Mah Sing Group Berhad

(8583 | MSGB MK) Property| Property

Maintain BUY

Stronger earnings anticipated in 2HFY21

***Unchanged* Target Price: RM1.07**

KEY INVESTMENT HIGHLIGHTS

- **1QFY21 earnings deemed within expectations**
- **Higher earnings in 1QFY21**
- **Stronger earnings anticipated in 2HFY21**
- **New sales on track**
- **Earnings estimates maintained**
- **Maintain BUY with an unchanged TP of RM1.07**

1QFY21 earnings deemed within expectations. Mah Sing Group Berhad (Mah Sing) 1QFY21 core net income of RM39m deemed within expectations despite only making up 15% and 18% of our and consensus full year estimates respectively as we expect earnings in the coming quarters to be boosted by maiden contribution from gloves manufacturing.

Higher earnings in 1QFY21. Sequentially, 1QFY21 core net income jumped to RM39m (+373.8%qoq) as earnings in previous quarter were weighed by distribution paid to holders of perpetual securities. On yearly basis, 1QFY21 core net income was higher at RM39m (+321.7%yoy) while topline grew by 11%yoy to RM413.3m. The earnings growth was mainly due to absence of payment to holders of perpetual sukuk and higher progress billing of its ongoing projects. Note that earnings in 1QFY20 were also impacted by imposition of MCO. Meanwhile, unbilled sales increased to RM1.73b in 1QFY21 from RM1.64b in 4QFY20, providing more than one-year earnings visibility.

Stronger earnings anticipated in 2HFY21. Looking forward, we anticipate earnings in 2HFY21 to be boosted by maiden contribution from gloves manufacturing as Mah Sing commenced operation of its first glove manufacturing factory recently. Six production lines are expected to be operational in the second quarter, followed by another six production lines in the third quarter which gives total production capacity of 3.68billion pieces per annum.

New sales on track. Mah Sing recorded new property sales of RM400m in 1QFY21, higher than new property sales of RM152.9m in 4QFY20. Meanwhile, year-to-date sales stood at RM650.5m, on track to meet its new sales target of RM1.6b for FY21. Meanwhile, Mah Sing targets to launch projects on its newly acquired lands namely M Senyum (GDV: RM656m) in Bandar Baru Salak Tinggi and M Astra (GDV: RM618m) in Setapak KL in 2HFY21. Other planned new launches in FY21 include Tower E of M Vertica, Cheras, remaining phases of M Arisa, Sentul, Phase 2 of Cerrado Suites and Tower B Sensory Residences at Southville City @ KL South, Phase 3 of M Aruna and M Panora in Rawang, service apartments in Southbay City, Penang and double storey link homes in Meridin East, Johor Bahru.

RETURN STATISTICS	
Price @ 31 May 2021 (RM)	0.915
Expected share price return (%)	16.9
Expected dividend yield (%)	5.8
Expected total return (%)	**22.7**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-11.2	-10.1
3 months	8.3	14.6
12 months	96.8	85.2

KEY STATISTICS	
FBM KLCI	1,583.55
Syariah compliant	Yes
F4BGM Index	No
ESG Grading Band (Star rating)	☆☆☆
Issue shares (m)	2,427.69
Estimated free float (%)	49.06
Market Capitalisation (RM'm)	2,221.33
52-wk price range (RM)	RM0.48 - RM1.47
Beta vs FBM KLCI (x)	1.34
Monthly velocity (%)	8.29
Monthly volatility (%)	13.83
3-mth average daily volume (m)	24.74
3-mth average daily value (RM'm)	24.02
Top Shareholders (%)	
MAYANG TERATAI SDN BHD	26.90
Amanah Saham Nasional Bhd	12.55
MAYANG TERATAI LIMITED	7.41

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Maintain BUY with an unchanged TP of RM1.07. We maintain our earnings forecast for FY21/22F We also maintain our TP for Mah Sing at RM1.07, based on sum-of-parts valuation. We remain positive on Mah Sing mainly due to stronger earnings outlook in FY21. Besides, its property development business is expected to remain steady with stable new sales outlook, underpinning by its focus of launching products in affordable price range within Klang Valley. Hence, we maintain our **BUY** call on Mah Sing.

INVESTMENT STATISTICS

FYE Dec	FY18A	FY19A	FY20A	FY21F	FY22F
Revenue	2192.9	1789.7	1530.8	2172.8	2389.2
EBIT	357.7	271.4	164.4	424.5	361.9
PBT	347.6	270.2	153.7	424.9	365.0
Net Income	271.6	200.3	100.4	320.0	275.1
Core Net Income (before Perpetual Securities/Sukuk)	269.9	234.3	113.2	321.0	277.1
Core Net Income (After Perpetual Securities/Sukuk)	188.4	143.0	41.2	266.7	254.7
EPS (sen)	11.2	8.3	4.1	13.2	11.3
Core EPS (sen)	11.1	9.7	4.7	13.2	11.4
Net DPS (sen)	4.50	3.35	1.66	5.3	4.6
Net Dvd Yield	4.9%	3.7%	1.8%	5.8%	5.0%
Core PER	8.23	9.48	19.62	6.92	8.02
NTA/share (RM)	1.43	1.44	1.42	1.49	1.55
P/NTA	0.64	0.64	0.65	0.62	0.59
ROE	7.7%	6.7%	3.3%	8.9%	7.4%
ROA	3.9%	3.5%	1.6%	4.6%	3.9%

Source: Company, MIDFR

Mah Sing Group: 1QFY21 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	1QFY21	%YoY	%QoQ	FY21	%YoY
Revenue	413.3	11.4%	-12.6%	413.3	11%
EBIT	67.3	49%	39.5%	67.3	49%
PBT	56.2	35%	17.9%	56.2	35%
Net Income	40.3	40%	43.2%	40.3	40%
Core Net Income	39.0	321.7%	373.8%	39.0	321.7%
EPS (sen)	1.66	34%	43.2%	1.7	34%
Core EPS (sen)	1.61	203%	373.8%	1.6	203%
Net DPS (sen)	0.00	NA	NA	0.0	NA
NTA/share (RM)	1.42	1%	0.1%	1.4	1%
Net Gearing (x)	0.09	NA	NA	0.09	NA
EBIT Margin	16.3%	NA	NA	16.3%	NA
PBT Margin	13.6%	NA	NA	13.6%	NA

Source: Company

Mah Sing Group Sum-of-Parts (SOP)

Segments	Methodology	Discount	Value (RM m)
Property	RNAV	68%	536.7
Gloves Manufacturing	13x FY21 Earnings	n/a	2,274.3
Plastics	13x FY21 Earnings	n/a	239.6
Net cash/(debt)			(262.3)
Total Sum-of-Parts			**2,788.2**
Fully-Diluted Number of shares			2,593.8
Target Price (RM)			**1.07**

Source: MIDF R

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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 *rise* by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
HOLD	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 *fall* 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.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology