

PROPERTY

Maintain POSITIVE

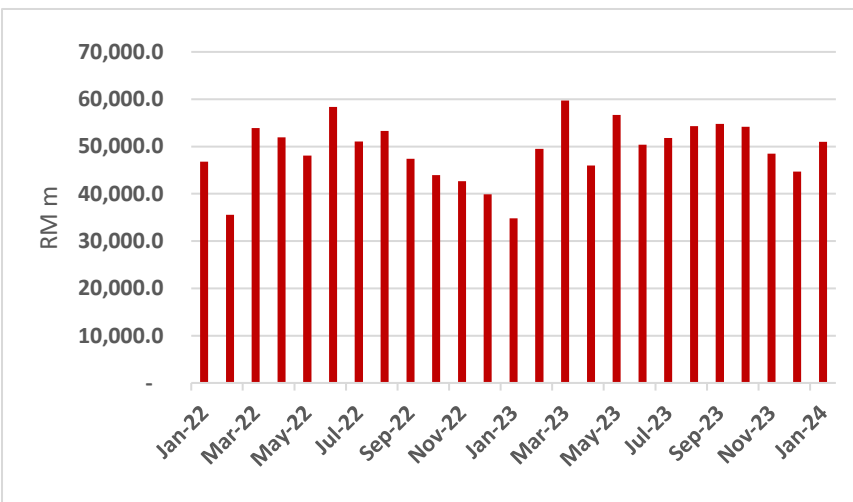
Stronger demand for property

KEY INVESTMENT HIGHLIGHTS

- Stronger demand for property
- Stronger approved loan in 2023
- Better new sales outlook for CY24
- Marginally higher overhang units in 4QCY23
- Maintain POSITIVE on property sector
- Top picks for the sector are Mah Sing Group (BUY, TP: RM1.12) and Matrix Concepts (BUY, TP: RM1.91)

Stronger demand for property. According to loan data released by Bank Negara Malaysia (BNM), total loan application for purchase of property in 2023 was higher at RM605.3b (+5.7%yoy). The higher loan application was supported by stronger demand for property as the outlook for the property sector continued to improve. Besides, the pause in OPR hike by BNM since July 2023 had also underpinned recovery in buying interest on property. Meanwhile, loan application data off to a good start in January 2024 as it was higher at RM51b (+46.5%yoy) as buying sentiment on property remains healthy. Moving forward, we maintain our view that demand for property would be stronger in CY24 as landscape for property sector is improving.

Figure 1: Monthly total applied loan



Source: BNM, MIDF Research

Stronger approved loan in 2023. Approved loan for purchase of property was strong at RM261b (+7.3%yoy) in 2023, driven by the higher loan application in 2023. Besides, the higher percentage of total approved loan over total applied loan of 43% in 2023 against 42% in 2022 had also lifted the approved loan in 2023. Meanwhile, approved loan data in Jan 2024 remained encouraging as it grew by 40.8%yoy and 14.1%mom to RM20.4b, driven by the higher loan application. The higher approved loan bodes well for new sales outlook for property developers.

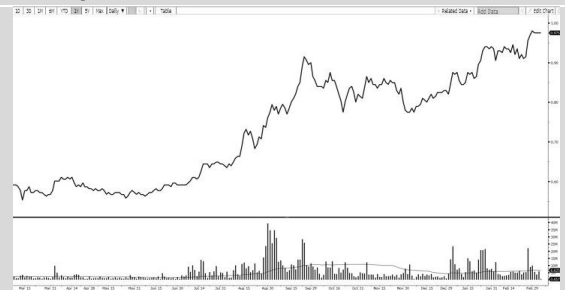
COMPANY IN FOCUS

Mah Sing Group Berhad

Maintain **BUY** | Unchanged Target price: RM1.12
Price @ 6th March 2024: RM0.975

- Management set higher new sales target of RM2.5b for FY24.
- Growing exposure to industrial property development will further support new sales outlook.
- The balance sheet remains healthy with low net gearing of 0.08x.

Share price chart

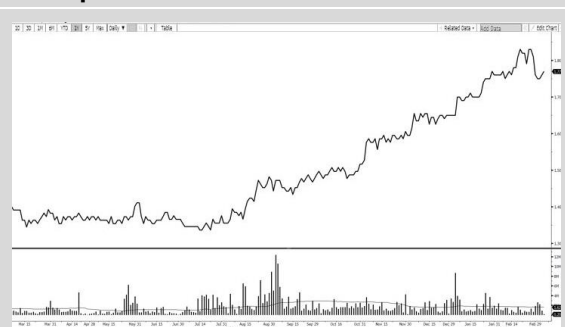


Matrix Concepts Holdings Berhad

Maintain **BUY** | Unchanged Target price: RM1.91
Price @ 6th March 2024: RM1.75

- Stable new sales of RM961m in 9MFY24, on track to meet management's new sales target of RM1.3b.
- Landbank expansion in Labu will further buoy earnings growth.
- Attractive dividend yield of 5.6% based on dividend forecast of 9.8sen.

Share price chart



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Better new sales outlook for CY24. For the recently concluded earnings reporting season, four out of six property companies reported earnings that came in within expectations namely Sunway Berhad, Matrix Concepts, UOA Development and Mah Sing Group. Meanwhile, S P Setia reported earnings that came in above expectations as earnings in FY23 were lifted by land sales gain of ~RM110m and better margin. On the flip side, earnings of IOI Properties Group missed expectations as earnings contribution from China was weaker than expected. Meanwhile, property companies that concluded FY23 namely Sunway Berhad, S P Setia, Mah Sing Group and UOA Development reported higher new sales in FY23. Looking ahead, property companies are generally more optimistic about the outlook for FY24 by setting higher new sales targets. Notably, Sunway Berhad targets to achieve new sales of RM2.6b in FY24 after recording new sales of RM2.4b in FY23. Similarly, Mah Sing Group is setting higher new sales target of RM2.5b for FY24 after hitting new sales of RM2.26b in FY23. Meanwhile, S P Setia recorded bumper new sales of RM5.1b in FY23 due to land sales of RM836m in FY23. Excluding land sales, new property sales are estimated at RM4.2b in FY23 while management is setting a new sales target of RM4.4b for FY24.

Figure 2: Earnings summary of property companies

	Quarter	Results	Remarks
Sunway Berhad	4QFY23	Within	FY23 core net income grew 6.6%yoy as performance of most of its business division improved
Matrix Concepts	3QFY24	Within	9MFY24 earnings was higher at RM186m (+22.3%yoy) due to higher progress billing of its property projects
UOA Development	4QFY23	Within	FY23 earnings lower at RM210.2m (-5%yoy) on lower earnings recognition from its ongoing projects and higher expenses
Mah Sing Group	4QFY23	Within	FY23 earnings higher at RM216.2m (+36.9%yoy) due to higher contribution from property development and better cost management
S P Setia	4QFY23	Above	FY23 core net income was higher at RM330.9m (+13.9%yoy), boosted by land sales and better margin
IOI Properties	2QFY24	Below	1HFY24 core net income lower at RM295.6m (-28.2%yoy) due to weaker contribution from China projects

Source: MIDF Research

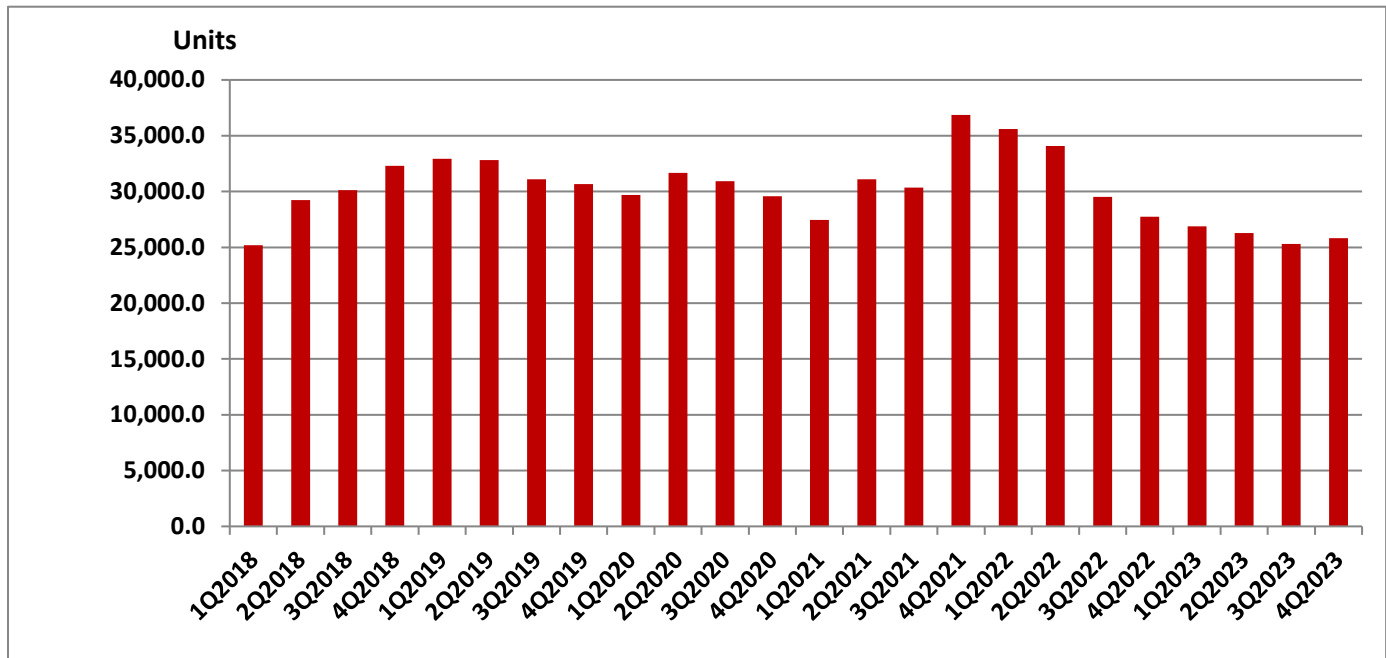
Figure 3: New sales of property companies

	New Sales		Changes (%)	FY24 new sales target (RM m)
	FY22 (RM m)	FY23 (RM m)		
Sunway Berhad	2,020	2,440	21%	2,600
S P Setia	4,110	5,100	24%	4,400
Mah Sing Group	2,120	2,260	7%	2,500
Eco World Development Group	3,840	3,600	-6%	3,500
UOA Development	638	827	30%	N/A

Source: MIDF Research

Marginally higher overhang units in 4QCY23. According to data released by the National Property Information Centre (NAPIC), residential overhang increased marginally to 25,816 units in 4QCY23 from 25,311 units in 3QCY23. Perak has the highest number of residential overhangs at 4,598 units in 4QCY23, up from 3,625 units in 3QCY23. Meanwhile, Johor has the second highest number of residential overhangs at 4,228 units in 4QCY23, declined from 4,500 units in 3QCY23. KL has the third highest number of residential overhangs at 3,535 units in 4QCY23, an increase from 3,111 units in 3QCY23. Despite the marginal increase in overhang, we think that the overall declining trend in overhang eased concern on oversupply of property. Note that residential overhang of 25,816 units in 4QCY23 was lower than 27,746 units in 4QCY22 and 36,863 units in 4QCY21.

Figure 4: Residential overhang



Source: NAPIC, MIDF Research

Maintain POSITIVE on property sector. We remain **POSITIVE** on property sector as we remain sanguine on outlook for property companies. Buying sentiment on property is expected to remain healthy going forward as landscape for property sector is improving. New sales of property companies are improving which should translate into better earnings visibility going forward. Our top picks for the sector are **Mah Sing Group (BUY, TP: RM1.12)** and **Matrix Concepts (BUY, TP: RM1.91)**. We like Mah Sing for its quick turnaround strategy and high exposure to affordable homes via its M series projects. Besides, its growing presence in industrial property segment will support earnings growth in the medium to long term. Meanwhile, we like Matrix Concepts as its new sales remain encouraging while landbank expansion in Labu will further buoy earnings growth. Besides, dividend yield of Matrix Concepts is attractive at 5.6%. 

Figure 5: Peers comparison table

Stock	Rec.	Price @ 6-March-2024	Target Price (RM)	Core EPS (sen)		Core PER (x)		Net DPS (sen)		Net Dvd Yield		P/NTA (x)
				FY24F	FY25F	FY24F	FY25F	FY24F	FY25F	FY24F	FY25F	
MAHSING	BUY	0.975	1.12	9.8	11.2	9.9	8.7	4.0	4.2	4.1%	4.3%	0.64
SPSETIA	BUY	0.92	1.16	6.7	8.1	9.2	7.9	1.7	1.8	2.5%	2.6%	0.27
ECOWLD	BUY	1.26	1.33	9.5	9.6	13.3	13.1	6.0	6.0	4.8%	4.8%	0.79
GLOMAC	BUY	0.355	0.45	2.0	4.3	17.8	8.4	1.3	1.3	3.7%	3.7%	0.23
MATRIX	BUY	1.75	1.91	20.4	22.4	8.6	7.8	9.80	10.75	5.6%	6.1%	1.04
SUNWAY	BUY	2.82	3.01	11.2	11.9	25.3	23.7	6.5	7.0	2.3%	2.5%	1.35
IOIPG	NEUTRAL	2.18	2.15	11.6	13.3	18.8	16.4	5.0	5.0	2.3%	2.3%	0.53
UOADEV	NEUTRAL	1.78	1.82	8.5	8.3	20.9	21.5	10.0	10.0	5.6%	5.6%	0.82

Source: MIDF Research

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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 <i>rise</i> 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 <i>fall</i> 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