Mah Sing Group Berhad

(8583 | MSGB MK) Property| Property

Maintain BUY

Stable earnings growth

***Unchanged* Target Price: RM0.74**

KEY INVESTMENT HIGHLIGHTS

- **1HFY22 earnings deemed within expectations**
- **Stable earnings growth**
- **New sales on track**
- **Earnings estimates maintained**
- **Maintain BUY with an unchanged TP of RM0.74**

1HFY22 earnings deemed within expectations. Mah Sing Group Berhad (Mah Sing) 1HFY22 core net earnings of RM57.1m deemed within expectations despite only making up 36% and 38% of our and consensus full year estimates as earnings are expected to be higher in 2HFY22 due to absence of payment to holders of perpetual securities. Note that we have included distribution paid to holders of perpetual securities of RM22.4m in our core net income calculations.

Stable earnings growth. Sequentially, 2QFY22 core net earnings were lower at RM17.3m (-57%qoq) due to payment to holders of perpetual securities. Besides, earnings decline in 2QFY22 was partly due to higher earnings base in 1QFY22 which was supported by higher sales of completed properties and cost savings from finalization of construction costs for certain construction contracts. That brought 1HFY22 cumulative core net earnings higher to RM57.1m (+8.4%yoy), in line with higher topline (+14.5%yoy). The earnings growth was mainly driven by higher property sales and higher progress billing from its ongoing projects. Key projects that contributed to earnings include M Vertica in Cheras, M Arisa in Setapak, M Luna In Kepong and M Aruna in Rawang. Meanwhile, unbilled sales increased to RM2.16b in 2QFY22 from RM2.03b in 1QFY22, providing more than one-year earnings visibility.

New sales on track. Mah Sing recorded new property sales of RM550m in 2QFY22, higher than new sales of RM450m in 1QFY22. That brings total new sales to RM1b in 1HFY22, well on track to meet management new sales target of RM2b for FY22. Looking forward, new sales momentum is expected to sustain by upcoming new launches with GDV of >RM1b in 2HFY22. Launches in 2HFY22 include M Astra in Setapak, M Panora in Rawang, Erica Phase 3 in Meridin East and M Senyum Phase 3 in Salak Tinggi.

Maintain BUY with an unchanged TP of RM0.74. We make no changes to our earnings forecast for FY22/23F. We maintain our **TP** at **RM0.74**, based on 65% discount to RNAV. We remain positive on Mah Sing due to its strategy of selling properties in the affordable price range. Mah Sing is also expected to benefit from i-MILIKI program announced by government as 60% of its properties priced below RM500k. Hence, we maintain our **BUY** call on Mah Sing.

RETURN STATISTICS	
Price @ 29 Aug 2022 (RM)	0.60
Expected share price return (%)	23.3
Expected dividend yield (%)	5.0
Expected total return (%)	**28.3**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	0.8	0.2
3 months	0.0	-5.1
12 months	-27.3	-22.4

KEY STATISTICS	
FBM KLCI	1,501.57
Syariah compliant	Yes
F4BGM Index	Yes
ESG Grading Band (Star rating)	☆☆☆☆
Issue shares (m)	2,427.69
Estimated free float (%)	49.63
Market Capitalisation (RM'm)	1,456.61
52-wk price range (RM)	RM0.55– RM0.87
Beta vs FBM KLCI (x)	0.68
Monthly velocity (%)	8.29
Monthly volatility (%)	13.60
3-mth average daily volume (m)	1.40
3-mth average daily value (RM'm)	0.84
Top Shareholders (%)	
MAYANG TERATAI SDN BHD	26.90
Amanah Saham Nasional Bhd	12.15
Bank of Singapore Limited	7.45
MAYANG TERATAI LIMITED	7.41

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INVESTMENT STATISTICS

FYE Dec	FY19A	FY20A	FY21A	FY22F	FY23F
Revenue	1789.7	1530.8	1754.0	1983.9	2097.8
EBIT	271.4	164.4	261.4	264.5	284.1
PBT	270.2	153.7	219.2	238.4	253.4
Net Income	200.3	95.6	160.9	180.2	191.4
Core Net Income (before Perpetual Securities/Sukuk)	234.3	108.4	161.9	182.2	191.4
Core Net Income (After Perpetual Securities/Sukuk)	143.0	36.4	107.5	159.8	191.4
EPS (sen)	8.3	3.9	6.6	7.4	7.9
Core EPS (sen)	9.7	4.5	6.7	7.5	7.9
Net DPS (sen)	3.35	1.66	2.7	3.0	3.2
Net Dvd Yield	5.6%	2.8%	4.4%	5.0%	5.3%
Core PER	6.22	13.43	9.00	8.00	7.62
NTA/share (RM)	1.44	1.42	1.43	1.47	1.51
P/NTA	0.42	0.42	0.42	0.41	0.40
ROE	6.7%	3.2%	4.7%	5.1%	5.2%
ROA	3.5%	1.6%	2.3%	2.6%	2.6%

Source: Company, MIDFR

Mah Sing Group: 2QFY22 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	2QFY22	%YoY	%QoQ	FY22	%YoY
Revenue	542.0	23.6%	25.1%	975.2	14.5%
EBIT	73.6	8%	6.0%	143.0	5.4%
PBT	59.8	3%	6.6%	115.8	1.4%
Net Income	43.0	7%	-0.3%	86.2	6.9%
Core Net Income	17.3	29.0%	-57.1%	57.1	8.4%
EPS (sen)	1.77	7%	-0.3%	3.6	6.9%
Core EPS (sen)	0.71	29%	-57.1%	2.4	9.7%
Net DPS (sen)	0.00	NA	NA	0.0	NA
NTA/share (RM)	1.43	1%	-1.4%	1.4	1%
Net Gearing (x)	0.34	NA	NA	0.34	NA
EBIT Margin	13.6%	NA	NA	14.7%	NA
PBT Margin	11.0%	NA	NA	11.9%	NA

Source: Company

Mah Sing Group 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%	78	10%	7
Garden Residence	100%	76	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%	16	10%	1
Garden Plaza, Cyberjaya	100%	31	10%	3
Clover @ Garden Residence	100%	0	10%	0
M City, Jalan Ampang	100%	2	10%	0
M Residence 1 @ Rawang	100%	432	10%	33
M Residence 2 @ Rawang	100%	38	10%	3
Southville City @ KL South, Bangi	100%	8847	10%	531
Icon City, PJ	100%	1914	10%	148
D'sara Sentral	100%	72	10%	6
Lakeville Residence	100%	1	10%	0
M Aruna Rawang	100%	284	10%	23
M Centura, M Arisa, Sentul	78%	206	10%	13
M Vertica, Cheras	100%	713	10%	55
M Oscar	100%	192	10%	16
M Luna	100%	169	10%	13
M Adora	100%	135	10%	10
M Senyum	100%	656	10%	49
M Astra	100%	618	10%	46
M Nova	100%	790	10%	59

Johor Projects				
Sierra Perdana	100%	175	10%	14
Meridin @ Medini	100%	252	10%	20
Meridin East	100%	4182	10%	232
Mah Sing i-Parc	100%	105	10%	9
M Minori	100%	469	10%	35
Penang Projects				
Icon Residence, Georgetown	100%	280	10%	23
Ferringhi Residence	100%	453	10%	37
Southbay City	100%	1441	10%	94
Permatang	100%	150	10%	12
Unbilled sales		1900		146
Total				**1671**
Shareholder Funds				3470
Total RNAV				5141
Number of shares				2428
RNAV per share				2.12
Discount				65%
Target Price				0.74

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.
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