Mah Sing Group Berhad

(8583 | MSGB MK) Property| Property

Maintain BUY

New sales target maintained

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

KEY INVESTMENT HIGHLIGHTS

- **9MFY20 earnings within our expectation**
- **Earnings recovered on resumption of construction activities**
- **New sales target maintained at RM1.1b**
- **Earnings estimates maintained**
- **Maintain BUY with an unchanged TP of RM1.07**

9MFY20 earnings within our expectation. Mah Sing Group Berhad (Mah Sing) 9MFY20 core net income of RM35.9m came in below consensus expectation but within ours despite meeting 91% of our full year estimate as we expect 4QFY20 core net earnings to weigh by distribution to perpetual sukuk and securities of around RM26m. Note that we exclude impairment losses and distribution paid to perpetual sukuk and securities in our core net income calculations.

Earnings recovered on resumption of construction activities. Sequentially, 3QFY20 core net income surged to RM22.1m from core net income of RM1.9m in 2QFY20 due to resumption of construction activities. That brought cumulative earnings in 9MFY20 to RM35.9m (-59.2%yoy). The lower earnings in 9MFY20 were mainly due to delayed construction progress in 2QFY20 as a result of MCO. Besides, earning were also partly dragged by lower earnings recognition from new projects such as M Oscar, M Arisa, M Luna and M Adora as the projects are at initial stages of completion. Meanwhile, unbilled sales increased to RM1.76b in 3QFY20 from RM1.64b in 2QFY20, providing one year earnings visibility.

New sales target maintained at RM1.1b. Mah Sing recorded strong property sales of RM428.5m in 3QFY20 against new property sales of RM171.6m in 2QFY20. Note that sales in 2QFY20 were weak due to imposition of MCO. That brought cumulative new sales in 9MFY20 to RM847.1m, on track to meet management new sales target of RM1.1b. Hence, management is maintaining new sales target of RM1.1b for FY20. Meanwhile, planned new launches for the remainder of 2020 include Carya link homes in M Aruna, Rawang and Acacia link homes in Meridin East, Johor.

Maintain BUY with an unchanged TP of RM1.07. We maintain our earnings forecasts for FY20/21F. We also maintain our TP for Mah Sing at RM1.07, based on sum-of-parts valuation. We expect positive earnings outlook for Mah Sing in FY21 due to earnings contribution from gloves manufacturing and recovery in property segment. Besides, sales outlook for Mah Sing is stable as its sales are on track to meet new sales target. Hence, we maintain our BUY call on Mah Sing.

RETURN STATISTICS	
Price @ 30 Nov 2020 (RM)	0.885
Expected share price return (%)	20.9
Expected dividend yield (%)	2.8
Expected total return (%)	**23.7**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-1.6	-9.7
3 months	35.6	12.4
12 months	28.8	25.8

KEY STATISTICS	
FBM KLCI	1,562.71
Syariah compliant	Yes
Issue shares (m)	2427.69
Estimated free float (%)	49.06
Market Capitalisation (RM'm)	2,172.78
52-wk price range (RM)	RM0.30 - RM1.47
Beta vs FBM KLCI (x)	1.33
Monthly velocity (%)	8.29
Monthly volatility (%)	13.83
3-mth average daily volume (m)	69.11
3-mth average daily value (RM'm)	68.57
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	2171.8
EBIT	476.5	357.7	271.4	142.6	424.3
PBT	472.3	347.6	270.2	142.7	424.6
Net Income	361.9	271.6	200.3	111.5	319.8
Core Net Income (before Perpetual Securities/Sukuk)	356.3	269.9	234.3	111.5	320.8
Core Net Income (After Perpetual Securities/Sukuk)	356.3	188.4	143.0	39.5	266.5
EPS (sen)	15.0	11.2	8.3	4.6	13.2
Core EPS (sen)	14.8	11.1	9.7	4.6	13.2
Net DPS (sen)	6.5	4.50	3.35	2.5	5.9
Net Dvd Yield	7.3%	5.1%	3.8%	2.8%	6.7%
Core PER	6.00	7.96	9.17	19.27	6.70
NTA/share (RM)	1.43	1.43	1.44	1.46	1.53
P/NTA	0.62	0.62	0.62	0.61	0.58
ROE	10.3%	7.7%	6.7%	3.1%	8.6%
ROA	5.0%	3.9%	3.4%	1.7%	4.7%

Source: Company, MIDFR

Mah Sing Group: 3QFY20 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	3QFY20	%YoY	%QoQ	FY20	%YoY
Revenue	388.2	-6.6%	30.0%	1,058.0	-21%
EBIT	45.2	-34%	60.5%	116.2	-45%
PBT	40.5	-42%	80.2%	106.0	-50%
Net Income	27.0	-46%	77.8%	72.3	-53%
Core Net Income	22.1	-23.2%	1039.3%	35.9	-59.2%
EPS (sen)	1.11	-46%	77.8%	3.0	-53%
Core EPS (sen)	0.91	-23%	1039.3%	1.5	-72%
Net DPS (sen)	0.00	NA	NA	0.0	NA
NTA/share (RM)	1.41	-1%	0.8%	1.4	-1%
Net Gearing (x)	Net Cash	NA	NA	Net Cash	NA
EBIT Margin	11.6%	NA	NA	11.0%	NA
PBT Margin	10.4%	NA	NA	10.0%	NA

Source: Company

Mah Sing Group Sum-of-Parts (SOP)

Segments	Methodology	Discount	Value (RM m)
Property	RNAV	68%	520.0
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			**2,771.5**
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.
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.