Corporate Update | Tuesday, 13 September 2022

Mah Sing Group Berhad

(8583 | MSGB MK) Property| Property

Maintain BUY

Land disposal in Penang

Unchanged Target Price: RM0.74

KEY INVESTMENT HIGHLIGHTS

- **Land disposal in Penang**
- **Neutral on land disposal**
- **Minimal impact on balance sheet**
- **Earnings estimates maintained**
- **Maintain BUY with an unchanged TP of RM0.74**

Land disposal in Penang. Mah Sing Group Berhad (Mah Sing) announced that its wholly owned subsidiary, Klassik Tropika Development Sdn Bhd had on 12th September 2022 entered into a sale and purchase agreement with Morningjoy Sdn Bhd for disposal of a freehold land in Pykett Avenue, George Town, Penang measuring 13,494square metres which is approximately 3.4 acres for a cash consideration of RM66.3m. The proposed disposal is expected to complete in 4QFY22.

Neutral on land disposal. We are neutral on the land disposal as the disposal is in line with Mah Sing's strategy to focus on affordable project development in Klang Valley. Note that the land was acquired in 2009 for a proposed high-end condominium development. The purchase consideration of RM66.3m is higher than market value of the land of RM59m and net book value of RM61.9m. The proposed disposal is expected to generate disposal gain of RM1.8m after deducting expenses for the disposal.

Minimal impact on balance sheet. The proposed disposal is expected to improve balance sheet of Mah Sing marginally. We estimate net gearing to decline marginally to 0.32x from 0.34x in 2QFY22. Meanwhile, earnings impact from disposal gain of RM1.8m is limited at ~1%. Hence, we make no changes to our earnings forecast for FY22 and FY23.

Maintain BUY with an unchanged TP of RM0.74. 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. New sales outlook is also stable as new sales in 1HFY22 is well on track to hit new sales target of RM2b. Hence, we maintain our **BUY** call on Mah Sing.

RETURN STATISTICS	
Price @ 12 Sept 2022 (RM)	0.63
Expected share price return (%)	17.5
Expected dividend yield (%)	4.8
Expected total return (%)	**22.3**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	5.9	6.5
3 months	5.0	1.0
12 months	-21.7	-18

KEY STATISTICS	
FBM KLCI	1,497.96
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)	1,529.44
52-wk price range (RM)	RM0.55– RM0.83
Beta vs FBM KLCI (x)	0.67
Monthly velocity (%)	8.29
Monthly volatility (%)	13.60
3-mth average daily volume (m)	1.38
3-mth average daily value (RM'm)	0.82
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	5.3%	2.6%	4.2%	4.8%	5.0%
Core PER	6.53	14.11	9.45	8.40	8.00
NTA/share (RM)	1.44	1.42	1.43	1.47	1.51
P/NTA	0.44	0.45	0.44	0.43	0.42
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 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