



AmInvestment Bank

Company report

MAH SING GROUP

(MSGB MK EQUITY, MAHS.KL)

01 Dec 2022

Highest quarterly sales since FY17

BUY

(Maintained)

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Rationale for report: Company results

Price	RM0.53
Fair Value	RM0.86
52-week High/Low	RM0.77/RM0.49

Key Changes

Fair value	↕
EPS	↕

YE to Dec	FY21	FY22F	FY23F	FY24F
Revenue (RM mil)	1,754.0	2,106.4	2,219.3	2,352.3
Core net profit (RM mil)	107.7	159.8	173.2	195.8
FD Core EPS (sen)	6.7	6.6	7.1	8.1
FD Core EPS growth (%)	17.2	(1.4)	8.4	13.1
Consensus Net Profit (RM mil)	-	152.8	166.4	171.7
DPS (sen)	2.7	3.0	3.2	3.6
PE (x)	7.9	8.1	7.4	6.6
EV/EBITDA (x)	8.1	7.5	6.8	6.0
Div yield (%)	5.3	5.9	6.4	7.3
ROE (%)	3.9	4.2	4.8	5.3
Net Gearing (%)	33.0	30.8	27.2	25.8

Stock and Financial Data

Shares Outstanding (million)	2,427.7
Market Cap (RMmil)	1,286.7
Book Value (RM/share)	1.70
P/BV (x)	0.3
ROE (%)	3.9
Net Gearing (%)	33.0

Major Shareholders	Mayang Teralai (26.9%) Amanah Saham Nasional (12.2%) Bank of Singapore (7.5%)
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Free Float	53.5
Avg Daily Value (RMmil)	1.1

Price performance	3mth	6mth	12mth
Absolute (%)	(13.1)	(17.2)	(28.4)
Relative (%)	(11.8)	(12.7)	(27.2)



— MSGB MK — FBMKLCI Index

Investment Highlights

- We maintain **BUY** on Mah Sing Group (Mah Sing) with an unchanged **SOP-based fair value of RM0.86/share**, which reflects a **neutral 3-star ESG rating (Exhibits 8 & 9)**. We continue to like Mah Sing for its strong focus on affordable housing projects at strategic locations which have strong demand.
- Mah Sing's **9MFY22 core net profit (CNP) of RM124mil** came in within our expectations but slightly above consensus estimates, making up **77% of our FY22F earnings and 81% of streets'**. Hence, we make no changes to our forecasts.
- YoY, the group's **9MFY22 revenue grew 35%**, mainly driven by stronger topline (+41% YoY) of its property segment. The improvement was contributed by higher property sales and revenue recognised for its projects under construction.
- However, the group's **9MFY22 CNP grew by only 9% YoY**, primarily due to the provision of one-off prosperity tax for M Vertica project, coupled with weaker performance from its manufacturing division.
- The manufacturing division recorded an operating loss of **RM14mil in 9MFY22 (vs. an operating loss of RM363K) in 9MFY21** mainly due to low production output at its glove plants during the initial stage of operation which was insufficient to cover operating costs.
- Year to date, Mah Sing has secured new sales of **RM1.7bil (+32% YoY)**, attaining **85% of its FY22F sales target of RM2bil**. This was the highest quarterly sales recorded since FY17 (Exhibits 3, 4).
- We believe Mah Sing is on track to achieve its **FY22F sales target**, which will be mainly supported by new launches worth **RM400mil in 4QFY22 (M Astra in Setapak and new phase of link house in Meridin East)**, coupled with strong bookings of **RM726mil**.
- Meanwhile, the group's unbilled sales expanded **12% YoY and 6% QoQ to RM2.3bil**, which represented a cover ratio of **1.4x of FY23F property development revenue (Exhibits 3 & 6)**.
- Mah Sing's revenue in **3QFY22 rose 24% QoQ**, contributed largely by its property segment, which recorded higher sales from partially and fully completed properties, coupled with stronger construction progress. This resulted in a **12% QoQ decline in its inventory level (Exhibit 7)**. However, its CNP improved by only **11% QoQ** due to provision of prosperity tax.

- Its net gearing ratio improved to 0.27x in 3QFY22 from 0.34x in 2QFY22. This provides sufficient room to gear up for future value-accretive land acquisitions of up to RM800mil. We anticipate Mah Sing will embark on land-banking activities in Greater Kuala Lumpur over the coming quarters.
- The stock currently trades at a bargain FY23F PE of only 7x vs. a 4-year average of 11x and offers an attractive dividend yield of 6%. We believe the mid-to-long-term outlook for Mah Sing remains positive backed by its:
 - savvy execution and quick turnaround business model;
 - efforts in digital marketing and strength in offering affordable properties at strategic locations; and
 - healthy FY22F gearing of 0.31x and improving financial cost with 65% of borrowings in fixed rates, which will not be adversely impacted by higher interest rates.

EXHIBIT 1: EARNINGS SUMMARY

YE 31 Dec (RM mil)	3QFY21	2QFY22	3QFY22	QoQ %	YoY %	9MFY21	9MFY22	YTD %
Revenue	364.6	542.0	671.1	23.8	84.1	1,216.6	1,646.4	35.3
Operating costs	(302.8)	(488.2)	(595.6)	22.0	96.7	(1,020.0)	(1,457.2)	42.9
EBIT	61.8	53.8	75.5	40.3	22.2	196.6	189.2	(3.8)
Other income	0.0	16.2	16.0	(1.3)	>100	0.0	39.1	>100
Other gains/(losses)	0.1	3.5	3.4	(3.5)	>100	1.0	9.7	>100
Net interest	(9.7)	(13.8)	(14.6)	5.4	50.3	(31.2)	(41.8)	34.2
PBT	52.2	59.8	80.4	34.4	54.0	166.4	196.2	17.9
Tax	(12.0)	(16.8)	(29.8)	77.3	>100	(38.0)	(58.9)	55.2
MI	(0.0)	0.1	(3.5)	(>100)	>100	(7.6)	(4.0)	(47.6)
PATMI	40.2	43.0	47.1	9.3	17.2	120.8	133.3	10.3
Exceptional (gains)/losses	(0.1)	(3.5)	(3.4)	(3.5)	>100	(1.0)	(9.7)	>100
Core Net Profit	40.1	39.5	43.7	10.5	8.9	119.8	123.5	3.1
EPS (sen)	1.7	1.6	1.8	10.5	8.9	4.9	5.1	3.1
EBIT Margin (%)	17.0	9.9	11.3			16.2	11.5	
Effective tax rate (%)	22.9	28.1	37.1			22.8	30.0	
Core Net Profit Margin (%)	11.0	7.3	6.5			9.9	7.5	

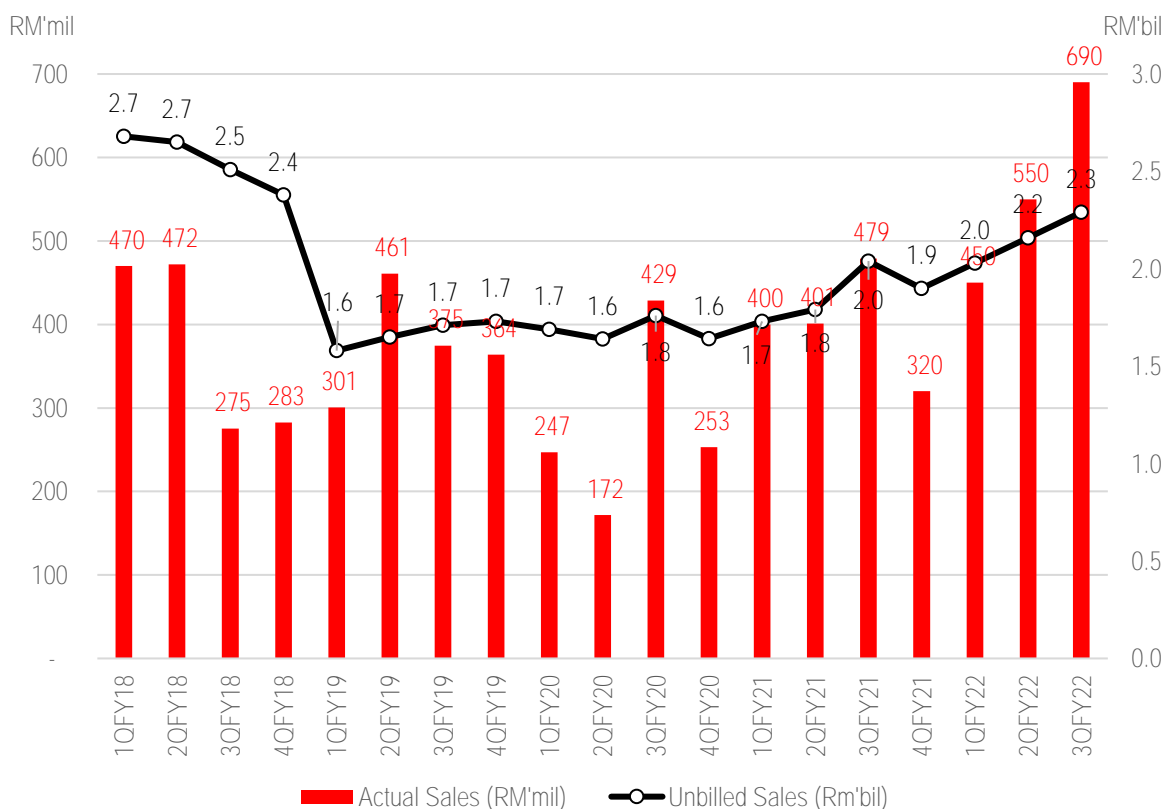
Source: AmlInvestment Bank Bhd

EXHIBIT 2: SEGMENTAL BREAKDOWN

YE 31 Dec (RM mil)	3QFY21	2QFY22	3QFY22	QoQ %	YoY %	9MFY21	9MFY22	YTD %
Properties	265.7	426.9	550.3	28.9	>100	917.9	1,296.5	41.3
Manufacturing	89.1	106.4	112.0	5.3	25.8	268.1	326.1	21.6
Investment Holding & Others	9.8	8.7	8.7	(0.0)	(10.7)	30.5	23.7	(22.3)
Revenue	364.6	542.0	671.1	23.8	84.1	1,216.6	1,646.4	35.3
Properties	65.6	73.7	99.4	34.9	51.4	189.2	247.5	30.8
Manufacturing	(6.5)	(1.2)	(5.0)	>100	(22.6)	(0.4)	(14.0)	>100
Investment Holding & Others	2.7	1.2	0.6	(49.0)	(78.0)	8.7	4.5	(48.2)
Operating profit/(loss)	61.9	73.6	95.0	29.0	53.5	197.5	238.0	20.5
Operating margin (%)								
Properties	24.7	17.3	18.1			20.6	19.1	
Manufacturing	(7.3)	(1.1)	(4.5)			(0.1)	(4.3)	
Investment Holding & Others	28.0	13.5	6.9			28.5	19.0	

Source: AmlInvestment Bank Bhd

EXHIBIT 3: ACTUAL SALES AND UNBILLED SALES



Source: AmlInvestment Bank Bhd

EXHIBIT 4: PROPERTY SALES IN 9MFY22

Project	Type of development	1QFY22 Sales (RM mil)	2QFY22 Sales (RM mil)	3QFY22 Sales (RM mil)	Proportion to total sales (9MFY22) %
<u>Greater KL</u>					
Icon Residence Mont' Kiara		4	0	-	0
M Residence 1 @ Rawang		-	4	27	2
M Residence 2, Rawang		-	-	-	-
Southville City@Bangi		39	65	41	9
Icon City, Petaling Jaya		6	7	-	1
D'sara Sentral		13	5	3	1
M Aruna @ Rawang		50	22	21	5
M Arisa, Sentul	Integrated Development & Residential	-	-	-	-
M Centura/M Arisa, Sentul		57	42	41	8
M Vertica, Cheras		28	52	83	10
M Oscar, Kuchai Lama		36	31	32	6
M Luna, Kepong		66	25	35	7
M Adora, Wangsa Melawati		52	17	23	5
M Senyum, Sepang		-	101	155	15
M Astra, Setapak		-	-	-	-
M Nova, Kepong		-	-	-	-
Subtotal - Greater KL		350	371	461	70
<u>Penang</u>					
Ferringhi Residence	Integrated Development & Residential	7	18	15	2
Southbay City		5	3	5	1
Icon Residence, Georgetown	Land sale	-	-	66	4
M Parc, Permatang Tinggi		-	-	49	3
Subtotal - Penang		12	21	135	10
<u>Johor</u>					
Sierra Perdana	Residential	5	5	10	1
Meridin@Medini	Townships & Integrated	-	20	5	1
Meridin East	Development	55	105	67	14
Mah Sing i-Parc	Industrial	28	28	11	4
Subtotal - Johor		88	158	93	20
Total		450	550	689	100

Source: Mah Sing, AmlInvestment Bank Bhd

EXHIBIT 5: PROPERTY LAUNCHES IN 9MFY22

Project	Type of development	1QFY22 Launches (RM mil)	2QFY22 Launches (RM mil)	3QFY22 Launches (RM mil)	Proportion to total launches (9MFY22) %
<u>Greater KL</u>					
M Residence 1 @ Rawang	Integrated Development & Residential	-	4	162	19
Southville City@Bangi		168	0	-	19
M Astra, Setapak		-	-	-	-
M Nova, Kepong		-	-	-	-
M Senyum, Sepang		-	123	143	31
Subtotal - Greater KL		168	126	305	69
<u>Penang</u>					
Ferringhi Residence	Integrated Development & Residential	-	-	-	-
Icon Residence, Georgetown	Land sale	-	-	66	8
M Parc, Permatang Tinggi	Land sale	-	-	49	6
Subtotal - Penang		-	-	115	13
<u>Johor</u>					
Meridin East	Residential Townships & Integrated Development	-	91	50	16
Mah Sing i-Parc	Industrial	12	0	-	1
Subtotal - Johor		12	91	50	18
Total		180	218	470	100

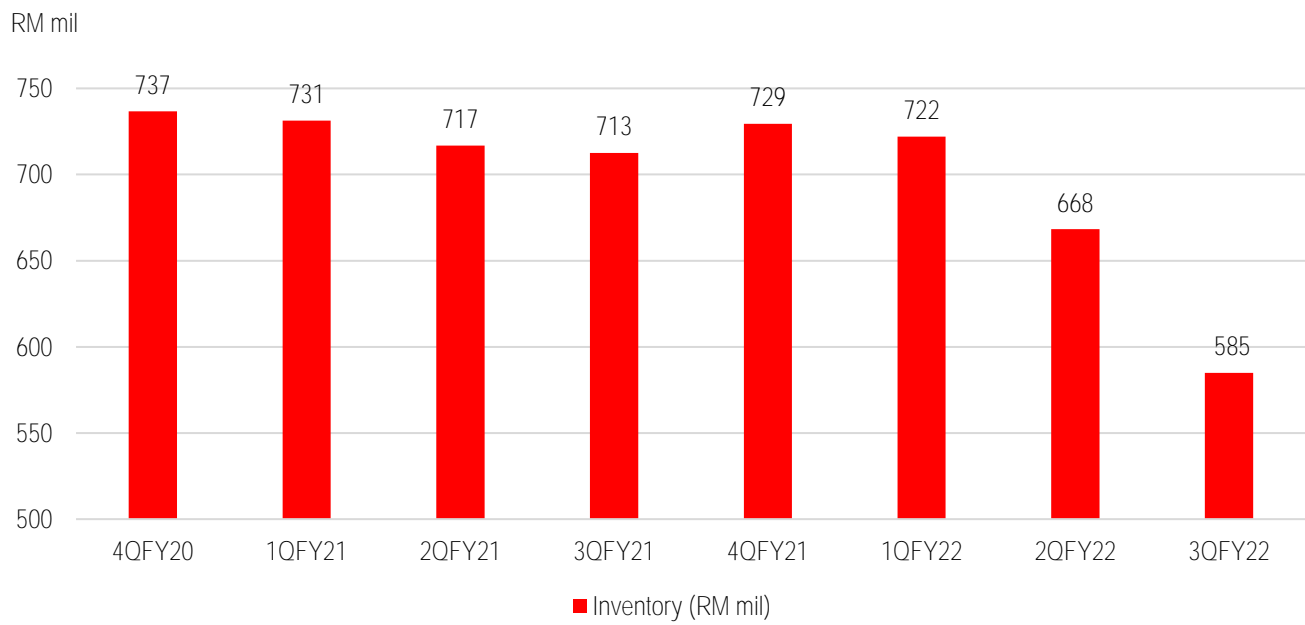
Source: Mah Sing, AmlInvestment Bank Bhd

EXHIBIT 6: UNBILLED SALES AS AT 30 SEPTEMBER 2022

Project	Unbilled Sales (RM'mil)	Proportion (%)
GREATER KL		
<u>Commercial</u>		
Southgate	(0)	(0)
<u>Integrated Development & Residential</u>		
Garden Residence	6	0
Perdana Residence 2	(0)	(0)
M Suites @ Jalan Ampang	(0)	(0)
Icon Residence Mont' Kiara	4	0
Garden Plaza, Cyberjaya	(0)	(0)
Kinrara Joint Venture	(0)	(0)
Clover @ Garden Residence	(0)	(0)
M City, Jalan Ampang	1	0
M Residence 1 @ Rawang	31	1
M Residence 2 @ Rawang	-	-
Southville City@Bangi	64	3
Icon City, Petaling Jaya	(0)	(0)
D'sara Sentral	2	0
Lakeville Residence	(0)	(0)
M Aruna @ Rawang	72	3
M Centura/M Arisa, Sentul	415	18
M Vertica, Cheras	176	8
M Oscar, Kuchai Lama	283	12
M Luna, Kepong	517	23
M Adora, Wangsa Melawati	156	7
M Senyum, Sepang	245	11
Subtotal - Greater KL	1,971	86
JOHOR		
<u>Residential Township & Integrated Development</u>		
Austin Perdana	0	0
Sierra Perdana	2	0
Sri Pulai Perdana 2	(0)	(0)
Meridin@Medini	9	0
Meridin East	156	7
<u>Industrial</u>		
Mah Sing i-Parc	3	0
Subtotal - Johor	170	7
PENANG		
<u>Residential/Integrated</u>		
Legenda@Southbay	2	0
Ferringhi Residence	36	2
Southbay City	1	0
Icon Residence, Georgetown	66	3
M Parc, Permatang Tinggi	49	2
Subtotal - Penang	154	7
KK, SABAH		
<u>Integrated Development</u>		
Sutera Avenue	(0)	(0)
Subtotal - Sabah	(0)	(0)
Total	2,295	100

Source: Mah Sing, AmlInvestment Bank Bhd

EXHIBIT 7: INVENTORY TREND



Source: Mah Sing, AmlInvestment Bank Bhd

EXHIBIT 8: RNAV CALCULATIONS

DEVELOPMENT PROPERTIES	Outstanding GDV (mil)	NAV (RMmil)	Stake (%)	DEVELOPMENT PROPERTIES	Outstanding GDV (mil)	NAV (RMmil)	Stake (%)
GREATER KL				JOHOR			
Commercial				Residential Township & Integrated Development			
Southgate	2.0	0.1	100	Sierra Perdana	155.0	12.2	100
Star Avenue	88.2	2.5	100	Meridin@Medini	227.0	9.5	100
				Meridin East	3,954.0	44.4	100
Integrated Development & Residential				M Minori	469.0	58.4	100
Hijauan Residence	225.8	6.9	100				
Aman Perdana	77.9	2.3	100	Industrial			
Garden Residence	76.1	2.2	100	Mah Sing i-Parc	39.0	0.2	100
Perdana Residence 2	12.8	0.4	100				
M Suites @ Jalan Ampang	6.0	0.2	100	PENANG			
Bayu Sekamat	7.2	0.2	100	Residential/Integrated			
Icon Residence Mont' Kiara	12.1	0.3	100	Ferringhi Residence	412.0	32.8	100
Garden Plaza, Cyberjaya	30.8	0.9	100	Southbay City	1,429.0	32.3	100
M City, Jalan Ampang	2.4	0.1	100				
M Residence 1 @ Rawang	401.0	11.6	100	Unbilled sales		191.2	
M Residence 2 @ Rawang	37.8	1.1	100				
Southville City@KL South, Bangi	8,703.0	46.5	100				
Icon City, Petaling Jaya	1,901.0	63.2	100	TOTAL NPV		584.7	
D'sara Sentral	51.0	1.4	100	Net Tangible Assets		3,333.1	
Lakeville Residence	1.2	0.0	100	RNAV		3,917.8	
M Aruna @ Rawang	192.0	5.4	100	Less 50% discount to RNAV		(1,958.9)	
M Centura/M Arisa, Sentul	66.0	2.8	78			1,958.9	
M Vertica, Cheras	549.0	28.8	100	Rubber Glove (FY23F target PE of 12x)		0.0	
M Oscar, Happy Garden	94.0	2.7	100	Plastics (FY23F target PE of 8x)		135.3	
M Luna, Kepong	43.0	1.2	100	Total SOP		2,094.2	
M Adora, Wangsa Melawati	43.0	1.2	100	Enlarged share base		2,427.7	
M Senyum	400.0	5.1	100	SOP per share		0.86	
M Astra	618.0	8.5	100	(+) no adjustment for 3-star ESG rating		0.00	
M Nova	790.0	10.7	100	Fair value/share (RM)+ ESG Neutral		0.86	

Source: AmlInvestment Bank Bhd

EXHIBIT 9: ESG RATING

Overall	★	★	★		
Eco-landscaping	★	★			
Progress of digitalization	★	★	★		
Employee welfare	★	★	★	★	
Corporate social responsibility	★	★	★	★	★
Strategic direction	★	★	★	★	
Gender diversity	★	★	★		
Earnings sustainability	★	★	★		
Accessibility & transparency	★	★	★	★	

We accord a discount/premium of -6%, -3%, 0%, +3% and +6% on fundamental fair value based on the overall ESG rating as appraised by us, from 1-star to 5-star

Source: AmlInvestment Bank

EXHIBIT 10: PB BAND CHART

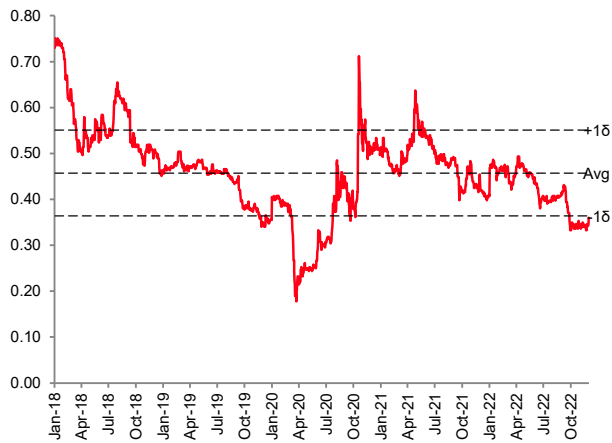


EXHIBIT 11: PE BAND CHART

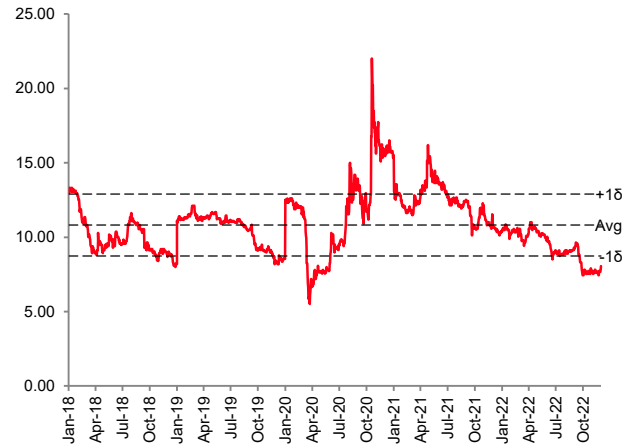


EXHIBIT 12: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY20	FY21	FY22F	FY23F	FY24F
Revenue	1,530.8	1,754.0	2,106.4	2,219.3	2,352.3
EBITDA	241.4	301.3	320.5	338.2	374.2
Depreciation/Amortisation	(39.2)	(38.8)	(56.6)	(59.7)	(63.3)
Operating income (EBIT)	202.2	262.5	263.8	278.5	310.9
Other income & associates	-	-	-	-	-
Net interest	(10.8)	(42.2)	(53.6)	(56.5)	(59.9)
Exceptional items	(37.8)	-	-	-	-
Pretax profit	153.7	220.3	210.2	222.0	251.0
Taxation	(49.6)	(47.0)	(50.4)	(48.8)	(55.2)
Minorities/pref dividends	(3.7)	(11.4)	-	-	-
Net profit	136.8	161.9	159.8	173.2	195.8
Core net profit	63.6	107.7	159.8	173.2	195.8
Balance Sheet (RMmil, YE 31 Dec)	FY20	FY21	FY22F	FY23F	FY24F
Fixed assets	242.0	378.1	442.0	464.1	487.3
Intangible assets	5.1	5.1	5.1	5.1	5.1
Other long-term assets	2,196.7	2,314.7	2,279.9	2,279.9	2,279.9
Total non-current assets	2,443.9	2,697.9	2,727.1	2,749.2	2,772.4
Cash & equivalent	1,156.0	1,016.0	1,177.5	990.1	1,019.1
Stock	754.4	729.4	698.3	735.3	756.1
Trade debtors	622.0	673.7	858.5	842.6	903.6
Other current assets	1,889.6	1,925.1	2,084.5	2,092.4	2,198.1
Total current assets	4,422.1	4,344.1	4,818.8	4,660.4	4,876.9
Trade creditors	1,171.2	1,175.4	1,412.8	1,465.4	1,582.0
Short-term borrowings	15.7	58.1	15.7	15.7	15.7
Other current liabilities	102.4	97.4	113.2	115.0	117.2
Total current liabilities	1,289.3	1,330.9	1,541.7	1,596.2	1,714.9
Long-term borrowings	1,200.7	1,446.8	2,253.3	1,961.6	1,968.0
Other long-term liabilities	134.6	127.0	167.7	173.4	180.3
Total long-term liabilities	1,335.3	1,573.7	2,421.0	2,135.0	2,148.3
Shareholders' funds	4,229.8	4,115.5	3,571.6	3,666.9	3,774.6
Minority interests	11.5	21.8	11.5	11.5	11.5
BV/share (RM)	1.74	1.70	1.47	1.51	1.55
Cash Flow (RMmil, YE 31 Dec)	FY20	FY21	FY22F	FY23F	FY24F
Pretax profit	153.7	220.3	210.2	222.0	251.0
Depreciation/Amortisation	39.2	38.8	56.6	59.7	63.3
Net change in working capital	123.8	(62.9)	(59.9)	25.4	(68.6)
Others	(14.0)	(32.5)	(167.2)	(102.7)	(111.7)
Cash flow from operations	302.7	163.7	39.8	204.3	134.0
Capital expenditure	52.3	(145.1)	(63.9)	(22.1)	(23.2)
Net investments & sale of fixed assets	(61.8)	(34.8)	-	-	-
Others	(120.9)	(122.3)	(4.3)	-	-
Cash flow from investing	(130.4)	(302.2)	(68.3)	(22.1)	(23.2)
Debt raised/(repaid)	(52.6)	(16.8)	765.8	(291.7)	6.4
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	(81.3)	(40.3)	(71.9)	(77.9)	(88.1)
Others	335.1	(399.4)	-	-	-
Cash flow from financing	201.2	(456.5)	693.9	(369.7)	(81.7)
Net cash flow	373.4	(594.9)	665.4	(187.4)	29.1
Net cash/(debt) b/f	733.5	1,107.0	512.1	1,177.5	990.1
Net cash/(debt) c/f	1,107.0	512.1	1,177.5	990.1	1,019.1
Key Ratios (YE 31 Dec)	FY20	FY21	FY22F	FY23F	FY24F
Revenue growth (%)	(14.5)	14.6	20.1	5.4	6.0
EBITDA growth (%)	(28.2)	24.8	6.4	5.5	10.6
Pretax margin (%)	10.0	12.6	10.0	10.0	10.7
Net profit margin (%)	8.9	9.2	7.6	7.8	8.3
Interest cover (x)	18.8	6.2	4.9	4.9	5.2
Effective tax rate (%)	32.3	21.3	24.0	22.0	22.0
Dividend payout (%)	29.5	39.7	45.0	45.0	45.0
Debtors turnover (days)	148	140	149	139	140
Stock turnover (days)	181	154	124	118	116
Creditors turnover (days)	266	244	224	237	236

Source: Company, AmlInvestment Bank Bhd estimates

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