Visit Note | Friday, 20 November 2020

Mah Sing Group Berhad

(8583 | MSGB MK) Property| Property

Maintain BUY

Positive earnings outlook

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

KEY INVESTMENT HIGHLIGHTS

- **Virtual meeting with Mah Sing**
- **Sales target of RM1.1b maintained for FY20**
- **Glove manufacturing plant on track for completion by April 2021**
- **Positive earnings outlook for property and gloves manufacturing divisions**
- **Maintain BUY with an unchanged TP of RM1.07**

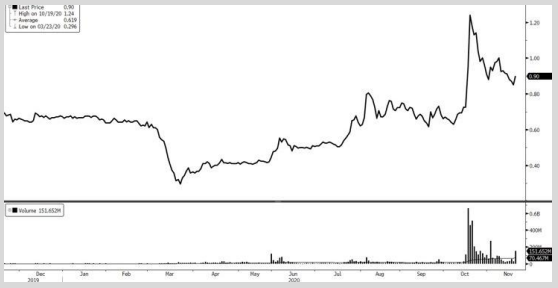
Virtual meeting with Mah Sing. We had a virtual meeting with Mah Sing Group Berhad (Mah Sing) and came away feeling reaffirmed on positive prospect of its property division and gloves manufacturing division. Key takeaways from the meeting as below:

Sales target of RM1.1b maintained for FY20. Mah Sing is maintaining its new property sales target of RM1.1b for FY20 and management is confident that sales will be able to meet its target. Note that Mah Sing chalked up total new sales of RM418m in 1HFY20 and expect new sales to pick up in 2HFY20. New sales in 2HFY20 is expected to be supported by new sales from M Luna in Kepong and M Adora in Wangsa Melawati as well as new project launches such as Carya in M Aruna, Rawang and remaining blocks of M Vertica in Cheras. Nevertheless, we gather that loan approval process remains stringent which may partly drag the conversion of booking into sales.

Gloves manufacturing plant on track for completion by April 2021. Mah Sing ventured into gloves manufacturing recently in a move to diversify its earnings stream. We gather that its gloves manufacturing plant in Kapar, Selangor is on track for completion by April whereby two lines of production line will commence operation. Note that six production lines will commence production in 2Q2021 and another six production lines will commence production in 3Q2021, giving total production capacity of 3.68b pieces per annum. We understand that Mah Sing's focus is to produce nitrile gloves and has secured some raw material supply despite shortage of nitrile-butadiene rubber (NBR). On another note, we gather that Mah Sing's registration with US Food and Drug Administration (FDA) has been approved recently and certificate will be issued within the next few days. Meanwhile, Mah Sing is also in the midst of getting CE Marking Certification for gloves export to European countries.

RETURN STATISTICS	
Price @ 19 Nov 2020 (RM)	0.90
Expected share price return (%)	18.9
Expected dividend yield (%)	2.8
Expected total return (%)	**21.7**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-27.4	-30.4
3 months	36.4	17.0
12 months	23.3	25.0

KEY STATISTICS	
FBM KLCI	1,583.68
Syariah compliant	Yes
Issue shares (m)	2427.69
Estimated free float (%)	49.06
Market Capitalisation (RM'm)	2,184.92
52-wk price range (RM)	RM0.30 - RM1.47
Beta vs FBM KLCI (x)	1.34
Monthly velocity (%)	8.29
Monthly volatility (%)	13.83
3-mth average daily volume (m)	66.04
3-mth average daily value (RM'm)	65.64
Top Shareholders (%)	
MAYANG TERATAI SDN BHD	26.90
Amanah Saham Nasional Bhd	12.55
MAYANG TERATAI LIMITED	7.41

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Positive earnings outlook for property and gloves manufacturing division. Post meeting, we maintain our earnings forecast as property sales outlook for Mah Sing is steady while gloves manufacturing plant is on track to start production in April 20221. We expect positive earnings outlook for Mah Sing in FY21, mainly driven by earnings recovery of property division and earnings contribution from gloves manufacturing. Earnings of property division are expected to recover in FY21 from adverse impact of Movement Control Order in Malaysia. Meanwhile, earnings contribution from gloves manufacturing is expected to be significant in FY21 as Mah Sing targets to sell its gloves at spot order price which is higher than contractual price.

Maintain BUY with an unchanged TP of RM1.07. We maintain our Buy call on Mah Sing with an unchanged target price of RM1.07, based on sum-of-parts valuation. We have ascribed 68% discount to RNAV for property division and PE ratio of 13x for gloves manufacturing division. We continue to view the venture into gloves manufacturing as a strong catalyst as it will boost Mah Sing's earnings significantly going forward. Besides, property 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.

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	7.2%	5.0%	3.7%	2.8%	6.6%
Core PER	6.10	8.10	9.33	19.59	6.81
NTA/share (RM)	1.43	1.43	1.44	1.46	1.53
P/NTA	0.63	0.63	0.63	0.62	0.59
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 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**

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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.