd	Pendang, Kedah	[Timeline bar from 2022 to 2026]							56.81%	78.5	33.9
Road works	Euro Saga Sdn Bhd	Jerantut, Pahang	[Timeline bar from 2022 to 2026]							12.91%	201.0	175.1
Road works	Ganti Juara Sdn Bhd	Sembrong, Johor	[Timeline bar from 2022 to 2026]							69.43%	23.1	7.1
● Bridge works	BESB	Nibong Tebal, Penang	[Timeline bar from 2022 to 2026]							89.43%	112.1	11.8
● Road works	SLP Construction Sdn Bhd	Tangkak, Johor	[Timeline bar from 2022 to 2026]							32.57%	128.1	86.4
Road works	Tekad Warisan Sdn Bhd	Kota Belud, Sabah	[Timeline bar from 2022 to 2026]							87.50%	44.4	5.6
● Cold water and sanitary plumbing works ⁽²⁾	BESB	Gemas, Negeri Sembilan	[Timeline bar from 2022 to 2026]							38.57%	20.2	12.4
● Electrical works ⁽²⁾	BESB	Gemas, Negeri Sembilan	[Timeline bar from 2022 to 2026]							18.53%	38.4	31.3
● Reinforced concrete works ⁽²⁾	BESB	Gemas, Negeri Sembilan	[Timeline bar from 2022 to 2026]							83.87%	41.0	6.6
● Earthwork	BESB	Nibong Tebal, Penang	[Timeline bar from 2022 to 2026]							0.07%	23.2	23.1
● Architectural works ⁽²⁾	BESB	Gemas, Negeri Sembilan	[Timeline bar from 2022 to 2026]							7.80%	95.4	88.0
● Infrastructure works ⁽²⁾	BESB	Gemas, Negeri Sembilan	[Timeline bar from 2022 to 2026]							0.00% ⁽³⁾	24.1	24.1
Total Civil Engineering Projects										829.5	505.4	
Total Value										1,982.8	1,518.4	

Legend(s): ● Projects which are also under the BEST Collaboration Framework
Note(s): (1) As of 31 January 2025; (2) For the construction of army family houses; (3) Yet to commence as of 31 January 2025

Source: Company, Mercury Securities

Robust property development projects in the pipeline. LSHC's property development division is poised to contribute meaningful earnings, backed by 2 key projects namely LSH Segar Project (estimated GDV: RM396m) and Lake Side Homes Project (RM1.15bn). The LSH Segar Project, launched in February 2022, has achieved a commendable 49% construction progress with an 87% take-up rate, positioning it as a steady revenue contributor through FY25-26F. Meanwhile, the upcoming Lake Side Homes Project, slated for launch in 2HFY25, will further strengthen LSHC's presence in the Klang Valley property market and drive segmental growth. Looking ahead, LSHC aims to expand its development portfolio further by actively identifying new landbanks and growth opportunities.

Figure 4: LSH Segar Project details



LSH SEGAR

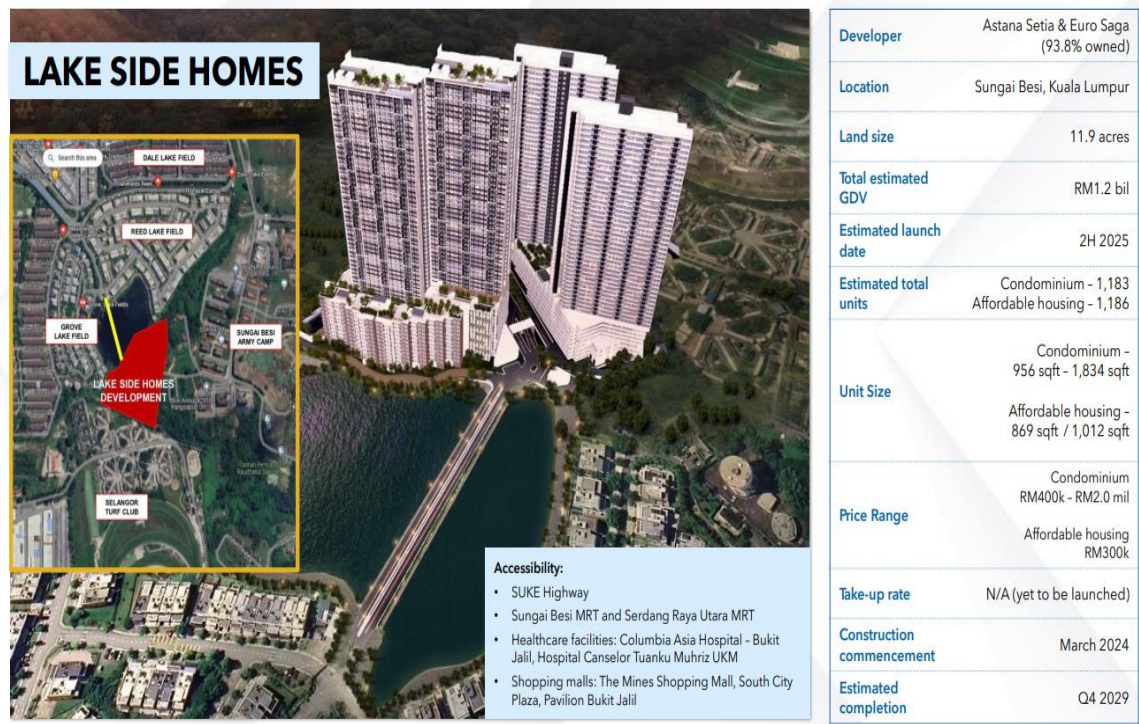
Accessibility:

- Cheras Highway, SUKE Highway, Cheras-Kajang Expressway
- Taman Mutiara MRT and Taman Connaught MRT
- Healthcare facilities: Pantai Hospital Cheras, Pusat Perubatan Universiti Kebangsaan Malaysia, Sunway Medical Centre Velocity
- Shopping malls: Cheras Leisure Mall, EkoCheras Mall, MyTOWN Shopping Center

Developer	Astana Setia Sdn Bhd (100% owned)
Location	Cheras, Kuala Lumpur
Land size	4.1 acres
Total estimated GDV	RM395.9 mil
Year launched	February 2022
Total units launched	Condominium - 435 Affordable housing - 440
Unit Size	Condominium 1,000 sqft - 3,000 sqft Affordable housing 850 sqft
Price Range	Condominium RM540k - RM2.5 mil Affordable housing RM300k
Take-up rate (as at 31 January 2025)	86.9%
Construction commencement	October 2021
Estimated completion	Q3 2026

Source: Company, Mercury Securities

Figure 5: Lake Side Home Project details



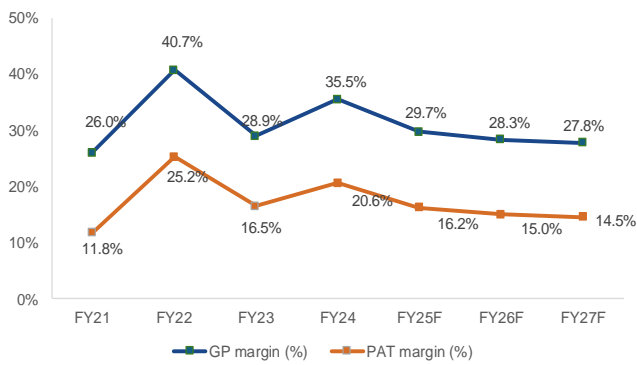
Source: Company, Mercury Securities

Expanding to include facility management services. LSHC is strategically diversifying its revenue streams by expanding into facility management services, leveraging its expertise in construction, engineering, and property development. This new segment could provide a recurring income source through the operation and maintenance of facilities and assets. To accelerate this initiative, LSHC has entered into a strategic BEST Collaboration Framework with Service Master (M) Sdn Bhd, which has over 30 years of experience in maintenance and engineering services. Additionally, LSHC plans to integrate facility management services into the residential projects it has developed. This approach will enhance revenue sustainability and strengthen brand presence through long-term engagement with property buyers.

To date, the company has already secured a three-year RM6.5m contract to provide facility management services for the Blue Pool Facility, a key component of Kuala Lumpur's the 'River of Life' transformation project. Looking ahead, LSHC aims to scale this business segment by securing larger, long-term contracts, with the ultimate goal of establishing facility management as a standalone revenue driver.



Figure 6: LSH's margin trend (%)



Source: Company, Mercury Securities

Volatile margin but to normalise in FY25-27F. LSHC's margins exhibited fluctuations over the last 3 FYs, primarily influenced by project-specific cost dynamics. The GP margin surged in FY22, driven by the commencement of revenue recognition from high-margin value engineering services under the BEST Collaborative Framework for the LSH 33 project, alongside the first revenue contribution from newly-acquired subsidiary LSHBB's construction segment. However, margins declined significantly to 28.9% in FY23, as construction costs escalated due to the LSH Segar Project. In FY24, GP margin rebounded on the back of a one-off sharp downward revision in budgeted costs for the LSH Segar Project, reflecting cost savings from subcontractors, materials procurement, and equipment rentals. Consequently, PAT margin mirrored this trend, peaking at 25.2% in FY22 before contracting to 16.5% in FY23, and recovering to 20.6% in FY24.

Going forward, we expect LSHC's PAT margins to normalise within the 14.5%-16.2% range in FY25-27F. This normalisation in margin is attributable to higher operating costs and construction costs, particularly as the company scales operations and takes on more versatile projects with different margins. Nevertheless, we believe LSHC can sustain its strong double-digit margins, supported by cost efficiencies from the extensive adoption of IBS in construction execution and synergies from its integrated business model.

Strong balance sheet. LSHC has a strong balance sheet with a net cash position before listing. The financial position of LSHC is expected to strengthen further after the listing, with an additional RM116m capital raised. The company has adopted a formal dividend policy of targeting a 30% dividend payout to its shareholders. With the stronger net cash position after listing and good earning prospect, we expect LSHC to sustain a minimum 30% dividend payout for FY25-FY27.

RM1.06 FV based on 10.8x FY25 EPS. We assign LSHC a target P/E of 10.8x, in line with the industry average for comparable peers. We deem the target P/E of 10.8x justified for LSHC, supported by its robust RM1.5bn outstanding order book, healthy pipeline of property development projects, and strong margins. Applying this multiple to our FY26F EPS forecast of 9.8 sen, we derive a fair value (FV) of RM1.06, representing a 20% potential upside.

Peer Comparison – Trailing 12-months basis (as at 3 March 2025)

Company	Bloomberg Ticker	Share price (LC)	Mkt Cap (in RM)	Earnings Growth (%)	P/E (x)	P/B (x)	ROE (%)	Net yield (%)
Vestland	VLB MK Equity	0.54	532.0	38.7	13.1	2.6	22.3	-
MGB	MLG MK Equity	0.65	384.6	24.8	6.4	0.6	10.4	2.5
Kumpulan Kitacon	KITACON MK Equit	0.73	365.0	42.7	10.0	1.2	14.2	2.7
Bina Puri	BIN MK Equity	0.34	274.1	97.6	16.9	2.6	(3.1)	-
Inta Bina	INTA MK Equity	0.46	251.7	45.1	7.5	1.3	17.4	6.6
Simple Average				49.8	10.8	1.7	22.3	-
Lim Seong Hai Capital	LSH MK Equity	0.88	737.8	26.2	8.4	1.3	15.6	3.0

Source: Bloomberg, Mercury Securities



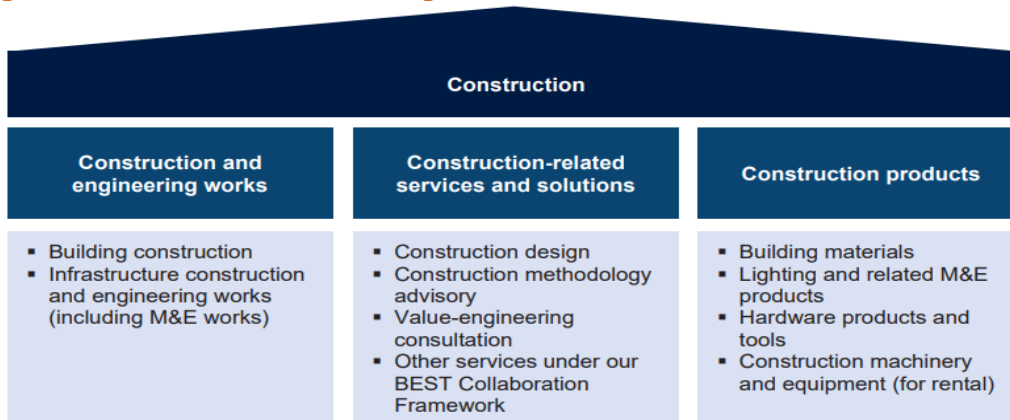
Company Background

Full-fledged construction services provider. LSHC, a G7 contractor registered with CIDB, operates as a fully integrated construction services provider with expertise in building and infrastructure projects, construction-related solutions, and the supply of building materials, including ready-mix concrete, steel bars, and mesh wires. The company also distributes lighting and M&E products under LSH Lighting, along with hardware tools and construction machinery rentals. Construction and engineering services remain the core revenue driver, contributing 56% of FY24 revenue, while retail and distribution of construction materials and construction machinery rentals accounted for 11%. LSHC’s construction capabilities span both residential high-rise developments and infrastructure projects, such as roads and bridges.

Property development. LSHC also embarked on property development activities in 2021 after the completion of 100% acquisition in related-parties’ companies, namely ASSB and LSH Ventures. Under this segment, LSHC specialise in developing high-rise properties and affordable housing.

Currently listed on the LEAP Market, LSHC is advancing its listing transfer to the ACE Market of Bursa Securities Malaysia.

Figure 7: Construction services offerings



Source: Company

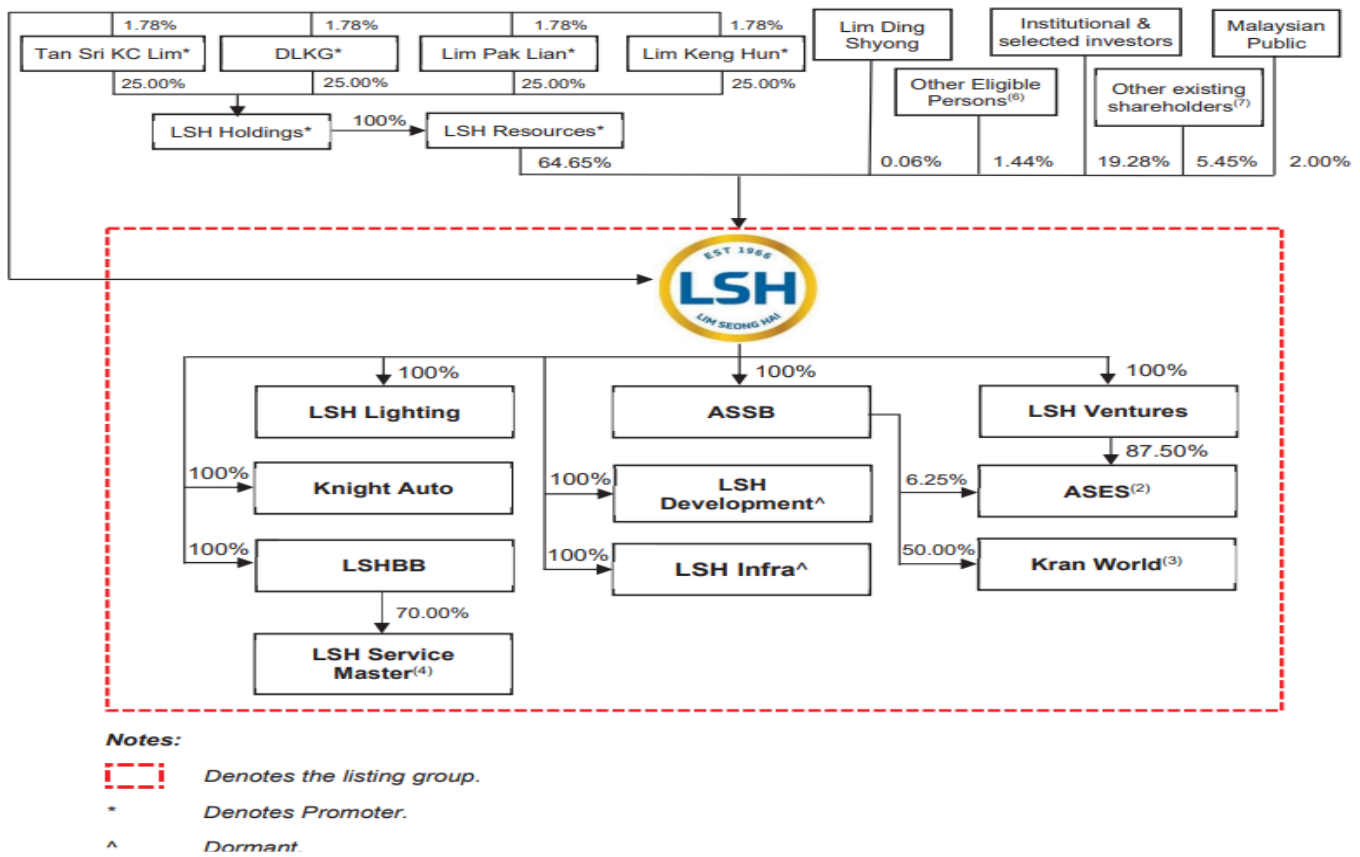
Figure 8: Revenue pillars



Source: Company



Figure 9: Corporate structure post listing



Source: Company

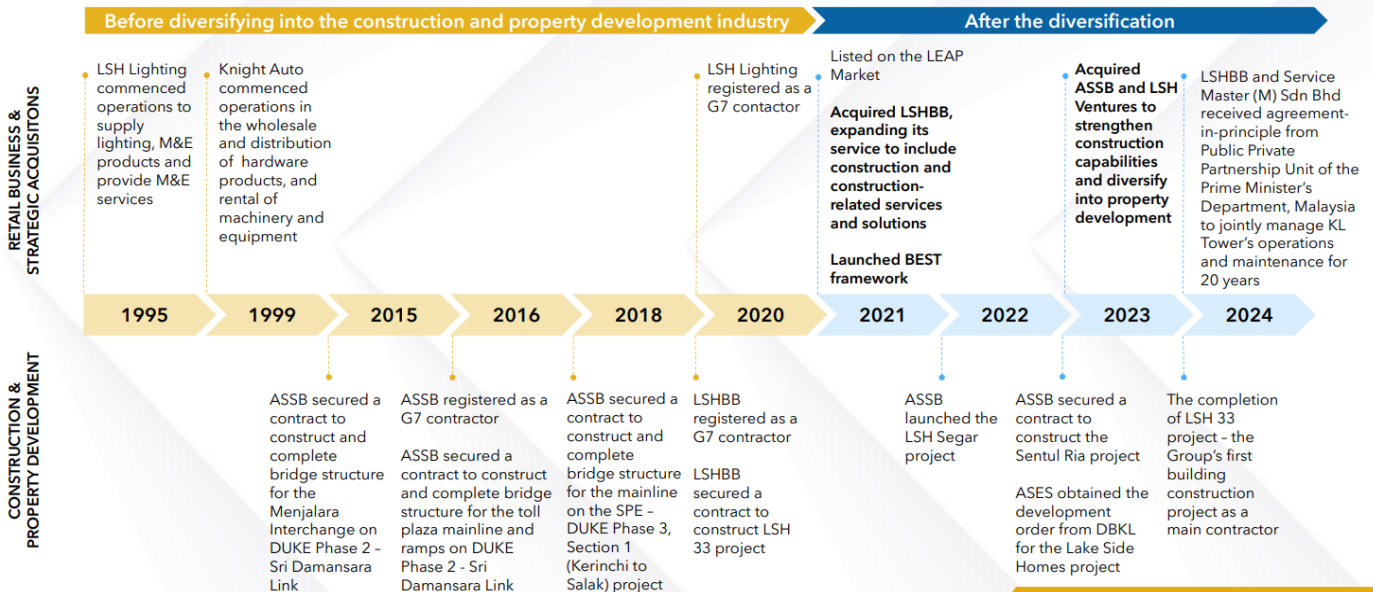
Figure 10: Business Milestone

For Internal Use

Key Milestones



Our Group's footprint in the construction industry began in 1995..



Source: Company



Figure 11: Key Management Team

Name and Designation	Age	Profile
Tan Sri KC Lim Non-Independent Non-Executive Chairman	62	<ul style="list-style-type: none"> Served 13 years as the Managing Director of Ekovest Bhd and became Independent Non-Executive Director in March 2024. Responsible for providing strategic insights, guidance and advice to LSHC. Has more 40 years of experience in the construction and property development related industry.
Datuk Lim Keng Guan Executive Vice Chairman	60	<ul style="list-style-type: none"> Responsible for overseeing the overall management of LSHC's operation, strategic planning and business development and strategies. Co-founded ASES and ASSB with Lim Pak Lian
Lim Pak Lian Group Managing Director	59	<ul style="list-style-type: none"> Responsible for overseeing the overall management of LSHC's financial and administrative activities and implementation of business plans, strategies and policies. Diploma in Commerce (Management Accounting) from Kolet Tunku Abdul Rahman in 1989. A member of Chartered Institute of Management Accountants (CIMA) since 1996 and member of Malaysian Institute of Accountants (MIA) since 1997. Co-founded LSH Lighting and Knight Auto with Lim Keng Hun
Lim Keng Hun Managing Director of Machinery, Hardware and Tools Division	57	<ul style="list-style-type: none"> Responsible for managing the LSHC's construction products sub-segment, especially the wholesale and retail of hardware and tools and rental of construction machinery and equipment. Managing director of Knight Auto, the wholesale and retail of hardware products & tools and rental of construction machinery and equipment division of LSHC.
Lim Ding Shyong Executive Director and Alternate Director to Lim Keng Hun	36	<ul style="list-style-type: none"> Responsible for overseeing LSHC's all activities related to the construction and engineering works, construction-related services and solutions as well as property development segment.
Lor Kar Mun Chief Legal Officer	28	<ul style="list-style-type: none"> Responsible for managing all legal aspects of LSHC Group, including reviewing all legal documentations and all corporate and due diligences exercises Bachelor of Laws (Honours) from Queen Mary University of London, was called to the Bar of England and Wales in 2019, and was admitted as an Advocate and Solicitor of the High Court of Malaya in 2020.
Lee Chen Wah Chief Finance Officer	34	<ul style="list-style-type: none"> Responsible for overseeing LSHC's the daily finance and accounting activities and function.

Source: Company

Future Plans & Business Strategies

Potential expansion into infrastructure concession ownership. LSHC is exploring opportunities in infrastructure concession ownership, aiming to expand its business model beyond construction into long-term asset management. This strategic move would position the company as both the builder and operator of infrastructure projects, such as highways, providing a stable source of recurring revenue post-construction.

To launch more property development projects. LSHC is ramping up its property development segment, focusing on its ongoing Project Segar and the upcoming Lake Side Home Projects, slated for launch in Q2 2025. To strengthen its foothold in the sector, the company is actively pursuing land acquisitions and new development opportunities to expand its pipeline

Expansion of business to include facility management services. LSHC plans to leverage on its construction expertise to expand into facility management services so as to establish new recurring revenue stream. Under this new segment, LSHC will manage the operation and maintenance of the facility or assets to ensure their functionality, safety and comfort.



Key Risks

Failure to replenish orderbook. Construction and engineering related services remain the key revenue driver of LSHC, contributing 58.4% of the total revenue in latest FY24. Due to the nature of the construction business that are project-based, failure to continually secure new projects to replenish the company's construction order book could result in an adverse impact on the financial performance. In this regard, the company has been actively submitting competitive tenders and proposals for project. With current orderbook of 16 projects in the pipeline, this shall provide earning visibility to the company over the next 6 years.

Fluctuation in construction cost. LSHC faces exposure to cost volatility in construction materials, labor, subcontracting, and equipment rentals, which could pressure margins if higher costs cannot be passed through to clients. Prolonged project delays may further compound these risks, leading to additional cost overruns. The company has adopted proactive measures to mitigate these challenges, such as factoring cost fluctuations into its project tenders to protect profitability.

Exposure to prolonged delay or cancellation of projects. LSHC is exposed to risks of delays in project completion due to unforeseen factors such as delay in obtaining the permits or approvals from the relevant authority, delay caused by the subcontractor appointed in delivering their works and shortage of construction materials. This may cause LSHC to face potential liquidated ascertained damages (LAD) claims from clients, despite the possibility of seeking an extension of time. Any prolonged disruption or project termination may materially impact revenue recognition and weigh on the company's financial performance.

IPO Details

	Offer for Sale (m)	Public Issue (m)	Total (m)	(%)
<u>Retail Offering</u>				
Eligible Persons	-	12.6	12.6	1.5
Malaysian Public	-	16.8	16.8	2.0
<u>Institutional Offering</u>				
Selected investors	56.9	-	56.9	6.8
Bumiputera investors (approved by MITI)	2.1	102.6	104.7	12.5
<u>Total</u>	59.0	132.0	191.0	22.8

Source: Company



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