



Company report

AmInvestment Bank

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MAH SING GROUP

(MSGB MK EQUITY, MAHS.KL)

22 Feb 2021

First land deal in 2021

BUY

(Maintained)

Rationale for report: Company update

Price	RM0.785
Fair Value	RM1.28
52-week High/Low	RM1.47/RM0.31

Key Changes

Fair value	↕
EPS	↔

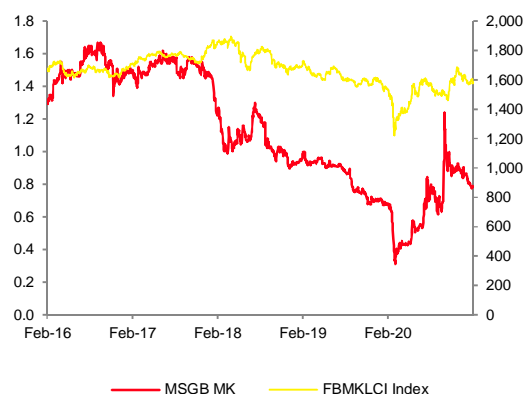
YE to Dec	FY19	FY20F	FY21F	FY22F
Revenue (RM mil)	1,789.7	1,446.0	2,031.0	2,341.2
Core net profit (RM mil)	109.1	64.4	175.4	156.6
FD Core EPS (sen)	5.2	2.5	6.9	6.1
FD Core EPS growth (%)	(29.9)	(51.6)	172.2	(10.7)
Consensus Net Profit (RM mil)	-	-	183.8	183.7
DPS (sen)	3.2	1.2	3.2	2.9
PE (x)	15.1	31.2	11.5	12.8
EV/EBITDA (x)	5.3	6.7	5.2	6.2
Div yield (%)	4.0	1.5	4.1	3.7
ROE (%)	4.2	3.1	5.3	4.8
Net Gearing (%)	nm	nm	6.5	13.9

Stock and Financial Data

Shares Outstanding (million)	2,560.1
Market Cap (RM mil)	2,009.7
Book Value (RM/share)	1.88
P/BV (x)	0.4
ROE (%)	4.2
Net Gearing (%)	-

Major Shareholders	MAYANG TERATAI SDN B (0.3%) EMPLOYEES PROVIDENT (0.1%) BANK OF SINGAPORE (0.1%)
Free Float	0.6
Avg Daily Value (RM mil)	19.6

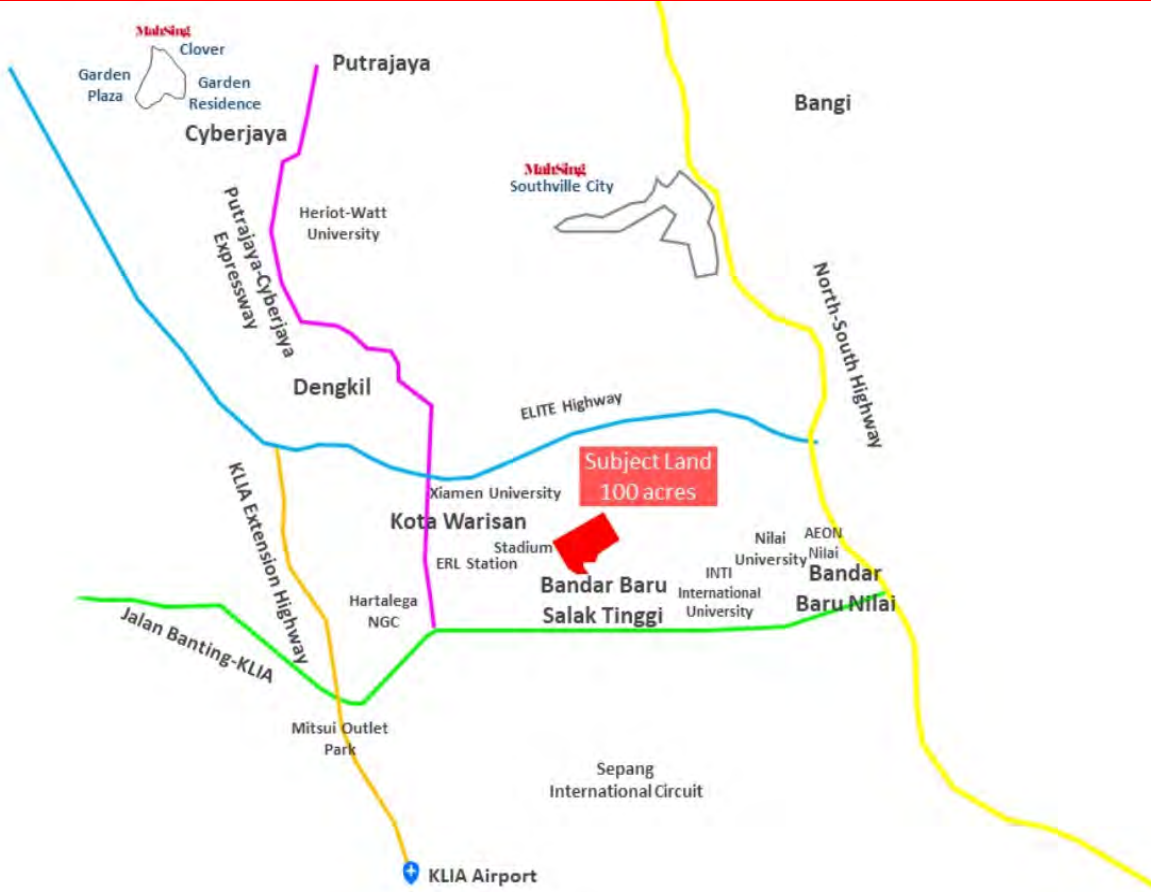
Price performance	3mth	6mth	12mth
Absolute (%)	(14.2)	2.6	15.4
Relative (%)	(13.7)	2.1	11.5



Investment Highlights

- We maintain our BUY call on Mah Sing with a slightly higher fair value of RM1.28/share (vs. RM1.27/share previously) based on SOP valuation (Exhibit 2). We make no changes to our FY20–22 numbers. Mah Sing's latest land acquisition will bring additional an RM15.65mil to our SOP valuation after 50% discount to RNAV.
- Mah Sing kicked off its first land deal in 2021 with the acquisition of a 100-acre parcel of leasehold land in Bandar Baru Salak Tinggi, Selangor, from the Sepang District/Land Office for RM 95.83mil. The payment will be settled within 3 months (i.e. 19 May 2021). The land comes with an approved development order.
- The acquisition price of RM95.83mil (RM22 psf) implies a cost-to-GDV ratio of 14.6%, and is within the range of 10%–20% for mixed development in Klang Valley. While there are not many identical transactions within the area recently, the asking price for residential land surrounding the neighbourhood with land area larger than 30 acres (130,680 sq ft) ranges from RM22 psf to RM43 psf.
- Mah Sing plans to develop double-storey terrace houses, under the project M Senyum with an indicative gross development value (GDV) of RM656mil. M Senyum is targeted at the medium-income segment, particularly, first-time home buyers with prices starting from RM400K (RM342 psf). The project is scheduled for launching by 2H2021 and targeted for completion by 2026.
- Despite the land being located at a suburban area in the southern part of Klang Valley, it is well connected to Kuala Lumpur City Center (KLCC), Putrajaya and Cyberjaya via major highways (i.e. Elite highway). It also in line with the group's focus on affordable landed residential properties.
- We are positive on the acquisition as it will help sustain Mah Sing's property earnings over the medium term. Moreover, we believe the project will be well received given its convenience of highway connectivity and amenities nearby, like universities, medical centres and industrial parks. Nonetheless, we make no changes to our FY20–22 numbers.
- We believe the outlook for Mah Sing remains positive premised on: (i) its healthy balance sheet with net cash position as of 9MFY20; (ii) strong sales achieved in the past few quarters; and (iii) positive contribution from its glove manufacturing business in FY21's earnings onwards. At its current share price, it offers a potential upside of more than 60%. Maintain BUY.

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	2.0	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%
Integrated Development & Residential				Ferringhi Residence	509.5	36.74	100%
Hijauan Residence	182.9	12.56	100%	Southbay City	1,474.8	95.16	100%
Aman Perdana	63.1	4.34	100%	Permatang	150.0	10.67	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%	<hr/>			
Garden Plaza, Cyberjaya	25.0	1.72	100%	TOTAL NPV		1,250.72	
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		4,674.54	
M Cahaya, Subang	125.6	8.62	100%	Less 50% discount to RNAV		-2,337.27	
Icon City, Petaling Jaya	1,551.9	106.58	100%			2,337.27	
D'sara Sentral	70.0	4.81	100%	Rubber Glove (FY22F target PE of 20x)		753.55	
Lakeville Residence	4.7	0.32	100%	Plastics (FY22F target PE of 10x)		83.39	
M Aruna @ Rawang	341.7	23.47	100%	Proceeds from Conversion of Sukuk		100.00	
M Centura/M Arisa, Sentul	532.3	36.56	78%	Total SOP		3,274.20	
M Vertica, Cheras	812.7	55.81	100%	<hr/>			
M Oscar, Happy Garden	289.1	19.85	100%	Enlarged share base		2,560.14	
M Luna, Kepong	571.1	39.22	100%	SOP per share		1.28	
M Adora, Wangsa Melawati	306.2	21.03	100%	<hr/>			
M Senyum	369.0	31.30	100%	<hr/>			
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

EXHIBIT 3: PB BAND CHART

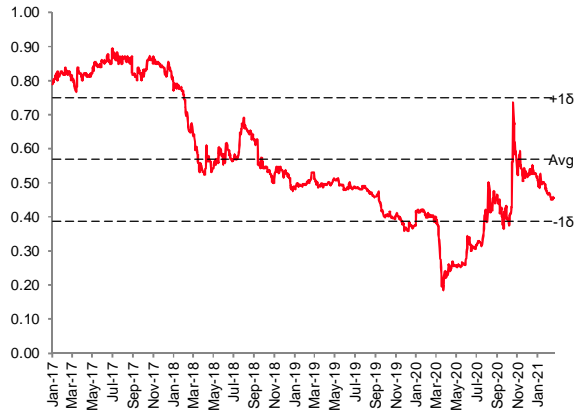


EXHIBIT 4: PE BAND CHART



EXHIBIT 5: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY18	FY19	FY20F	FY21F	FY22F
Revenue	2,192.9	1,789.7	1,446.0	2,031.0	2,341.2
EBITDA	380.3	287.6	271.3	439.4	428.2
Depreciation/Amortisation	(22.6)	(40.4)	(32.6)	(45.9)	(52.9)
Operating income (EBIT)	357.7	247.2	238.6	393.5	375.4
Other income & associates	-	-	-	-	-
Net interest	(10.1)	(1.2)	(47.3)	(79.4)	(94.3)
Exceptional items	-	24.2	-	-	-
Pretax profit	347.6	270.2	191.3	314.1	281.0
Taxation	(77.0)	(67.6)	(51.8)	(81.7)	(67.4)
Minorities/pref dividends	1.0	(2.3)	-	-	-
Net profit	271.6	200.3	139.4	232.4	213.6
Core net profit	190.1	109.1	64.4	175.4	156.6
Balance Sheet (RMmil, YE 31 Dec)	FY18	FY19	FY20F	FY21F	FY22F
Fixed assets	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	748.8	717.9
Stock	731.3	763.3	329.2	517.9	616.2
Trade debtors	946.0	600.0	594.2	757.8	917.8
Other current assets	1,757.1	1,903.3	1,758.2	2,041.0	2,231.8
Total current assets	4,654.8	4,330.0	3,457.9	4,065.5	4,483.8
Trade creditors	1,395.8	1,063.9	915.1	1,199.8	1,445.4
Short-term borrowings	121.3	122.0	122.0	122.0	122.0
Other current liabilities	22.4	100.3	97.4	102.3	104.8
Total current liabilities	1,539.6	1,286.2	1,134.6	1,424.1	1,672.3
Long-term borrowings	443.0	444.9	470.4	911.0	1,221.3
Other long-term liabilities	103.1	118.3	108.8	124.9	133.5
Total long-term liabilities	546.1	563.2	579.3	1,036.0	1,354.8
Shareholders' funds	4,818.4	4,818.4	4,312.3	4,404.5	4,486.8
Minority interests	5.3	8.0	8.0	8.0	8.0
BV/share (RM)	1.88	1.88	1.68	1.72	1.75
Cash Flow (RMmil, YE 31 Dec)	FY18	FY19	FY20F	FY21F	FY22F
Pretax profit	347.6	270.2	191.3	314.1	281.0
Depreciation/Amortisation	22.6	40.4	32.6	45.9	52.9
Net change in working capital	354.3	95.2	433.2	(345.5)	(201.0)
Others	(87.2)	9.9	(303.9)	(111.4)	(111.8)
Cash flow from operations	637.2	415.7	353.2	(97.0)	21.1
Capital expenditure	(75.4)	34.4	(100.0)	(100.0)	(100.0)
Net investments & sale of fixed assets	(85.7)	(51.5)	-	-	-
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	440.6	310.3
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	(157.8)	(109.2)	(30.6)	(83.2)	(74.3)
Others	65.1	(403.0)	(75.0)	(57.0)	(57.0)
Cash flow from financing	(269.3)	(509.9)	(80.0)	300.4	179.0
Net cash flow	46.2	(454.5)	42.7	(27.4)	(30.9)
Net cash/(debt) b/f	1,141.8	1,188.0	733.5	776.2	748.8
Net cash/(debt) c/f	1,188.0	733.5	776.2	748.8	717.9
Key Ratios (YE 31 Dec)	FY18	FY19	FY20F	FY21F	FY22F
Revenue growth (%)	(24.8)	(18.4)	(19.2)	40.5	15.3
EBITDA growth (%)	(23.5)	(24.4)	(5.7)	62.0	(2.5)
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	34.8
Debtors turnover (days)	157	122	150	136	143
Stock turnover (days)	113	152	138	76	88
Creditors turnover (days)	243	251	250	190	206

Source: Company, AmInvestment Bank Bhd estimates

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