Mah Sing Group Berhad

(8583 | MSGB MK) Property| Property

Maintain BUY

New property sales on track

***Revised* Target Price: RM0.88**

(Previously RM1.04)

KEY INVESTMENT HIGHLIGHTS

- **9MFY19 earnings below our expectation**
- **Earnings eased on lower progress billing**
- **New property sales on track**
- **Earnings estimates reduced**
- **Maintain BUY with a revised TP of RM0.88**

9MFY19 earnings below our expectation. Mah Sing Group Berhad (Mah Sing) 9MFY19 core net income of RM151.9m came in below our expectation, meeting only 64% of our full year estimate. The negative deviation could be attributed to the slower than expected progress billing in 3QFY19. Nonetheless, the 9MFY19 earnings came in above consensus estimate.

Earnings eased on lower progress billing. On sequential basis, 3QFY19 core net income eased 5%qoq to RM47.3m as progress billing was lower. Similarly, 3QFY19 core net income was lower on yearly basis at -5%yoy, bringing cumulative core net income to RM151.9m (-25.9%yoy). The lower earnings in 9MFY19 were due to higher proportion of new sales secured from new projects such as M Vertica in Cheras and M Centura in Sentul which are still at initial stages of construction. Meanwhile, unbilled sales stood at RM1.7b in 3QFY19, providing less than one year of earnings visibility.

New property sales on track. Mah Sing recorded new property sales of RM420m in 3QFY19, flattish against new sales of RM415.5m in 2QFY19. That brought cumulative new sales to RM1.136b, on track to meet management full year new sales target of RM1.5b. Among the projects that contributed to the new sales include M Vertica, M Centura, and Meridin East. Looking forward, new sales in 4QFY19 are expected to contribute by launches of M Oscar in Sri Petaling and M Arisa in Sentul.

Maintain BUY with a revised TP of RM0.88. We revise down our earnings forecasts for FY19/20F by 12.7%/12.2% to factor in the lower progress billing. Correspondingly, we revise down our TP for Mah Sing to RM0.88 from RM1.04 as we widen our RNAV discount to 60% from 53%. Nevertheless, we maintain our BUY recommendation on Mah Sing as its sales outlook remains stable, underpin by its launches of affordable products. Moreover, balance sheet of Mah Sing is sturdy at net cash position.

RETURN STATISTICS	
Price @ 27 November 2019 (RM)	0.69
Expected share price return (%)	27.5
Expected dividend yield (%)	6.1
Expected total return (%)	**33.6**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-6.7	-7.7
3 months	-7.3	-19.5
12 months	-29.8	-25.5

KEY STATISTICS	
FBM KLCI	1,587.18
Syariah compliant	Yes
Issue shares (m)	2427.69
Estimated free float (%)	79.97
Market Capitalisation (RM'm)	1,687.24
52-wk price range (RM)	RM0.67 - RM1.05
Beta vs FBM KLCI (x)	0.81
Monthly velocity (%)	11.02
Monthly volatility (%)	13.60
3-mth average daily volume (m)	1.49
3-mth average daily value (RM'm)	1.14
Top Shareholders (%)	
Employees Provident Fund Board	8.72
URUSHARTA JAMAAH SDN BHD	5.77
Kumpulan Wang Persaraan Diperbadan	5.02

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INVESTMENT STATISTICS

FYE Dec	FY16A	FY17A	FY18A	FY19F	FY20F
Revenue	2957.6	2915.8	2192.9	1933.5	2095.3
EBIT	477.6	476.5	357.7	269.9	300.5
PBT	482.9	472.3	347.6	268.5	300.6
Net Income	361.4	361.9	271.6	207.7	232.3
Core Net Income	372.7	356.3	269.9	207.7	232.3
EPS (sen)	15.0	15.0	11.2	8.6	9.6
Core EPS (sen)	15.5	14.8	11.1	8.6	9.6
Net DPS (sen)	6.5	6.5	4.50	4.2	4.5
Net Dvd Yield	9.4%	9.4%	6.5%	6.1%	6.5%
Core PER	4.46	4.67	6.21	8.06	7.21
NTA/share (RM)	1.36	1.43	1.43	1.48	1.53
P/NTA	0.51	0.48	0.48	0.47	0.45
ROE	11.3%	10.3%	7.7%	5.8%	6.2%
ROA	6.0%	5.0%	3.9%	3.0%	3.2%

Source: Company, MIDFR

Mah Sing Group: 3QFY19 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	3QFY19	*%YoY*	*%QoQ*	FY19	*%YoY*
Revenue	415.5	*-17.6%*	*-13.7%*	1,347.1	*-20%*
EBIT	68.1	*-17%*	*-2.0%*	212.5	*-21%*
PBT	69.9	*-14%*	*2.8%*	211.9	*-20%*
Net Income	50.0	*-22%*	*-0.6%*	155.3	*-24%*
Core Net Income	47.3	*-25.0%*	*-5.0%*	151.9	*-25.9%*
EPS (sen)	2.06	*-22%*	*-0.6%*	6.4	*-24%*
Core EPS (sen)	1.95	*-25%*	*-5.0%*	6.3	*-26%*
Net DPS (sen)	0.00	*NA*	*NA*	4.5	*NA*
NTA/share (RM)	1.43	*1%*	*2.0%*	1.4	*1%*
Net Gearing (x)	Net Cash	*NA*	*NA*	Net Cash	*NA*
EBIT Margin	16.4%	*NA*	*NA*	15.8%	*NA*
PBT Margin	16.8%	*NA*	*NA*	15.7%	*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				60%
Target Price				0.88

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.