2QFY20 Results Review (Below) | Tuesday, 01 September

Mah Sing Group Berhad

(8583 | MSGB MK) Property| Property

Maintain BUY

New sales target revised to RM1.1b

***Unchanged* Target Price: RM0.82**

KEY INVESTMENT HIGHLIGHTS

- **1HFY20 earnings below expectations**
- **Earnings hit by delayed construction progress**
- **New sales target revised to RM1.1b**
- **Earnings estimates revised downwards**
- **Maintain BUY with an unchanged TP of RM0.82**

1HFY20 earnings below expectations. Mah Sing Group Berhad (Mah Sing) 1HFY20 core net earnings of RM14.5m came in below our and consensus expectations, making up 23% and 15% of our and consensus full year estimates respectively. The negative deviation could be attributed to the weaker-than-expected 2QFY20 earnings as a result of delayed construction progress during Movement Control Order (MCO). Note that we have excluded impairment losses and distribution paid to perpetual sukuk and securities in our core net income calculations.

Earnings hit by delayed construction progress. 2QFY20 core net profit were lower at RM1.9m (-91.5%yoy) mainly due to halt of construction activities during MCO. That led cumulative earnings in 1HFY20 at RM14.5m (-75.6%yoy). The lower earnings were owing to delayed construction progress during MCO and slow sales conversions as a result of delays in loan approvals. Note that earnings in 1HFY20 were mainly contributed by its key projects in Klang Valley namely M Vertica in Cheras, M Centure in Sentul and Southville City in KL South. Meanwhile, unbilled sales were flattish at RM1.64b in 2QFY20 against unbilled sales of RM1.69b in 1QFY20.

New sales target revised to RM1.1b. Mah Sing recorded new property sales of RM171.6m in 2QFY20, lower than new sales of RM247m in 1QFY20 as new sales were slow during MCO. That brought cumulative new sales in 1HFY20 to RM418.6m which makes up only 26% of management new sales target of RM1.6b. Meanwhile, management is revising its new sales target to RM1.1b in view of a longer period required to convert existing bookings to sales due to more stringent loan approval process.

Maintain BUY with an unchanged TP of RM0.82. We revise our FY20/21F earnings forecast by -38.6%/-23.2% to factor in the lower progress billing. New sales outlook for FY21 is expected to be better due to strong booking in pipeline of RM1.6b. Hence, we maintain our Buy call on Mah Sing with unchanged TP of RM0.82, based on 63% discount to RNAV. Valuation of Mah Sing is attractive, trading at 46% discount to its latest NTA of RM1.40 per share.

RETURN STATISTICS	
Price @ 28 August 2020 (RM)	0.76
Expected share price return (%)	7.9
Expected dividend yield (%)	3.3
Expected total return (%)	**11.2**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	16.9	22.9
3 months	43.4	46.8
12 months	-12.1	-7.1

KEY STATISTICS	
FBM KLCI	1525.21
Syariah compliant	Yes
Issue shares (m)	2427.69
Estimated free float (%)	49.06
Market Capitalisation (RM'm)	1,845.04
52-wk price range (RM)	RM0.30-RM0.91
Beta vs FBM KLCI (x)	1.55
Monthly velocity (%)	11.02
Monthly volatility (%)	13.60
3-mth average daily volume (m)	20.41
3-mth average daily value (RM'm)	12.90
Top Shareholders (%)	
Mayang Teratai Sdn Bhd	26.90
Amanah Saham Nasional Bhd	12.55
Mayang Teratai Limited	7.41

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INVESTMENT STATISTICS

FYE Dec	FY17A	FY18A	FY19A	FY20F	FY21F
Revenue	2915.8	2192.9	1789.7	1396.3	1654.3
EBIT	476.5	357.7	271.4	142.6	208.4
PBT	472.3	347.6	270.2	142.7	210.0
Net Income	361.9	271.6	200.3	111.5	158.9
Core Net Income (before Perpetual Securities/Sukuk)	356.3	269.9	234.3	111.5	159.9
Core Net Income (After Perpetual Securities/Sukuk)	356.3	188.4	143.0	39.5	105.5
EPS (sen)	15.0	11.2	8.3	4.6	6.5
Core EPS (sen)	14.8	11.1	9.7	4.6	6.6
Net DPS (sen)	6.5	4.50	3.35	2.5	3.2
Net Dvd Yield	8.6%	5.9%	4.4%	3.3%	4.2%
Core PER	5.15	6.84	7.87	16.55	11.54
NTA/share (RM)	1.43	1.43	1.44	1.46	1.50
P/NTA	0.53	0.53	0.53	0.52	0.51
ROE	10.3%	7.7%	6.7%	3.1%	4.4%
ROA	5.0%	3.9%	3.4%	1.7%	2.4%

Source: Company, MIDFR

Mah Sing Group: 2QFY20 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	2QFY20	*%YoY*	*%QoQ*	FY20	*%YoY*
Revenue	298.6	*-37.9%*	*-19.5%*	669.8	*-28%*
EBIT	28.2	*-60%*	*-34.3%*	71.0	*-51%*
PBT	22.4	*-67%*	*-48.0%*	65.6	*-54%*
Net Income	15.2	*-70%*	*-49.5%*	45.3	*-57%*
Core Net Income	1.9	*-91.5%*	*-85.0%*	14.5	*-75.6%*
EPS (sen)	0.63	*-70%*	*-49.5%*	1.9	*-57%*
Core EPS (sen)	0.08	*-91%*	*-85.0%*	0.6	*-86%*
Net DPS (sen)	0.00	*NA*	*NA*	0.0	*NA*
NTA/share (RM)	1.40	*-1%*	*-2.6%*	1.4	*-1%*
Net Gearing (x)	0.00	*NA*	*NA*	0.0	*NA*
EBIT Margin	9.4%	*NA*	*NA*	10.6%	*NA*
PBT Margin	7.5%	*NA*	*NA*	9.8%	*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				63%
Target Price				0.82

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 *rise* 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 *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.