Mah Sing Group Berhad

(8583 | MSGB MK) Main | Property

Resilient Earnings

***Maintain* BUY**

***Unchanged* Target Price: RM0.75**

KEY INVESTMENT HIGHLIGHTS

- **1QFY23 earnings within expectations**
- **Resilient earnings**
- **1QFY23 new property sales at RM600m**
- **Earnings forecast maintained**
- **Maintain BUY with an unchanged TP of RM0.75**

1QFY23 earnings within expectations. Mah Sing Group (Mah Sing) 1QFY23 core net income of RM49.9m came in within expectations, making up 24% and 26% of our and consensus full year estimates respectively.

Resilient earnings. 1QFY23 core net income was higher at RM49.9m (+24%yoy), in line with higher topline (+48.5%yoy). The higher earnings in 1QFY23 were mainly driven by higher property sales and profit recognition from its ongoing projects. Key projects that contributed to earnings in 1QFY23 include M Vertica in Cheras, M Arisa in Setapak, M Luna in Kepong, Meridin East in Johor, M Oscar in Sri Petaling, M Adora in Wangsa Melawati and Southville City in KL South. Meanwhile, unbilled sales increased marginally to RM2.26b in 1QFY23 from RM2.18b in 4QFY22, providing less than one-year earnings visibility.

1QFY23 new property sales at RM600m. Mah Sing recorded higher new sales of RM600m in 1QFY23 against new sales of RM430m in 4QFY22. New sales achieved in 1QFY23 is in line with management new sales target of RM2.2b for FY23. Looking ahead, new sales momentum is expected to support by launches of M Series affordable products. In 1QFY23, Mah Sing launched Tower B of M Astra in Setapak, Phase 2A of M Senyum in Salak Tinggi, Erica West 1 & 2 of Meridin East in Johor Bahru. Meanwhile, upcoming new launches in the pipeline include M Nova in Kepong, M Minori in Johor Bahru, future phases of M Senyum in Salak Tinggi, Meridin East in Johor Bahru, M Panora in Rawang, and Southville City in Bangi

Maintain BUY with unchanged TP of RM0.75. We maintain our earnings forecast for FY23F/24F/25F. We also maintain our **TP** of **RM0.75**, based on 65% discount to RNAV. We are positive on earnings and new sales outlook for Mah Sing which will be driven by launches of properties within affordable price range as demand for affordable home remains resilient. Estimated dividend yield is also attractive at 5.7%. Hence, we maintain our **BUY** call on Mah Sing.

RETURN STATISTICS	
Price @ 29th May 2023 (RM)	0.595
Expected share price return (%)	26.1
Expected dividend yield (%)	5.7
Expected total return (%)	**31.8**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-1.7	-0.9
3 months	0.8	1.8
12 months	-9.2	0.0

INVESTMENT STATISTICS

FYE Dec	2023E	2024F	2025F
Revenue	2,168	2,277	2,344
Operating Profit	304	341	382
Profit Before Tax	274	312	355
Core PATAMI	207	235	268
Core EPS	8.50	9.67	11.00
DPS	3.40	3.87	4.40
Dividend Yield	5.72%	6.50%	7.40%

KEY STATISTICS	
FBM KLCI	1,404.93
Issue shares (m)	2427.69
Estimated free float (%)	49.63
Market Capitalisation (RM'm)	1444.47
52-wk price range	RM0.48-RM0.66
3-mth average daily volume (m)	1.99
3-mth average daily value (RM'm)	1.21
Top Shareholders (%)	
Mayang Teratai Sdn Bhd	26.90
Amanah Saham Nasional Bhd	12.15
Bank of Singapore Limited	7.45

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Mah Sing Group: 1QFY23 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	1QFY23	%YoY	%QoQ	FY23	%YoY
Revenue	643.5	48.5%	-4.1%	643.5	48.5%
EBIT	89.0	28%	7.9%	89.0	28.1%
PBT	75.8	35%	11.5%	75.8	35.2%
Net Income	50.1	16%	7.0%	50.1	15.9%
Core Net Income	49.9	24.0%	-5.9%	49.9	24.0%
EPS (sen)	2.06	16%	7.0%	2.1	15.9%
Core EPS (sen)	2.05	24%	-5.9%	2.1	24.0%
Net DPS (sen)	3.00	NA	NA	3.0	NA
NTA/share (RM)	1.48	3%	1.4%	1.5	3%
Net Gearing (x)	0.20	NA	NA	0.2	NA
EBIT Margin	13.8%	NA	NA	13.8%	NA
PBT Margin	11.8%	NA	NA	11.8%	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
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

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023E	2024F	2025F
Revenue	1,754	2,317	2,168	2,277	2,344
EBIT	261	320	304	341	382
PBT	219	264	274	312	355
Net Income	161	180	207	234	266
Core Net Income	106	158	207	235	268
Core EPS (sen)	4.4	6.5	8.5	9.7	11.0
Core PER (x)	13.6	9.1	7.0	6.2	5.4
NTA/share	1.43	1.46	1.50	1.53	1.56
P/NTA	0.42	0.41	0.40	0.39	0.38

Balance Sheet (RM'm)	2021A	2022A	2023E	2024F	2025F
Property, plant and equipment	378	392	398	414	418
Land held for property development	1871	1839	1880	1635	1602
Total non-current assets	2698	2685	2819	2929	2993
Property development costs	1449	1017	1040	1074	1085
Inventories	729	674	688	722	738
Cash and bank balances	1016	580	682	759	776
Other assets	1150	1434	1392	1449	1596
Total Assets	**7042**	**6390**	**6621**	**6933**	**7188**
Medium Term Notes	999.1	1001.1	1091.2	1145.8	1226.0
LT Term Loans	447.7	254.6	260.2	281.0	287.2
Other Liabilities	1458	1547	1619	1773	1879
Total Liability	2905	2803	2970	3200	3392
Share capital	1776	1776	1776	1776	1776
Other Equity	2361	1811	1874	1957	2020
Total Equity	4137	3587	3651	3733	3796
Equity + Liability	**7042**	**6390**	**6621**	**6933**	**7188**

Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
Cash flows from operating activities					
Net income before taxation	219	264	274	312	355
Net cash from operating activities	164	716	709	717	703
Cash flows from investing activities					
Addition to land held for property development	-35	-50	-50	-38	-33
Net cash used in investing activities	-302	-209	-213	-189	-144
Cash flows from financing activities					
Net proceeds from issuance of Medium Term Notes	299	0	0	0	0
Net cash from/(used in) financing activities	-456	-540	-498	-520	-509
Net increase/(decrease) in cash and cash equivalents	-595	-33	-3	8	50
Cash and cash equivalent at 1 January	1107	512	480	478	486
Cash and cash equivalent at 1 December	512	480	478	486	536

Key Metrics	2021A	2022A	2023E	2024F	2025F
EBIT margin	14.9%	13.8%	14.0%	15.0%	16.3%
PBT margin	12.5%	11.4%	12.6%	13.7%	15.1%
PAT margin	9.2%	7.8%	9.5%	10.3%	11.3%
Core PATAMI margin	6.0%	6.8%	9.5%	10.3%	11.4%
ROE	3.1%	4.4%	5.7%	6.3%	7.0%

Source: Bloomberg, 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