

Mah Sing Group Berhad

(8583 | MSGB MK) Property | Property

Maintain BUY

FY20 new sales target maintained at RM1.6b

Revised Target Price: RM0.70

(Previously RM0.88)

KEY INVESTMENT HIGHLIGHTS

- **1QFY20 earnings below our expectation**
- **Earnings dragged by lower progress billing**
- **New sales target maintained at RM1.6b**
- **Earnings estimates revised downwards**
- **Maintain BUY with a revised TP of RM0.70**

1QFY20 earnings below our expectation. Mah Sing Group Berhad (Mah Sing) 1QFY20 core net earnings of RM31.3m came in within below our expectation but within consensus' at 13% and 22% of respective full year estimates. The negative deviation could be attributed to the weaker than expected progress billing in 1QFY20 as a result of Movement Control Order (MCO).

Earnings dragged by lower progress billing. 1QFY20 core net income was weaker at RM31.3m (-43.1%yoy), mainly due to delayed construction progress as MCO was imposed since 18th March 2020. Construction sites and sales offices were closed due to the imposition of MCO in response to Covid-19 pandemic and that had led to lower sales conversion and rate of works. Meanwhile, unbilled sales eased marginally to RM1.69b in 1QFY20 from RM1.73b in 4QFY19, providing less than one year of earnings visibility.

New sales target maintained at RM1.6b. Mah Sing registered new property sales of RM247m in 1QFY20, making up 15% of management new sales target of RM1.6b for FY20. Meanwhile, management is maintaining its new sales target despite disruption to business from MCO as new sales are expected to catch up in 2HFY20. Key planned new launches for the remainder of 2020 include M Adora in Wangsa Melawati, M Luna in Kepong, Carya in M Aruna, and remaining blocks of M Vertica in Cheras.

Maintain BUY with a revised TP of RM0.70. We revised our FY20/21F earnings forecasts by -42.2%/-21.5% to factor in the lower progress billing. Consequently, we revised downward our TP to RM0.70 from RM0.88 as we widen our RNAV discount to 68% from 60% in view of the muted earnings outlook. Nevertheless, we maintained our Buy call on Mah Sing as valuation is attractive following the steep decline in share price. Mah Sing is trading at 68% discount to its latest NTA of RM1.44 per share. Another catalyst would be its upcoming dividend payout of 3.35sen (ex-date: 15 September 2020) which translates into attractive yield of 7.2%.

RETURN STATISTICS

Price @ 29 May 2020 (RM)	0.465
Expected share price return (%)	50.5
Expected dividend yield (%)	5.4
Expected total return (%)	55.9

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-7.3	-2.9
3 months	-9.9	-0.9
12 months	-36.5	-26.8

KEY STATISTICS

FBM KLCI	1,584.63
Syariah compliant	Yes
Issue shares (m)	2427.69
Estimated free float (%)	79.94
Market Capitalisation (RM'm)	1,542
52-wk price range (RM)	RM0.63 - RM1.00
Beta vs FBM KLCI (x)	0.83
Monthly velocity (%)	11.02
Monthly volatility (%)	13.60
3-mth average daily volume (m)	1.70
3-mth average daily value (RM'm)	1.19
Top Shareholders (%)	
Employees Provident Fund Board	8.75
URUSHARTA JAMAAH SDN BHD	5.77
Kumpulan Wang Persaraan Diperbadan	5.02

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INVESTMENT STATISTICS

FYE Dec	FY17A	FY18A	FY19A	FY20F	FY21F
Revenue	2915.8	2192.9	1789.7	1516.3	1815.3
EBIT	476.5	357.7	271.4	175.0	250.9
PBT	472.3	347.6	270.2	175.1	252.5
Net Income	361.9	271.6	200.3	136.3	190.8
Core Net Income (before Perpetual Securities/Sukuk)	356.3	269.9	234.3	136.3	191.8
Core Net Income (After Perpetual Securities/Sukuk)	356.3	188.4	143.0	64.3	137.4
EPS (sen)	15.0	11.2	8.3	5.6	7.9
Core EPS (sen)	14.8	11.1	9.7	5.6	7.9
Net DPS (sen)	6.5	4.50	3.35	2.5	3.2
Net Dvd Yield	14.0%	9.7%	7.2%	5.4%	6.9%
Core PER	3.15	4.18	4.82	8.28	5.89
NTA/share (RM)	1.43	1.43	1.44	1.47	1.51
P/NTA	0.33	0.32	0.32	0.32	0.31
ROE	10.3%	7.7%	6.7%	3.8%	5.2%
ROA	5.0%	3.9%	3.4%	2.0%	2.8%

Source: Company, MIDFR

Mah Sing Group: 1QFY20 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	1QFY20	%YoY	%QoQ	FY20	%YoY
Revenue	371.1	-17.6%	-16.2%	371.1	-18%
EBIT	42.8	-43%	-27.3%	42.8	-43%
PBT	43.1	-42%	-26.0%	43.1	-42%
Net Income	30.1	-45%	-33.2%	30.1	-45%
Core Net Income	31.3	-43.1%	-61.9%	31.3	-43.1%
EPS (sen)	1.24	-45%	-33.2%	1.2	-45%
Core EPS (sen)	1.29	-43%	-61.9%	1.3	-43%
Net DPS (sen)	3.35	-26%	NA	3.4	-26%
NTA/share (RM)	1.44	-1%	0.3%	1.4	-1%
Net Gearing (x)	0.23	NA	NA	0.2	NA
EBIT Margin	11.5%	NA	NA	11.5%	NA
PBT Margin	11.6%	NA	NA	11.6%	NA

Source: Company

Mah Sing Group RNAV

Mah Sing Fully Diluted RNAV				
	Stake	Est remaining GDV (RM m)	WACC (%)	Value (RM m)
Greater KL Projects				
Southgate	100%	2	10%	2
Star Avenue	100%	88	10%	7
Hijauan Residence	100%	226	10%	17
Aman Perdana	100%	79	10%	7
Garden Residence	100%	79	10%	6
Perdana Residence 2	100%	13	10%	1
M Suites @ Jalan Ampang	100%	6	10%	1
Bayu Sekamat	100%	7	10%	1
Icon Residence Mont' Kiara	100%	42	10%	4
Garden Plaza, Cyberjaya	100%	32	10%	3
Clover @ Garden Residence	100%	24	10%	2
M City, Jalan Ampang	100%	154	10%	12
M Residence 1 @ Rawang	100%	436	10%	34
M Residence 2 @ Rawang	100%	73	10%	6
Southville City @ KL South, Bangi	100%	9067	10%	544
Star Residence, Subang	100%	155	10%	13
Icon City, PJ	100%	1919	10%	149
D'sara Sentral	100%	152	10%	13
Lakeville Residence	100%	96	10%	8
M Residence 3 @ Rawang	100%	520	10%	42
M Centura, Sentul	78%	1123	10%	65
M Vertica, Cheras	100%	2200	10%	163
Sri Petaling	100%	500	10%	37
Johor Projects				
Sri Pulai Perdana	100%	40	10%	3

Austin Perdana	100%	83	10%	7
Sierra Perdana	100%	411	10%	32
Meridin @ Medini	100%	345	10%	28
Meridin East	100%	4643	10%	258
Mah Sing i-Parc	100%	191	10%	15
Penang Projects				
Legenda @ Southbay	100%	55	10%	5
Icon Residence, Georgetown	100%	280	10%	23
Ferringhi Residence	100%	587	10%	48
Southbay City	100%	1525	10%	99
Permatang	100%	150	10%	12
KK, Sabah Projects				
Sutera Avenue	100%	107	10%	9
Unbilled sales		2511		193
Total				1867
Shareholder Funds				3444
Total RNAV				5274
Number of shares				2428
RNAV per share				2.17
Warrants, Exercise Price @ RM2.10				349
Fully Diluted Number of Shares				2594
FD RNAV per share				2.18
Discount				68%
Target Price				0.70

Source: MIDFR

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.