



AmInvestment Bank

Company report

MAH SING GROUP

(MSGB MK EQUITY, MAHS.KL)

8 Jan 2021

More launches in 2021; glove production to start April

BUY

(Maintained)

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Rationale for report: Company update

Price	RM0.84
Fair Value	RM1.27
52-week High/Low	RM1.47/RM0.31

Key Changes

Fair value	⬇️
EPS	⬇️

YE to Dec (RM mil)	FY19	FY20F	FY21F	FY22F
Revenue (RM mil)	1,789.7	1,446.0	2,029.1	2,337.8
Core net profit (RM mil) *	109.1	64.4	175.2	156.2
FD Core EPS (sen)	5.2	2.5	6.8	6.1
FD Core EPS growth (%)	(29.9)	(51.6)	171.9	(10.8)
Consensus Net Profit (RM mil)	-	70.9	210.8	291.5
DPS (sen)	3.2	1.2	3.2	2.9
PE (x)	15.3	31.6	11.6	13.1
EV/EBITDA (x)	5.8	7.3	5.5	6.5
Div yield (%)	3.8	1.4	3.9	3.4
ROE (%)	2.3	1.4	4.0	3.5
Net Gearing (%)	nm	nm	6.0%	12.2%

*Core net profit after distribution to perpetual sukuk/securities

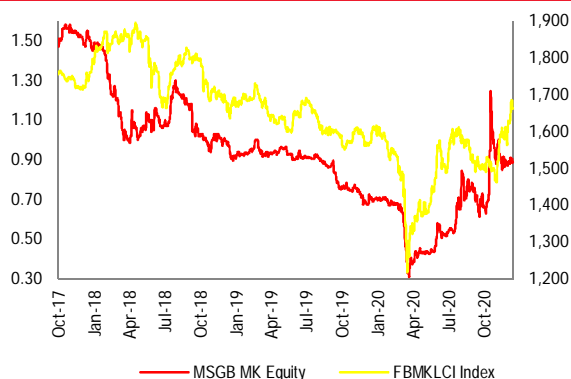
Stock and Financial Data

Shares Outstanding (million)	2,427.7
Market Cap (RM mil)	2,039.3
Book Value (RM/share)	1.74
P/BV (x)	0.5
ROE (%)	2.8
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)	66.39

Price performance	3mth	6mth	12mth
Absolute (%)	27.3	61.8	25.1
Relative (%)	(5.4)	19.2	18.5



Investment Highlights

- We maintain our BUY call on Mah Sing Group (Mah Sing) with a lower fair value of RM1.27 per share (from RM1.50) based on SOP valuation (Exhibit 2). We cut our FY22 net profit forecast by 34% to reflect the lower average selling price (ASP) of glove from US\$40 per 1,000pcs to US\$30 per 1,000pcs. We make no changes to our FY20–21 numbers.
- During a recent engagement with the company, management updated us with its latest development. Mah Sing has lined up several launches for 2021. Although management did not reveal the selling prices and GDVs of the projects, it indicated that more than 75% of them are in the affordable segment.
- In the central region, Mah Sing will roll out a number of projects, namely: (i) the remaining phases of M Arisa Sentul serviced apartments; (ii) M Vertica, Cheras Tower E serviced apartments; (iii) Southville City, Bangi Cerrado Tower C serviced apartments; (iv) Sensa Tower B serviced apartments; (v) M Aruna, Rawang link homes; and (vi) M Residence, Rawang link homes. Additionally, the company will be launching Southbay City, Penang serviced apartments in the northern region and Meridin East, Johor link homes in the southern region.
- To recap, Mah Sing launched several of its key project in 2020, namely M Arisa Phase 1–3, M Luna (Kepong) in June 2020 and M Adora (Wangsa Melawati) in July 2020. These projects are well received with take-up rates of 96% for Phases 1 & 2 and 42% for Phase 3 of M Arisa; 85% for Tower A and 65% for Tower B for M Luna Tower B. M Adora Tower, which was launched in July 2020, recorded a take-up rate of 90% for Tower A and 40% for Tower B. In December 2020, Mah Sing launched the Carya, M Aruna Phases 2A & B and Acacia 2, Meridin East, which saw take-up rates of 90% and 80% respectively.
- In October 2020, Mah Sing announced its venture into rubber glove manufacturing business, building 12 production lines with an estimated total production capacity of up to 3.68bil pieces of gloves per annum. Management said that the progress is within its schedule and the first 6 lines are expected to commence production in April 2021 with the remaining 6 lines in 3QCY21.

- We believe the demand for gloves will remain stable post-Covid-19 due to heightened awareness and more stringent regulations. We reckon that ASP would decline after 2021 as there is no longer a rush for gloves compared to what happened at the beginning of the pandemic. However, we expect ASP to stabilise at a higher level than the pre-pandemic level due to the broader usage of gloves. Hence, we cut our FY22 net profit forecast by 34% to reflect the lower average selling price of glove to US\$30 per 1,000 pcs from US\$40 per 1,000 pcs while making no changes to our FY20–21 numbers.
- Mah Sing's balance sheet remains healthy with net cash position as of 9MFY20. We believe the group is in a strong position to expand its landbank with a cash pile of over RM1.1bil. We believe the mid to long-term outlook for Mah Sing remains positive backed by: (i) strong sales achieved in the past few quarters; and (ii) the glove manufacturing business's positive contribution to FY21's earnings and beyond. We also like Mah Sing's quick turnaround business model that launches new projects swiftly. At its current share price, it offers a potential upside of more than 50%.

EXHIBIT 1: 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		279.69	
Icon Residence Mont' Kiara	24.4	1.67	100%				
Garden Plaza, Cyberjaya	25.0	1.72	100%	TOTAL NPV		1,219.42	
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		4,643.24	
M Cahaya, Subang	125.6	8.62	100%	Less 50% discount to RNAV		(2,321.62)	
Icon City, Petaling Jaya	1,551.9	106.58	100%	Rubber Glove (FY22F target PE of 20x)		753.55	
D'sara Sentral	70.0	4.81	100%	Plastics (FY22F target PE of 10x)		83.39	
Lakeville Residence	4.7	0.32	100%	Proceeds from Conversion of Sukuk		100.00	
M Aruna @ Rawang	341.7	23.47	100%	Total SOP		3,258.55	
M Centura/M Arisa, Sentul	532.3	36.56	78%				
M Vertica, Cheras	812.7	55.81	100%	Enlarged share base		2,560.14	
M Oscar, Happy Garden	289.1	19.85	100%	SOP per share		1.27	
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: AmInvestment Bank Bhd estimates, Company

EXHIBIT 2: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY18	FY19	FY20F	FY21F	FY22F
Revenue	2,192.9	1,789.7	1,446.0	2,029.1	2,337.8
EBITDA	380.3	287.6	271.3	439.0	427.6
Depreciation/Amortisation	(22.6)	(40.4)	(32.6)	(45.8)	(52.8)
Operating income (EBIT)	357.7	247.2	238.6	393.2	374.8
Other income & associates	0.0	0.0	0.0	0.0	0.0
Net interest	(10.1)	(1.2)	(47.3)	(79.4)	(94.2)
Exceptional items	0.0	24.2	0.0	0.0	0.0
Pretax profit	347.6	270.2	191.3	313.8	280.6
Taxation	(77.0)	(67.6)	(51.8)	(81.6)	(67.3)
Minority interests	1.0	(2.3)	0.0	0.0	0.0
Net profit	271.6	200.3	139.4	232.2	213.2
Net Profit after distributions to perpetual	190.1	109.1	64.4	175.2	156.2
Balance Sheet (RMmil, YE 31 Dec)	FY18	FY19	FY20F	FY21F	FY22F
PPE	227.4	225.7	325.7	425.7	525.7
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	2,376.2	2,507.2
Total non-current assets	2,254.6	2,345.8	2,576.2	2,807.1	3,038.0
Cash & equivalent	1,220.5	1,063.5	776.2	748.7	717.8
Inventories	731.3	763.3	329.2	517.5	615.4
Trade receivables	946.0	600.0	594.2	757.1	916.5
Other current assets	1,757.1	1,903.3	1,758.2	2,039.4	2,229.1
Total current assets	4,654.8	4,330.0	3,457.9	4,062.7	4,478.8
Trade payables	1,395.8	1,063.9	915.1	1,198.7	1,443.3
Short-term borrowings	121.3	122.0	122.0	122.0	122.0
Other current liabilities	22.4	100.3	97.4	102.2	104.8
Total current liabilities	1,539.6	1,286.2	1,134.6	1,423.0	1,670.1
Long-term borrowings	443.0	444.9	470.4	909.5	1,218.8
Other long-term liabilities	103.1	118.3	108.8	124.9	133.4
Total long-term liabilities	546.1	563.2	579.3	1,034.4	1,352.2
Shareholders' funds	4,818.4	4,818.4	4,312.3	4,404.4	4,486.6
Minority interests & perpetual bond	5.3	8.0	8.0	8.0	8.0
BV/share (RM)	1.9	1.9	1.7	1.7	1.8
Cash Flow (RMmil, YE 31 Dec)	FY18	FY19	FY20F	FY21F	FY22F
Pretax profit	347.6	246.0	191.3	313.8	280.6
Depreciation/Amortisation	22.6	40.4	32.6	45.8	52.8
Net change in working capital	354.3	95.2	433.2	(343.9)	(199.9)
Others	(87.2)	34.1	(303.9)	(111.4)	(111.6)
Cash flow from operations	637.2	415.7	353.2	(95.6)	21.9
Capital expenditure	(75.4)	34.4	(100.0)	(100.0)	(100.0)
Net investments & sale of fixed assets	(85.7)	(51.5)	0.0	0.0	0.0
Others	(160.6)	(343.3)	(130.4)	(130.8)	(131.0)
Cash flow from investing	(321.7)	(360.4)	(230.4)	(230.8)	(231.0)
Debt raised/(repaid)	(176.6)	2.4	25.5	439.1	309.3
Equity raised/(repaid)	0.0	0.0	0.0	0.0	0.0
Dividends paid	(157.8)	(109.2)	(30.6)	(83.1)	(74.1)
Others	65.1	(403.0)	(75.0)	(57.0)	(57.0)
Cash flow from financing	(269.3)	(509.9)	(80.0)	299.0	178.2
Net cash flow	46.2	(454.5)	42.7	(27.5)	(30.9)
Adjustments	0.0	0.0	0.0	0.0	0.0
Net cash/(debt) b/f	1,141.8	1,188.0	733.5	776.2	748.7
Net cash/(debt) c/f	1,188.0	733.5	776.2	748.7	717.8
Key Ratios (YE31 Dec)	FY18	FY19	FY20F	FY21F	FY22F
Revenue growth (%)	(24.8)	(18.4)	(19.2)	40.3	15.2
EBITDA growth (%)	(23.5)	(24.4)	(5.7)	61.8	(2.6)
Pretax margin (%)	15.9	15.1	13.2	15.5	12.0
Net profit margin (%)	12.4	11.2	9.6	11.4	9.1
Interest cover (x)	35.5	206.9	5.0	5.0	4.0
Effective tax rate (%)	22.1	25.0	27.1	26.0	24.0
Dividend payout (%)	40.2	40.6	21.9	35.8	34.7
Receivable turnover (days)	157.5	122.4	150.0	136.2	143.1
Inventory turnover (days)	113.2	152.4	137.9	76.1	88.4
Payable turnover (days)	243.0	250.8	249.8	190.1	206.2

Source: Company, AmInvestment Bank Bhd estimates

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