Mah Sing Group Berhad

(8583 | MSGB MK) Property| Property

Maintain BUY

Resilient earnings

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

KEY INVESTMENT HIGHLIGHTS

- **9MFY22 earnings deemed within expectations**
- **Resilient earnings**
- **9MFY22 new sales at RM1.69b**
- **Earnings estimates maintained**
- **Maintain BUY with an unchanged TP of RM0.74**

9MFY22 earnings deemed within expectations. Mah Sing Group Berhad (Mah Sing) 9MFY22 core net earnings of RM97.7m deemed within expectations despite it made up 61% and 64% of our and consensus full year estimates as core net income in 3QFY22 were distorted by higher tax rate which includes provision for prosperity tax. We expect stronger earnings in 4QFY22 as tax rate normalises. Note that we have included distribution for holders of perpetual securities in our core net income calculations.

Resilient earnings. Sequentially, 3QFY22 core net income was higher at RM39.7m (+130%qoq) as earnings in the previous quarter were dragged by distribution paid to holders of perpetual securities. Nevertheless, the earnings growth was partly negated by higher tax rate of 37% in 3QFY22 against tax rate of 28% in 2QFY22 mainly due to provision for prosperity tax. On yearly basis, 3QFY22 core net income was flattish, bringing 9MFY22 cumulative core net income to RM97.7m (+6.1%yoy). The higher earnings were in line with higher topline (+35.3%yoy) due to higher recognition from its ongoing projects namely M Vertica in Cheras, M Arisa in Setapak, M Luna In Kepong and M Aruna in Rawang. Meanwhile, unbilled sales increased from RM2.16b in 2QFY22 to RM2.29b in 3QFY22, providing more than one-year earnings visibility.

9MFY22 new sales at RM1.69b. Mah Sing chalked up new property sales of RM640m in 3QFY22 which includes land sales of RM66m, higher than new sales of RM550m in 2QFY22. That brought total new sales to RM1.69b in 9MFY22 which is within management new sales target of RM2b for FY22. Going forward, we expect new sales outlook to remain positive with upcoming new launches namely M Astra in Setapak, M Nova in Kepong, 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 are positive on Mah Sing due to its strategy of building affordable housing mainly in Klang Valley as demand for affordable housing remains supported by genuine home buyers. Besides, earnings outlook is expected to be better due to pick up in progress billing of its ongoing projects. Hence, we maintain our **BUY** call on Mah Sing.

RETURN STATISTICS	
Price @ 30 Nov 2022 (RM)	0.53
Expected share price return (%)	39.6
Expected dividend yield (%)	5.7
Expected total return (%)	**45.3**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	2.0	0.7
3 months	6.1	-12.8
12 months	-29.7	-28.0

KEY STATISTICS	
FBM KLCI	1,488.80
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)	1,287
52-wk price range (RM)	RM0.48– RM0.77
Beta vs FBM KLCI (x)	0.96
3-mth average daily volume (m)	1.99
3-mth average daily value (RM'm)	1.05
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

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

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	6.3%	3.1%	5.0%	5.7%	5.9%
Core PER	5.49	11.87	7.95	7.07	6.73
NTA/share (RM)	1.44	1.42	1.43	1.47	1.51
P/NTA	0.37	0.37	0.37	0.36	0.35
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: 3QFY22 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	3QFY22	%YoY	%QoQ	FY22	%YoY
Revenue	671.1	84.1%	23.8%	1,646.4	35.3%
EBIT	95.0	53%	29.0%	238.0	20.5%
PBT	80.4	54%	34.4%	196.2	17.9%
Net Income	47.1	17%	9.3%	133.3	10.3%
Core Net Income	39.7	0.6%	129.9%	97.7	6.1%
EPS (sen)	1.94	17%	9.3%	5.5	10.3%
Core EPS (sen)	1.63	1%	129.9%	4.0	5.8%
Net DPS (sen)	0.00	NA	NA	0.0	NA
NTA/share (RM)	1.44	2%	1.4%	1.4	2%
Net Gearing (x)	0.27	NA	NA	0.27	NA
EBIT Margin	14.1%	NA	NA	14.5%	NA
PBT Margin	12.0%	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

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077(23878 – X)).
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878 – X)) for distribution to and use by its clients to the extent permitted by applicable law or regulation.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that MIDF Investment believes are reliable at the time of publication. All information, opinions and estimates contained in this report are subject to change at any time without notice. Any update to this report will be solely at the discretion of MIDF Investment.

MIDF Investment makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. MIDF Investment and its affiliates and related companies and each of their respective directors, officers, employees, connected parties, associates and agents (collectively, "Representatives") shall not be liable for any direct, indirect or consequential loess, loss of profits and/or damages arising from the use or reliance by anyone upon this report and/or further communications given in relation to this report.

This report is not, and should not at any time be construed as, an offer, invitation or solicitation to buy or sell any securities, investments or financial instruments. The price or value of such securities, investments or financial instruments may rise or fall. Further, the analyses contained herein are based on numerous assumptions. This report does not take into account the specific investment objectives, the financial situation, risk profile and the particular needs of any person who may receive or read this report. You should therefore independently evaluate the information contained in this report and seek financial, legal and other advice regarding the appropriateness of any transaction in securities, investments or financial instruments mentioned or the strategies discussed or recommended in this report.

The Representatives may have interest in any of the securities, investments or financial instruments and may provide services or products to any company and affiliates of such companies mentioned herein and may benefit from the information herein.

This document may not be reproduced, copied, distributed or republished in whole or in part in any form or for any purpose without MIDF Investment's prior written consent. This report is not directed or intended for distribution to or use by any person or entity where such distribution or use would be contrary to any applicable law or regulation in any jurisdiction concerning the person or entity.

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