Mah Sing Group Berhad

(8583 | MSGB MK) Property| Property

Maintain BUY

Looking forward to a better FY21

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

KEY INVESTMENT HIGHLIGHTS

- **FY20 earnings within expectation**
- **Looking forward to a better FY21**
- **New sales target at RM1.6b for FY21**
- **Earnings estimates maintained**
- **Maintain BUY with an unchanged TP of RM1.07**

FY20 earnings within expectation. Mah Sing Group Berhad (Mah Sing) FY20 core net income of RM41.2m came in below consensus estimate but within our expectation as it makes up 104% of our full year estimate. Note that we have excluded mainly fair value loss on investment properties in our core net income calculations. Dividend of 1.66sen per share was announced, which translates into dividend yield of 2.1%.

Looking forward to a better FY21. Sequentially, 4QFY20 revenue was higher at RM472.8m (+21.8%qoq) due to higher progress billing from ongoing project namely M Vertica and M Centura. Nevertheless, 4QFY20 core net income was lower at RM8.2m (-62.7%qoq) mainly due to distribution paid to perpetual sukuk and securities. That brought cumulative earnings in FY20 to RM41.2m (-82.4%yoy). The weaker earnings were mainly owing to lower construction progress during MCO. Besides, progress billing of new projects such as M Oscar, M Arisa, M Luna and M Adora were low as the projects are at initial stages of completion. Meanwhile, unbilled sales decreased to RM1.64b in 4QFY20 from RM1.76b in 3QFY20, providing one year earnings visibility. Looking forward, we expect earnings to recover in FY21 due to pick up in progress billing and contribution from gloves manufacturing which is on track to kick up production by April.

New sales target at RM1.6b for FY21. Mah Sing reported new property sales of RM152.9m in 4QFY20, lower than new sales of RM428.5m in 3QFY20 mainly due to slower sales conversion. That brought total new sales to RM1.1b in FY20 which is in line with management new sales target of RM1.1b. Looking forward, management is targeting to achieve higher new sales of RM1.6b for FY21. Mah Sing plans to launch projects with total GDV of RM2.4b in FY21. Focus will remain in Greater KL whereby 69% of the new launches are in Klang Valley.

Maintain BUY with an unchanged TP of RM1.07. We maintain our earnings forecast for FY21F and introduce our earnings forecast for FY22F. We also maintain our TP for Mah Sing at RM1.07, based on sum-of-parts valuation. We see stronger earnings outlook in FY21 mainly due to contribution from gloves manufacturing and higher contribution from property development division. Hence, we maintain our BUY call on Mah Sing.

RETURN STATISTICS	
Price @ 25 Feb 2021 (RM)	0.79
Expected share price return (%)	35.4
Expected dividend yield (%)	2.1
Expected total return (%)	**37.5**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-4.8	-5.1
3 months	-9.2	-8.3
12 months	21.5	15.3

KEY STATISTICS	
FBM KLCI	1,581.54
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)	1,917.87
52-wk price range (RM)	RM0.30 - RM1.47
Beta vs FBM KLCI (x)	1.29
Monthly velocity (%)	8.29
Monthly volatility (%)	13.83
3-mth average daily volume (m)	18.02
3-mth average daily value (RM'm)	15.89
Top Shareholders (%)	
MAYANG TERATAI SDN BHD	26.90
Amanah Saham Nasional Bhd	12.55
MAYANG TERATAI LIMITED	7.41

Analyst(s)
Jessica Low Jze Tieng
Jessica.low @midf.com.my
03-21738391

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	5.7%	4.2%	2.1%	6.7%	5.8%
Core PER	7.11	8.19	16.94	5.98	6.92
NTA/share (RM)	1.43	1.44	1.42	1.49	1.55
P/NTA	0.55	0.55	0.56	0.53	0.51
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: 4QFY20 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	4QFY20	%YoY	%QoQ	FY20	%YoY
Revenue	472.8	6.8%	21.8%	1,530.8	-14%
EBIT	48.2	-18%	6.7%	164.4	-39%
PBT	47.6	-18%	17.8%	153.7	-43%
Net Income	28.1	-37%	4.2%	100.4	-50%
Core Net Income	8.2	-90.0%	-62.7%	41.2	-82.4%
EPS (sen)	1.16	-37%	4.2%	4.1	-50%
Core EPS (sen)	0.34	-90%	-62.7%	1.7	-81%
Net DPS (sen)	1.66	NA	NA	1.7	-50%
NTA/share (RM)	1.42	-1%	0.2%	1.4	-1%
Net Gearing (x)	0.02	NA	NA	0.02	NA
EBIT Margin	10.2%	NA	NA	10.7%	NA
PBT Margin	10.1%	NA	NA	10.0%	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