



AmInvestment Bank

Company report

MAH SING GROUP

(MSGB MK EQUITY, MAHS.KL)

1 Sep 2020

Lower 1HFY20 earnings, but strong take-up in new projects provides good earnings visibility

BUY

(Maintained)

Thong Pak Leng

thong-pak-leng@ambankgroup.com

03-2036 2025

Rationale for report: Company results/update

Price	RM0.76
Fair Value	RM1.01
52-week High/Low	RM0.91/RM0.31

Key Changes

Fair value	↑
EPS	↑

YE to Dec (RM mil)	FY19	FY20F	FY21F	FY22F
Revenue (RM mil)	1,789.7	1,433.5	1,771.5	1,846.1
Core net profit (RM mil) *	133.3	78.4	124.9	126.2
FD Core EPS (sen)	5.5	3.2	5.1	5.2
FD Core EPS growth (%)	(29.9)	(41.1)	59.2	1.0
Consensus Net Profit (RM mil)	-	97.7	134.6	148.9
DPS (sen)	3.4	3.4	3.4	3.4
PE (x)	13.8	23.5	14.8	14.6
EV/EBITDA (x)	4.3	5.6	5.3	5.7
Div yield (%)	4.4	4.4	4.4	4.4
ROE (%)	2.8	1.7	2.9	2.9
Net Gearing (%)	nm	nm	nm	2.0%

*Core net profit after distribution to perpetual sukuk/securities

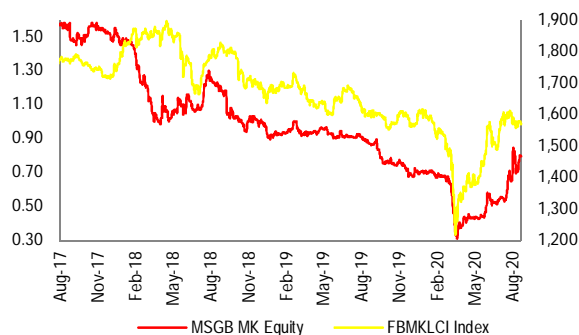
Stock and Financial Data

Shares Outstanding (million)	2,427.7
Market Cap (RM mil)	1,845.0
Book Value (RM/share)	1.77
P/BV (x)	0.5
ROE (%)	4.1
Net Gearing (%)	net cash

Major Shareholders	Mayang Teratai SB	26.9%
	Amanah Saham Nasional	12.6%
	Mayang Teratai Limit	7.4%

Free Float	53.1%
Avg Daily Value (RM mil)	19.24

Price performance	3mth	6mth	12mth
Absolute (%)	80.7	22.3	(3.8)
Relative (%)	18.5	65.5	(6.2)



Investment Highlights

- We maintain our BUY call on Mah Sing Group (Mah Sing) with a higher fair value of RM1.01 per share (from RM0.79), based on a 50% discount to its RNAV (Exhibit 2). We have reduced our discount to RNAV to 50% from 60% as a result of strong take-up rates in several of its recent launchings. We cut our FY20 net profit forecast by 18.7% while increasing FY21–22's by 8.6%–8.2% to reflect the timing of recognition.
- Mah Sing reported a 1HFY20 revenue and net profit of RM669.8mil (-28.1% YoY) and RM45.3mil (-53.8% YoY) respectively. Excluding the exceptional items of impairments and assets written off amounting to RM14.5mil and distribution to perpetual sukuk/ securities (RM45.6mil), it posted a 1HFY20 core net profit of RM14.2mil (-76.4% YoY).
- The decline in revenue and profit was mainly due to new projects that have limited contribution during their initial stages of construction and the impact of the movement control order (MCO) amidst the Covid-19 pandemic. Management said it expects stronger earnings in 2HFY20 with higher revenue recognitions once the construction momentum picks up. 1HFY20 revenue was mostly derived from: (i) M Vertica, M Centura, M Aruna, Southville City, Lakeville Residence and D'sara Sentral in Greater KL and Klang Valley; (ii) Ferringhi Residence in Penang; and (iii) The Meridin@Medini, Meridin East and Sierra Perdana in Johor.
- Mah Sing chalked up new sales of RM418.6mil for 1HFY20 while unbilled sales of RM1.64bil (QoQ: RM1.69bil) will be progressively recognized over the next 3 years. It has reduced its FY20 sales target to RM1.1bil from RM1.6bil. Meanwhile,
- To recap, Mah Sing has launched several key projects in the past 10 months, namely M Oscar (Sri Petaling) in October 2019, M Luna (Kepong) in June 2020 and M Adora (Wangsa Melawati) in July 2020. These projects are well received with take-up rates of 64% for M Oscar South Tower; 85% for M Luna Tower A (860 units); and 82% for M Arisa (Phase 1 & 2). Meanwhile, M Adora Tower A (378 units) which was launched in July 2020, achieved a take-up rate of 90%.
- We cut our FY20 net profit forecast by 18.7% while increasing FY21–22 by 8.6%–8.2% to reflect the timing of recognition due to the strong take-up rates in several of its recent launchings.
- We believe the mid-to-long-term outlook for Mah Sing remains positive backed by strong sales achieved in the past few quarters. We like Mah Sing's quick turnaround business model that launches new projects swiftly. Maintain BUY recommendation.

EXHIBIT 1: EARNINGS SUMMARY

YE to Dec (RM mil)	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	QoQ %	YoY %	1HFY19	1HFY20	YTD %
Revenue	481.2	415.5	442.6	371.1	298.6	-19.5%	-37.9%	931.6	669.8	-28.1%
Operating costs	(411.7)	(347.3)	(407.9)	(328.3)	(255.9)	-22.0%	-37.8%	(787.2)	(584.2)	-25.8%
EBIT	69.5	68.1	34.7	42.8	42.7	-0.4%	-38.6%	144.3	85.5	-40.7%
Net interest	(1.5)	1.8	(0.7)	0.3	(5.7)	-	279.7%	(2.4)	(5.4)	130.5%
Associates/JV contribution	0.0	0.0	0.0	0.0	0.0	n.a.	n.a.	0.0	0.0	n.a.
PBT	68.0	69.9	58.3	43.1	22.4	-48.0%	-67.0%	142.0	65.6	-53.8%
Tax	(17.8)	(18.6)	(12.0)	(10.4)	(8.3)	-20.5%	-53.5%	(37.0)	(18.7)	-49.7%
MI	0.1	(1.4)	(1.3)	(2.7)	1.0	-137.4%	1687.5%	0.4	(1.7)	-524.9%
PATMI	50.3	50.0	45.0	30.1	15.2	-49.5%	-69.8%	105.3	45.3	-57.0%
Exceptional (gains)/losses	0.0	0.0	24.2	0.0	(14.5)	n.a.	n.a.	0.0	14.5	n.a.
Distribution to perpetual	(27.1)	(18.6)	(27.3)	(18.4)	(27.2)	47.9%	0.6%	(45.4)	(45.6)	0.5%
Core PATMI *	23.2	31.4	41.9	11.7	(26.6)	-327.8%	-214.3%	59.9	14.2	-76.4%
EBIT Margin (%)	14.4%	16.4%	7.8%	11.5%	14.3%			15.5%	12.8%	
Effective tax rate (%)	26.1%	26.5%	20.6%	24.1%	36.8%			26.1%	28.4%	
Net Profit Margin (%)	10.5%	12.0%	10.2%	8.1%	5.1%			11.3%	6.8%	

*after distribution to perpetual sukuk/securities

Source: AmlInvestment Bank Bhd, Company

EXHIBIT 2: SOP VALUATIONS

DEVELOPMENT PROPERTIES	Outstanding GDV (mil)	NAV (RMmil)	DEVELOPMENT PROPERTIES	Outstanding GDV (mil)	NAV (RMmil)		
GREATER KL			PENANG				
Commercial			Residential/Integrated				
Southgate	2.0	0.14	100%	Legenda@Southbay	27.1	1.96	100%
Star Avenue	71.5	4.91	100%	Icon Residence, Georgetown	280.0	20.19	100%
				Ferringhi Residence	509.5	36.74	100%
Integrated Development & Residential				Southbay City	1,474.8	95.16	100%
Hijauan Residence	182.9	12.56	100%	Permalang	150.0	10.67	100%
Aman Perdana	63.1	4.34	100%				
Garden Residence	61.6	4.23	100%	KK, SABAH			
Perdana Residence 2	10.4	0.71	100%	Integrated Development			
M Suites @ Jalan Ampang	5.2	0.36	100%	Sutera Avenue	21.3	1.69	100%
Bayu Sekamat	5.8	0.40	100%	Unbilled sales		301.20	
Icon Residence Mont' Kiara	24.4	1.67	100%				
Garden Plaza, Cyberjaya	25.0	1.72	100%	TOTAL NPV		1,240.93	
M City, Jalan Ampang	27.1	1.86	100%	Net Tangible Assets		4,813.21	
M Residence 1 @ Rawang	351.6	24.15	100%	less Sukuk Murabahah		(600.00)	
M Residence 2 @ Rawang	30.6	2.10	100%	less Perpetual securities		(789.39)	
Southville City@KL South, Bangi	1,810.3	171.06	100%	NAV		4,664.76	
M Cahaya, Subang	125.6	8.62	100%	Less 50% discount to RNAV		(2,332.38)	
Icon City, Petaling Jaya	1,551.9	106.58	100%			2,332.38	
D'sara Sentral	70.0	4.81	100%	Plastics (FY21F target PE of 10x)		111.18	
Lakeville Residence	4.7	0.32	100%	Total SOP		2,443.56	
M Aruna @ Rawang	341.7	23.47	100%	FD no of shares		2,428.00	
M Centura/M Arisa, Sentul	532.3	36.56	78%	SOP per share		1.01	
M Vertica, Cheras	812.7	55.81	100%				
M Oscar, Happy Garden	289.1	19.85	100%				
M Luna, Kepong	571.1	39.22	100%				
M Adora, Wangsa Melawati	306.2	21.03	100%				
JOHOR							
Residential Township & Integrated Development							
Sri Pulai Perdana	1.0	0.07	100%				
Austin Perdana	49.1	3.63	100%				
Sierra Perdana	215.7	15.94	100%				
Meridin@Medini	262.1	18.19	100%				
Meridin East	2,850.7	180.35	100%				
Industrial							
Mah Sing i-Parc	189.3	13.73	100%				

Source: AmlInvestment Bank Bhd estimates, Company

EXHIBIT 3: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY18	FY19	FY20F	FY21F	FY22F
Revenue	2,192.9	1,789.7	1,433.5	1,771.5	1,846.1
EBITDA	380.3	311.8	286.7	341.4	342.3
Depreciation/Amortisation	(22.6)	(40.4)	(32.4)	(40.0)	(41.7)
Operating income (EBIT)	357.7	271.4	254.3	301.4	300.6
Other income & associates	0.0	0.0	0.0	0.0	0.0
Net interest	(10.1)	(1.2)	(43.8)	(55.6)	(59.6)
Exceptional items	0.0	24.2	0.0	0.0	0.0
Pretax profit	347.6	294.4	210.5	245.8	241.0
Taxation	(77.0)	(67.6)	(57.0)	(63.9)	(57.8)
Minority interests	1.0	(2.3)	0.0	0.0	0.0
Net profit	271.6	224.5	153.4	181.9	183.2
Net Profit after distributions to perpetual	190.1	133.3	78.4	124.9	126.2
Balance Sheet (RMmil, YE 31 Dec)	FY18	FY19	FY20F	FY21F	FY22F
PPE	227.4	225.7	237.0	248.8	261.2
Intangible assets	5.5	5.2	5.2	5.2	5.2
Other long-term assets	2,021.7	2,115.0	2,245.4	2,376.0	2,506.7
Total non-current assets	2,254.6	2,345.8	2,487.5	2,630.0	2,773.1
Cash & equivalent	1,220.5	1,063.5	769.6	734.2	698.2
Inventories	731.3	763.3	326.3	451.8	485.9
Trade receivables	946.0	600.0	589.1	660.9	723.7
Other current assets	1,757.1	1,903.3	1,746.3	1,827.7	1,838.4
Total current assets	4,654.8	4,330.0	3,431.3	3,747.7	3,746.3
Trade payables	1,395.8	1,063.9	907.2	1,046.5	1,139.7
Short-term borrowings	121.3	122.0	122.0	122.0	122.0
Other current liabilities	22.4	100.3	97.3	100.1	100.7
Total current liabilities	1,539.6	1,286.2	1,126.6	1,268.7	1,362.5
Long-term borrowings	443.0	444.9	400.2	591.2	665.2
Other long-term liabilities	103.1	118.3	108.5	117.8	119.8
Total long-term liabilities	546.1	563.2	508.7	709.0	785.1
Shareholders' funds	4,818.4	4,818.4	4,275.5	4,319.0	4,363.9
Minority interests & perpetual bond	5.3	8.0	8.0	8.0	8.0
BV/share (RM)	2.0	2.0	1.8	1.8	1.8
Cash Flow (RMmil, YE 31 Dec)	FY18	FY19	FY20F	FY21F	FY22F
Pretax profit	347.6	270.2	210.5	245.8	241.0
Depreciation/Amortisation	22.6	40.4	32.4	40.0	41.7
Net change in working capital	354.3	95.2	445.2	(136.7)	(13.8)
Others	(87.2)	9.9	(309.2)	(94.6)	(97.5)
Cash flow from operations	637.2	415.7	378.8	54.5	171.4
Capital expenditure	(75.4)	34.4	(11.3)	(11.8)	(12.4)
Net investments & sale of fixed assets	(85.7)	(51.5)	0.0	0.0	0.0
Others	(160.6)	(343.3)	(130.4)	(130.6)	(130.7)
Cash flow from investing	(321.7)	(360.4)	(141.7)	(142.5)	(143.1)
Debt raised/(repaid)	(176.6)	2.4	(44.7)	191.0	74.0
Equity raised/(repaid)	0.0	0.0	0.0	0.0	0.0
Dividends paid	(157.8)	(109.2)	(81.3)	(81.3)	(81.3)
Others	65.1	(403.0)	(75.0)	(57.0)	(57.0)
Cash flow from financing	(269.3)	(509.9)	(201.0)	52.6	(64.3)
Net cash flow	46.2	(454.5)	36.1	(35.4)	(36.0)
Adjustments	0.0	0.0	0.0	0.0	0.0
Net cash/(debt) b/f	1,141.8	1,188.0	733.5	769.6	734.2
Net cash/(debt) c/f	1,188.0	733.5	769.6	734.2	698.2
Key Ratios (YE31 Dec)	FY18	FY19	FY20F	FY21F	FY22F
Revenue growth (%)	(24.8)	(18.4)	(19.9)	23.6	4.2
EBITDA growth (%)	(23.5)	(18.0)	(8.1)	19.1	0.3
Pretax margin (%)	15.9	16.5	14.7	13.9	13.1
Net profit margin (%)	12.4	12.5	10.7	10.3	9.9
Interest cover (x)	35.5	227.1	5.8	5.4	5.0
Effective tax rate (%)	22.1	23.0	27.1	26.0	24.0
Dividend payout (%)	40.2	36.2	53.0	44.7	44.4
Receivable turnover (days)	157.5	122.4	150.0	136.2	143.1
Inventory turnover (days)	113.2	152.4	138.7	80.2	92.7
Payable turnover (days)	243.0	250.8	251.0	201.3	216.1

Source: Company, AmInvestment Bank Bhd estimates

DISCLOSURE AND DISCLAIMER

This report is prepared for information purposes only and it is issued by AmInvestment Bank Berhad (“AmInvestment”) without regard to your individual financial circumstances and objectives. Nothing in this report shall constitute an offer to sell, warranty, representation, recommendation, legal, accounting or tax advice, solicitation or expression of views to influence any one to buy or sell any real estate, securities, stocks, foreign exchange, futures or investment products. AmInvestment recommends that you evaluate a particular investment or strategy based on your individual circumstances and objectives and/or seek financial, legal or other advice on the appropriateness of the particular investment or strategy.

The information in this report was obtained or derived from sources that AmInvestment believes are reliable and correct at the time of issue. While all reasonable care has been taken to ensure that the stated facts are accurate and views are fair and reasonable, AmInvestment has not independently verified the information and does not warrant or represent that they are accurate, adequate, complete or up-to-date and they should not be relied upon as such. All information included in this report constitute AmInvestment’s views as of this date and are subject to change without notice. Notwithstanding that, AmInvestment has no obligation to update its opinion or information in this report. Facts and views presented in this report may not reflect the views of or information known to other business units of AmInvestment’s affiliates and/or related corporations (collectively, “AmBank Group”).

This report is prepared for the clients of AmBank Group and it cannot be altered, copied, reproduced, distributed or republished for any purpose without AmInvestment’s prior written consent. AmInvestment, AmBank Group and its respective directors, officers, employees and agents (“Relevant Person”) accept no liability whatsoever for any direct, indirect or consequential losses, loss of profits and/or damages arising from the use or reliance of this report and/or further communications given in relation to this report. Any such responsibility is hereby expressly disclaimed.

AmInvestment is not acting as your advisor and does not owe you any fiduciary duties in connection with this report. The Relevant Person may provide services to any company and affiliates of such companies in or related to the securities or products and/or may trade or otherwise effect transactions for their own account or the accounts of their customers which may give rise to real or potential conflicts of interest.

This report is not directed to or intended for distribution or publication outside Malaysia. If you are outside Malaysia, you should have regard to the laws of the jurisdiction in which you are located.

If any provision of this disclosure and disclaimer is held to be invalid in whole or in part, such provision will be deemed not to form part of this disclosure and disclaimer. The validity and enforceability of the remainder of this disclosure and disclaimer will not be affected.