Mah Sing Group Berhad

(8583 | MSGB MK) Property| Property

First land acquisition in 2023

***Maintain* BUY**

***Revised* Target Price: RM0.75**

(Previously RM0.74)

KEY INVESTMENT HIGHLIGHTS

- **First land acquisition in 2023**
- **Expanding M-Series in Klang Valley**
- **Limited impact on balance sheet**
- **Earnings estimates maintained**
- **Maintain BUY with a revised TP of RM0.75 (from RM0.74)**

First land acquisition in 2023. Mah Sing Group Berhad (Mah Sing) announced that its wholly-owned subsidiary had entered into a conditional sale and purchase agreement with Millennium Acres Sdn Bhd for the proposed acquisition of two parcels of land in Puchong measuring approximately total 8.213 acres for a total purchase consideration of RM85.9m. The proposed land acquisition is expected to be completed in 2HCY23.

Expanding M-Series in Klang Valley. We view the land acquisition positively as it allows Mah Sing to expand M-Series of affordable projects in Klang Valley. The development on the two parcels of land in Puchong to be named M Terra and M Hana are planned to be new additions to M Series affordable projects. The projects are affordably priced with indicative selling price starts from RM250k with indicative built-ups of 552sq ft, 769 sq ft and 1,005 sq ft. With combined GDV of the two projects at approximately RM726m, that translates into attractive land cost to GDV ratio of 11.8%. Meanwhile, the land acquisition is in line with Mah Sing's strategy of quick turnaround as registration of interest is expected to take place as soon as 2HCY23.

Limited impact on balance sheet. Mah Sing intends to fund the land acquisition through a combination of internally generated funds, bank borrowings and/or net proceeds from its recent disposal of undeveloped land. Recall that Mah Sing announced land disposal in Penang for RM66.3m in September 2022. We estimate limited impact on balance sheet from the land acquisition as net gearing is expected to increase marginally to 0.28x from 0.27x as of September 2022.

Maintain BUY with a revised TP of RM0.74. We make no changes to our earnings forecast for FY22/23F as earnings impact in near-term is expected to be minimal. Meanwhile, we revise our **TP** from RM0.74 to **RM0.75** after including RNAV contribution from the land acquisition. Our TP is based on 65% discount to RNAV. We maintain our **BUY** call on Mah Sing as we like their quick turnaround strategy of selling affordable homes in Klang Valley which continue to see strong demand from genuine home buyers.

RETURN STATISTICS	
Price @ 18 Jan 2023 (RM)	0.58
Expected share price return (%)	29.3
Expected dividend yield (%)	5.2
Expected total return (%)	**34.5**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	0.0	-1.2
3 months	2.7	8.7
12 months	-15.9	-14.0

KEY STATISTICS	
FBM KLCI	1,495.50
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)	1,408
52-wk price range (RM)	RM0.48– RM0.72
Beta vs FBM KLCI (x)	0.95
3-mth average daily volume (m)	3.03
3-mth average daily value (RM'm)	1.66
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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Location of land:



Source: Company

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	5.8%	2.9%	4.6%	5.2%	5.4%
Core PER	6.01	12.99	8.70	7.73	7.36
NTA/share (RM)	1.44	1.42	1.43	1.47	1.51
P/NTA	0.40	0.41	0.41	0.40	0.38
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
M Terra & M Hana	100%	726	10%	54
Penang Projects				
Ferringhi Residence	100%	453	10%	37
Southbay City	100%	1441	10%	94
Permatang	100%	150	10%	12
Unbilled sales		1900		146
Total				**1702**
Shareholder Funds				3470
Total RNAV				5172
Number of shares				2428
RNAV per share				2.13
Discount				65%
Target Price				0.75

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