

MAH SING GROUP

(MSGB MK EQUITY, MAHS.KL)

5 May 2021

Quick turnaround for new 5-acre Setapak land

BUY

(Maintained)

Company report

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Rationale for report: Company update

Price	RM1.00
Fair Value	RM1.28
52-week High/Low	RM1.47/RM0.42

Key Changes

Fair value	↔
EPS	↔

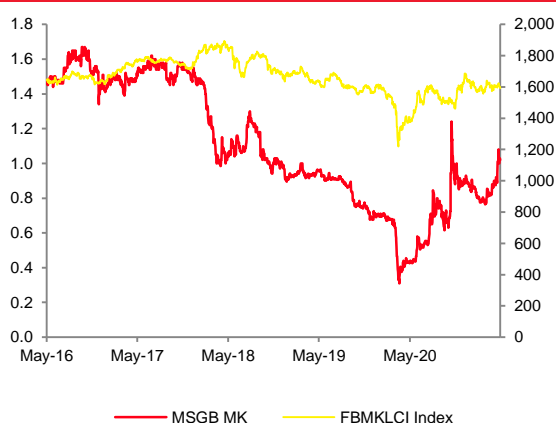
YE to Dec	FY20	FY21F	FY22F	FY23F
Revenue (RM mil)	1,530.8	1,893.0	2,411.5	2,418.9
Core net profit (RM mil)	63.6	175.3	240.0	250.7
FD Core EPS (sen)	2.5	6.8	9.4	9.8
FD Core EPS growth (%)	(52.3)	175.6	36.9	4.5
Consensus Net Profit (RM mil)	-	220.8	268.7	251.4
DPS (sen)	1.6	3.2	4.4	4.6
PE (x)	40.0	14.7	10.6	10.2
EV/EBITDA (x)	11.1	6.8	6.2	6.0
Div yield (%)	1.5	3.2	4.3	4.5
ROE (%)	3.0	5.5	6.9	6.9
Net Gearing (%)	1.4	nm	8.4	6.7

Stock and Financial Data

Shares Outstanding (million)	2,560.1
Market Cap (RM mil)	2,611.3
Book Value (RM/share)	1.65
P/BV (x)	0.6
ROE (%)	3.0
Net Gearing (%)	1.4

Major Shareholders	MAYANG TERATAI SDN B (26.9%) Amanah Saham Nasional Bhd (12.6%) MAYANG TERATAI LIMITED (7.4%)
Free Float	0.6
Avg Daily Value (RM mil)	19.8

Price performance	3mth	6mth	12mth
Absolute (%)	26.7	7.4	134.5
Relative (%)	26.1	(1.4)	107.5



Investment Highlights

- We maintain our BUY call on Mah Sing with an unchanged SOP-based fair value of RM1.28/share and a neutral ESG rating of 3 stars (Exhibits 2 & 3). Our SOP remains unchanged as Mah Sing's latest land acquisition will only add a slight RM9.8mil, which incorporates a 40% discount to RNAV. We make no changes to our FY21F numbers but raise FY22–23F earnings slightly by 1%–2% from the new project.
- In its second land deal of the year, Mah Sing will acquire a 5-acre parcel of leasehold land in Jalan Genting Kelang, Setapak, Kuala Lumpur from Teratai Constructors Sdn Bhd for RM89mil cash, which will be settled within 6 months from June 2021. The land has 3 frontages facing Jalan Usahawan 5, Jalan Kilang and Jalan Usahawan 6, and is predominantly flat. It currently houses the Sri Utama International School Kuala Lumpur (Exhibit 1).
- The acquisition price translates to RM409 psf and implies a cost-to-gross development value (GDV) ratio of 14%, which is within the 10%–20% range for mixed development in Klang Valley. While there are few recent identical transactions within the immediate area, the asking prices surrounding the neighborhood with land area smaller than 5 acres (217,800 sq ft) have a wide range of RM230 psf to RM938 psf.
- Mah Sing plans to develop 2 blocks of serviced suites with retail lots. Called M Astra, with an indicative GDV of RM618mil, it is targeted at the medium-income segment with selling prices starting from RM399K (RM469 psf). The project is scheduled for a quick launch by 3Q2021 and targeted for completion by 2025.
- We are positive on the development given its strategic location in established neighborhoods such as Danau Kota and Wangsa Maju. It is a 20-minute drive to KLCC and well connected via major highways such as the MRR2 and Duke Expressway. With the amenities nearby including supermarkets, shopping malls, hospitals and education institutions, we believe this project will garner strong residential and retail interest from the convergence of convenience and accessibility.
- We expect the group's 1QFY21 results, scheduled to be announced 31 May 2021, to be within our expectations, supported by the encouraging sales of RM250mil (in January and February) vs. RM247mil in 1Q2020 and savvy execution. We continue to like Mah Sing for its: (i) quick turnaround business model that launches new projects; (ii) strength in offering affordable properties at strategic locations; and (iii) strong contribution from its new glove manufacturing business from 2QFY21's earnings onwards.

EXHIBIT 1: LOCATION MAP



Source: Company

EXHIBIT 2: SOP VALUATION

DEVELOPMENT PROPERTIES	Outstanding GDV (mil)	NAV (RMmil)		DEVELOPMENT PROPERTIES	Outstanding GDV (mil)	NAV (RMmil)	
GREATER KL				PENANG			
Commercial				Residential/Integrated			
Southgate	2.1	0.10	100%	Legenda@Southbay	27.1	1.77	100%
Star Avenue	75.5	3.45	100%	Icon Residence, Georgetown	280.0	18.25	100%
Integrated Development & Residential				Ferringhi Residence	509.5	33.20	100%
Hijauan Residence	193.1	9.44	100%	Southbay City	1,474.8	58.59	100%
Aman Perdana	66.6	3.11	100%	Permatang	150.0	8.40	100%
Garden Residence	65.1	3.04	100%	KK, SABAH			
Perdana Residence 2	11.0	0.51	100%	Integrated Development			
M Suites @ Jalan Ampang	5.5	0.25	100%	Sutera Avenue	21.3	1.56	100%
Bayu Sekamat	6.1	0.28	100%	Unbilled sales		153.12	
Icon Residence Mont Kiara	25.7	1.18	100%	<hr/>			
Garden Plaza, Cyberjaya	26.4	1.21	100%	TOTAL NPV		815.54	
M City, Jalan Ampang	28.6	1.31	100%	Net Tangible Assets		4,224.69	
M Residence 1 @ Rawang	371.1	17.07	100%	less Perpetual securities		<u>-789.39</u>	
M Residence 2 @ Rawang	32.3	1.48	100%	NAV		4,250.84	
Southville City@KL South, Bangi	2,011.5	82.74	100%	Less 40% discount to RNAV		<u>-1,700.33</u>	
M Cahaya, Subang	132.5	6.06	100%			2,550.50	
Icon City, Petaling Jaya	1,638.1	75.52	100%	Rubber Glove (FY22F target PE of 15x)		546.32	
D'sara Sentral	73.9	3.38	100%	Plastics (FY22F target PE of 8x)		88.22	
Lakeville Residence	4.9	0.23	100%	Proceeds from Conversion of Sukuk		<u>100.00</u>	
M Aruna @ Rawang	360.7	16.50	100%	Total SOP		3,285.04	
M Centura/M Arisa, Sentul	591.4	32.42	78%	<hr/>			
M Vertica, Cheras	1,003.3	57.75	100%	Enlarged share base		2,560.14	
M Oscar, Happy Garden	305.1	13.96	100%	SOP per share		1.28	
M Luna, Kepong	602.8	27.58	100%	(+) no adjustment for 3-star ESG rating		0.00	
M Adora, Wangsa Melawati	323.2	14.79	100%	Fair value/share (RM)+ ESG Neutral		<u>1.28</u>	
M Senyum	418.2	18.69	100%	<hr/>			
M Astra	361.5	16.27	100%	<hr/>			
JOHOR							
Residential Township & Integrated Development							
Sri Pulai Perdana	1.0	0.04	100%				
Austin Perdana	49.1	3.26	100%				
Sierra Perdana	215.7	14.33	100%				
Meridin@Medini	262.1	12.66	100%				
Meridin East	2,850.7	99.52	100%				
Industrial							
Mah Sing i-Parc	189.3	6.09	100%				

Source: AmlInvestment Bank Bhd

EXHIBIT 3: 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 Bhd

EXHIBIT 4: PB BAND CHART

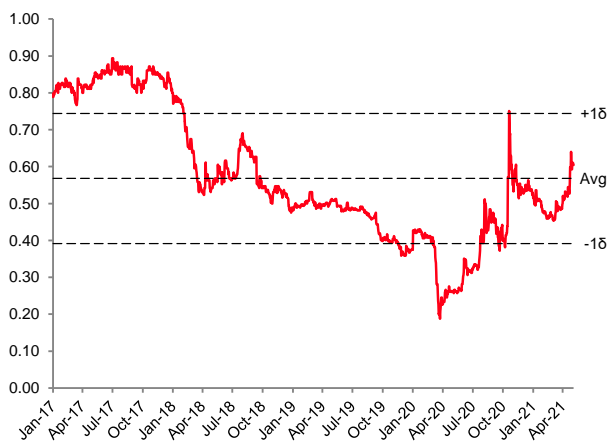


EXHIBIT 5: PE BAND CHART

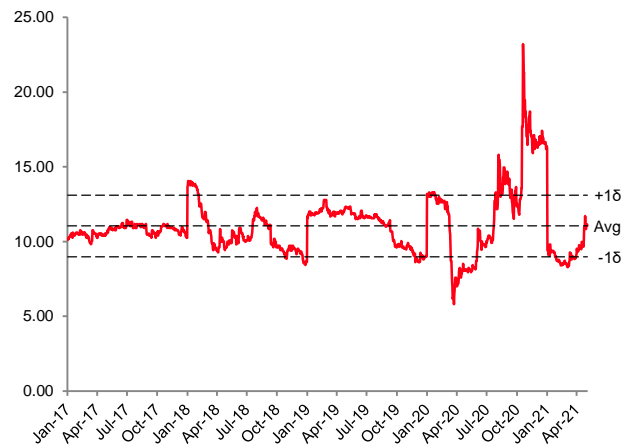


EXHIBIT 6: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY19	FY20	FY21F	FY22F	FY23F
Revenue	1,789.7	1,530.8	1,893.0	2,411.5	2,418.9
EBITDA	336.0	240.1	382.0	480.9	484.8
Depreciation/Amortisation	(40.4)	(39.2)	(48.5)	(61.8)	(62.0)
Operating income (EBIT)	295.6	200.8	333.4	419.1	422.8
Other income & associates	-	-	-	-	-
Net interest	(1.2)	(10.8)	(14.3)	(22.1)	(22.2)
Exceptional items	(24.2)	(36.4)	-	-	-
Pretax profit	270.2	153.7	319.2	397.0	400.6
Taxation	(67.6)	(49.6)	(83.0)	(95.2)	(88.1)
Minorities/pref dividends	(2.3)	(3.7)	-	-	-
Net profit	200.3	136.8	236.2	301.8	312.5
Core net profit	109.1	63.6	175.3	240.0	250.7
Balance Sheet (RMmil, YE 31 Dec)	FY19	FY20	FY21F	FY22F	FY23F
Fixed assets	225.7	242.0	342.0	442.0	464.1
Intangible assets	5.2	5.1	5.1	5.1	5.1
Other long-term assets	2,115.0	2,196.7	2,238.3	2,280.1	2,280.1
Total non-current assets	2,345.8	2,443.9	2,585.4	2,727.3	2,749.4
Cash & equivalent	1,063.5	1,156.0	734.7	711.7	732.8
Stock	763.3	754.4	557.3	762.2	732.6
Trade debtors	600.0	622.0	701.9	937.0	918.4
Other current assets	1,903.3	1,889.6	1,885.1	2,245.1	2,251.0
Total current assets	4,330.0	4,422.1	3,879.0	4,656.0	4,634.8
Trade creditors	1,063.9	1,171.2	1,151.6	1,542.1	1,460.0
Short-term borrowings	122.0	15.7	15.7	15.7	15.7
Other current liabilities	100.3	102.4	108.2	116.4	116.5
Total current liabilities	1,286.2	1,289.3	1,275.4	1,674.1	1,592.2
Long-term borrowings	444.9	1,200.7	703.3	1,071.9	1,022.6
Other long-term liabilities	118.3	134.6	152.2	177.5	177.9
Total long-term liabilities	563.2	1,335.3	855.5	1,249.4	1,200.5
Shareholders' funds	4,818.4	4,229.8	4,322.0	4,448.2	4,580.0
Minority interests	8.0	11.5	11.5	11.5	11.5
BV/share (RM)	1.88	1.65	1.69	1.74	1.79
Cash Flow (RMmil, YE 31 Dec)	FY19	FY20	FY21F	FY22F	FY23F
Pretax profit	270.2	153.7	319.2	397.0	400.6
Depreciation/Amortisation	40.4	39.2	48.5	61.8	62.0
Net change in working capital	95.2	123.8	107.9	(401.3)	(39.7)
Others	9.9	(14.0)	(64.8)	(131.7)	(149.8)
Cash flow from operations	415.7	302.7	410.8	(74.3)	273.2
Capital expenditure	34.4	52.3	(100.0)	(100.0)	(22.1)
Net investments & sale of fixed assets	(51.5)	(61.8)	-	-	-
Others	(343.3)	(120.9)	(41.6)	(41.8)	-
Cash flow from investing	(360.4)	(130.4)	(141.6)	(141.8)	(22.1)
Debt raised/(repaid)	2.4	(52.6)	(497.5)	368.6	(49.3)
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	(109.2)	(81.3)	(83.1)	(113.8)	(118.9)
Others	(403.0)	335.1	(60.9)	(61.8)	(61.8)
Cash flow from financing	(509.9)	201.2	(641.5)	193.1	(230.0)
Net cash flow	(454.5)	373.4	(372.2)	(23.0)	21.1
Net cash/(debt) b/f	1,188.0	733.5	1,107.0	734.7	711.7
Net cash/(debt) c/f	733.5	1,107.0	734.7	711.7	732.8
Key Ratios (YE 31 Dec)	FY19	FY20	FY21F	FY22F	FY23F
Revenue growth (%)	(18.4)	(14.5)	23.7	27.4	0.3
EBITDA growth (%)	(11.6)	(28.6)	59.1	25.9	0.8
Pretax margin (%)	15.1	10.0	16.9	16.5	16.6
Net profit margin (%)	11.2	8.9	12.5	12.5	12.9
Interest cover (x)	247.4	18.7	23.4	18.9	19.0
Effective tax rate (%)	25.0	32.3	26.0	24.0	22.0
Dividend payout (%)	40.6	29.5	35.2	37.7	38.0
Debtors turnover (days)	122	148	135	142	139
Stock turnover (days)	152	181	126	100	113
Creditors turnover (days)	251	266	224	204	227

Source: Company, AmlInvestment Bank Bhd estimates

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