Mah Sing Group Berhad

(8583 | MSGB MK) Property| Property

Maintain BUY

FY20 new sales target at RM1.6b

***Unchanged* Target Price: RM0.88**

KEY INVESTMENT HIGHLIGHTS

- **FY19 earnings above expectations**
- **Earnings helped by lower expenses**
- **New sales target of RM1.6b for FY20**
- **Earnings estimates revised upwards**
- **Maintain BUY with an unchanged TP of RM0.88**

FY19 earnings above expectations. Mah Sing Group Berhad (Mah Sing) FY19 core net income of RM234.3m came in above expectations, making up 113% and 111% of our and consensus estimates. The positive deviation was mainly due to the lower than expected expenses. Dividend of 3.35sen per share was announced, translating into dividend yield of 5%.

Earnings helped by lower expenses. On sequential basis, Mah Sing recorded higher core net income of RM82.2m (+73.6%qoq) on the back of higher topline of RM442.6m (+6.5%qoq) mainly due to pick up of progress billing. That brought cumulative earnings to RM234.3m (-13.2%yoy), in line with lower topline (-18%yoy). The lower earnings in FY19 were mainly owing to lower contribution from property development division as new sales secured from new projects namely M Vertica and M Centura are still at initial stages of construction. Meanwhile, hotel division was in the red due to guarantee rental return. Nevertheless, FY19 earnings were helped by lower selling and marketing expenses (-38%yoy). On the other hand, unbilled sales stood at RM1.73b in 4QFY19, providing one year of earnings visibility.

New sales target of RM1.6b for FY20. Mah Sing recorded new property sales of RM364m in 4QFY19, lower than new sales of RM420m in 3QFY19. That brought total new sales to RM1.5b which met management's sales target of RM1.5b. Looking ahead, management set new sales target at RM1.6b for FY20 on the back of launches with total GDV of RM2.1b. Mah Sing remains focus on greater KL as 78% of its new launches in FY20 will be in greater KL.

Maintain BUY with an unchanged TP of RM0.88. We revise upwards our earnings forecast for FY20F by 1.4% as we factor in lower expenses. We also introduce our earnings forecast for FY21F. We maintain our BUY recommendation on Mah Sing as its strategy of launching affordable products should support its sales outlook. Besides, dividend yield is also attractive at 5%.

RETURN STATISTICS	
Price @ 28 February 2020 (RM)	0.675
Expected share price return (%)	30.4
Expected dividend yield (%)	5.0
Expected total return (%)	**35.4**

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	1,482.64
Syariah compliant	Yes
Issue shares (m)	2427.69
Estimated free float (%)	79.94
Market Capitalisation (RM'm)	1,639
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	1997.3	2081.3
EBIT	476.5	357.7	271.4	304.8	321.1
PBT	472.3	347.6	270.2	305.0	322.8
Net Income	361.9	271.6	200.3	235.6	243.4
Core Net Income	356.3	269.9	234.3	235.6	244.4
EPS (sen)	15.0	11.2	8.3	9.7	10.0
Core EPS (sen)	14.8	11.1	9.7	9.7	10.1
Net DPS (sen)	6.5	4.50	3.35	3.9	4.1
Net Dvd Yield	9.6%	6.7%	5.0%	5.8%	6.1%
Core PER	4.57	6.07	6.99	6.95	6.71
NTA/share (RM)	1.43	1.43	1.44	1.49	1.54
P/NTA	0.47	0.47	0.47	0.45	0.44
ROE	10.3%	7.7%	6.7%	6.5%	6.5%
ROA	5.0%	3.9%	3.4%	3.5%	3.6%

Source: Company, MIDFR

Mah Sing Group: 4QFY19 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	4QFY19	%YoY	%QoQ	FY19	%YoY
Revenue	442.6	*-14.0%*	*6.5%*	1,789.7	*-18%*
EBIT	58.9	*-33%*	*-13.5%*	271.4	*-24%*
PBT	58.3	*-31%*	*-16.7%*	270.2	*-22%*
Net Income	45.0	*-32%*	*-10.1%*	200.3	*-26%*
Core Net Income	82.2	*26.0%*	*73.6%*	234.3	*-13.2%*
EPS (sen)	1.85	*-32%*	*-10.1%*	8.3	*-26%*
Core EPS (sen)	3.38	*26%*	*73.6%*	9.6	*-13%*
Net DPS (sen)	3.35	*-26%*	*NA*	3.4	*-26%*
NTA/share (RM)	1.44	*0%*	*2.0%*	1.4	*0%*
Net Gearing (x)	Net Cash	*NA*	*NA*	Net Cash	*NA*
EBIT Margin	13.3%	*NA*	*NA*	15.2%	*NA*
PBT Margin	13.2%	*NA*	*NA*	15.1%	*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.