Corporate Update | Monday, 22 February 2021

Mah Sing Group Berhad

(8583 | MSGB MK) Property| Property

Maintain BUY

Acquiring land in Sepang

Unchanged Target Price: RM1.07

KEY INVESTMENT HIGHLIGHTS

- **Acquiring land in Sepang**
- **Positive on the land acquisition**
- **Limited impact on balance sheet**
- **Earnings estimates maintained**
- **Maintain BUY with an unchanged TP of RM1.07**

Acquiring land in Sepang. Mah Sing Group Berhad (Mah Sing) announced that its wholly-owned subsidiary, Oasis Garden Development Sdn Bhd (Oasis Garden), had accepted the counter offer approval letter issued by the Sepang District/Land Office for the alienation of a parcel of land in Bandar Baru Salak Tinggi, Sepang measuring approximately 100 acres for a total consideration of RM95.83m. The proposed acquisition is expected to be completed in 2Q2021.

Positive on the land acquisition. We view the land acquisition positively as the land acquisition is in line with Mah Sing's strategy of building affordable homes in Klang Valley. The land is located within the Southern high growth corridors of Greater KL with ready amenities such as ERL Salak Tinggi Station and Nilai Medical Center. The development, to be named M Senyum, shall comprise mainly affordable landed homes, with GDV of approximately RM656m. Indicative starting price for the project is affordable, from RM399k. Meanwhile, the acquisition is also in line with Mah Sing's quick turnaround strategy whereby targeted registration of interest and launching of the project is expected to be in 2H2021. Land cost to total GDV is attractive at 14.6% while land acquisition price of RM22psf is fair as it is same as land cost of RM22psf Paramount Corp Berhad paid for Sepang land in 2015.

Limited impact on balance sheet. Mah Sing intends to fund the land acquisition through a combination of internally generated funds and bank borrowings. Impact on balance sheet is expected to be minimal as Mah Sing has cash pile of RM1.1b as of 3QFY20. Meanwhile, we estimate minimal earnings impact in FY21F as the project will only be launched in 2HFY21 with development period of more than 5 years. Hence, we make no changes to our earnings forecast for FY20/21F.

Maintain BUY with an unchanged TP of RM1.07. We factor in the contribution from the land acquisition in RNAV valuation of property division. Nevertheless, we maintain our TP for Mah Sing at RM1.07, based on sum-of-parts valuation as the RNAV contribution from the land acquisition is minimal. We maintain our BUY call on Mah Sing as we continue to see positive earnings outlook for Mah Sing in FY21 on the back of earnings contribution from gloves manufacturing and recovery in property segment.

RETURN STATISTICS	
Price @ 19 Feb 2021 (RM)	0.785
Expected share price return (%)	36.3
Expected dividend yield (%)	3.2
Expected total return (%)	**39.5**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-8.7	-7.7
3 months	-9.8	-12.8
12 months	16.3	12.6

KEY STATISTICS	
FBM KLCI	1,584.93
Syariah compliant	Yes
F4BGM Index	No
ESG Grading Band (Star rating)	☆☆☆
Issue shares (m)	2427.69
Estimated free float (%)	49.06
Market Capitalisation (RM'm)	1,905.73
52-wk price range (RM)	RM0.30 - RM1.47
Beta vs FBM KLCI (x)	1.30
Monthly velocity (%)	8.29
Monthly volatility (%)	13.83
3-mth average daily volume (m)	22.34
3-mth average daily value (RM'm)	19.90
Top Shareholders (%)	
MAYANG TERATAI SDN BHD	26.90
Amanah Saham Nasional Bhd	12.55
MAYANG TERATAI LIMITED	7.41

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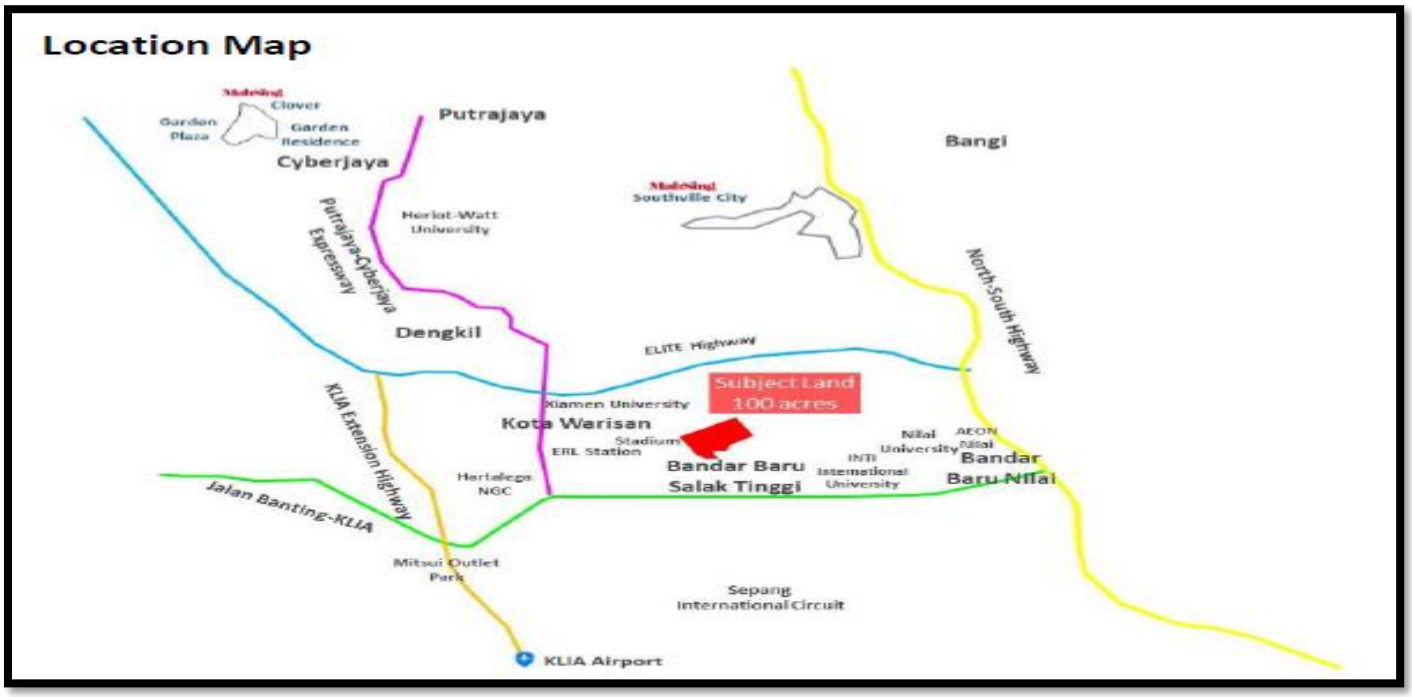
INVESTMENT STATISTICS

FYE Dec	FY17A	FY18A	FY19A	FY20F	FY21F
Revenue	2915.8	2192.9	1789.7	1396.3	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	8.3%	5.7%	4.3%	3.2%	7.6%
Core PER	5.32	7.06	8.13	17.09	5.94
NTA/share (RM)	1.43	1.43	1.44	1.46	1.53
P/NTA	0.55	0.55	0.55	0.54	0.51
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

Figure 1: Location of land



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.
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.