

Core net profit up 30% YoY

**BUY**

(Maintained)

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Rationale for report: Company results

Price	RM0.915
Fair Value	RM1.28
52-week High/Low	RM1.47/RM0.49

#### Key Changes

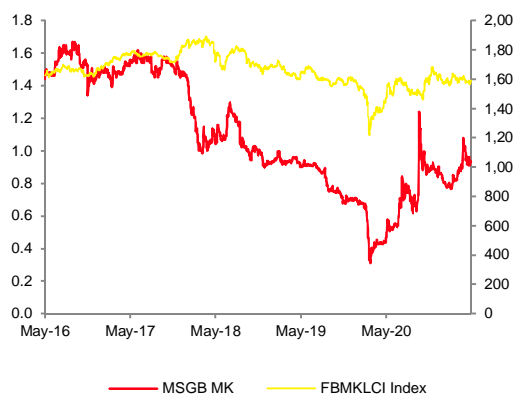
Fair value	↕
EPS	↕

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	270.5	252.1
DPS (sen)	1.6	3.2	4.4	4.6
PE (x)	37.4	12.7	9.3	8.9
EV/EBITDA (x)	10.2	6.2	5.7	5.5
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 (RMmil)	2,380.9
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 (RMmil)	24.0

Price performance	3mth	6mth	12mth
Absolute (%)	17.7	5.1	100.0
Relative (%)	16.5	3.0	84.8



#### Investment Highlights

- We maintain BUY on Mah Sing Group (Mah Sing) with an unchanged SOP-based fair value of RM1.28/share and a neutral ESG rating of 3 stars (Exhibits 4 & 5).
- We retain our forecasts as Mah Sing's 1QFY21 core net profit (CNP) of RM39mil (after excluding forex gains and net reversal of impairment losses) came in within expectations, making up 22% our FY21F net profit and 18% of consensus' estimates vs. 18%–28% for the first quarter over the past 2 years.
- YoY, the group's CNP increased 30% from: 1) an 11% rise in progress billings; 2) 20% growth in its plastics manufacturing revenue, and 3) 90% lower losses in hotel segment, which partly cushioned the weaker performance in investment holdings.
- Mah Sing chalked up new sales of RM400mil (+62% YoY from RM247mil), attaining 25% of its FY21F sales target of RM1.6bil. 90% of the sales were derived from Klang Valley, in which 50% stemmed from M Luna in Kepong and M Centura in Sentul, while a smaller portion came from Johor (9%) and Penang (1%). Meanwhile, the group's unbilled sales inched up 2% YoY to RM1.7bil in 1QFY20.
- For the plastic division, revenue climbed 20% while PBT jumped 63% due to a less severe impact from MCO 2.0 as compared to MCO 1.0 in March.
- Revenue from the hotel division was relatively flat YoY at RM1.9mil. However, a lower depreciation charge on hotel assets led to a narrower 1QFY21 LBT of RM0.3mil vs. an LBT of RM3.4mil in 1QFY20.
- Investment holding, which comprises mainly interest income from the deposit of funds and trading of building materials, registered an LBT of RM0.1mil (vs. PBT of RM4.6mil in 1QFY20) due to a 22% decline in its revenue.
- QoQ, 1QFY21 CNP slid by 18% from a 17% reduction in property progress billings during the CNY holidays and higher operating costs from its plastics manufacturing, which was partly offset by sharply lower losses in its hotel segment and investment holdings.
- Moving forward, Mah Sing plans 8 new launches in which 6 of them are in Klang Valley and one each in Johor and Penang. For 2 months in April–May this year, the group achieved new sales of RM251mil vs. RM172mil in 2QFY20.
- Meanwhile, we expect the glove business, which just commenced operations this month with 4 production lines, to contribute positively to the group's 2QFY21 earnings onwards given the continued impact of the Covid-19 pandemic.

- We continue to like Mah Sing for its: (i) savvy execution and quick turnaround business model; (ii) strength in offering affordable properties at strategic locations; and (iii) additional earnings contribution from its new glove manufacturing business in 2QFY21 onwards.

EXHIBIT 1: EARNINGS SUMMARY							
YE to Dec (RM mil)	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	QoQ %	YoY %
<b>Revenue</b>	<b>371.1</b>	<b>298.6</b>	<b>388.2</b>	<b>472.8</b>	<b>413.3</b>	<b>(12.6)</b>	<b>11.4</b>
Operating costs	(327.1)	(257.2)	(339.5)	(405.1)	(338.6)	(16.4)	3.5
<b>EBIT</b>	<b>44.1</b>	<b>41.5</b>	<b>48.7</b>	<b>67.7</b>	<b>66.3</b>	<b>-2.1</b>	<b>50.5</b>
Net interest	0.3	(5.7)	(4.7)	(0.6)	(11.1)	(>100)	(>100)
Associates/JV contribution	0.0	0.0	0.0	0.0	0.0	n.a.	n.a.
<b>PBT</b>	<b>43.1</b>	<b>22.4</b>	<b>40.5</b>	<b>47.6</b>	<b>56.2</b>	<b>17.9</b>	<b>30.2</b>
Tax	(10.4)	(8.3)	(13.8)	(17.2)	(12.3)	(28.5)	18.0
MI	(3.7)	0.0	(1.3)	(2.3)	(3.6)	54.2	(0.8)
PAT MI	29.1	14.2	25.3	28.1	40.3	43.2	38.5
Exceptional (gains)/losses	1.2	13.3	3.5	19.5	(1.0)	(>100)	(>100)
<b>Core PATMI *</b>	<b>30.3</b>	<b>27.5</b>	<b>28.8</b>	<b>47.6</b>	<b>39.3</b>	<b>(17.5)</b>	<b>29.7</b>
EBIT Margin (%)	11.9%	13.9%	12.5%	14.3%	16.0%		
Effective tax rate (%)	24.1%	36.8%	34.2%	36.0%	21.8%		
Net Profit Margin (%)	7.8%	4.8%	6.5%	6.0%	9.7%		

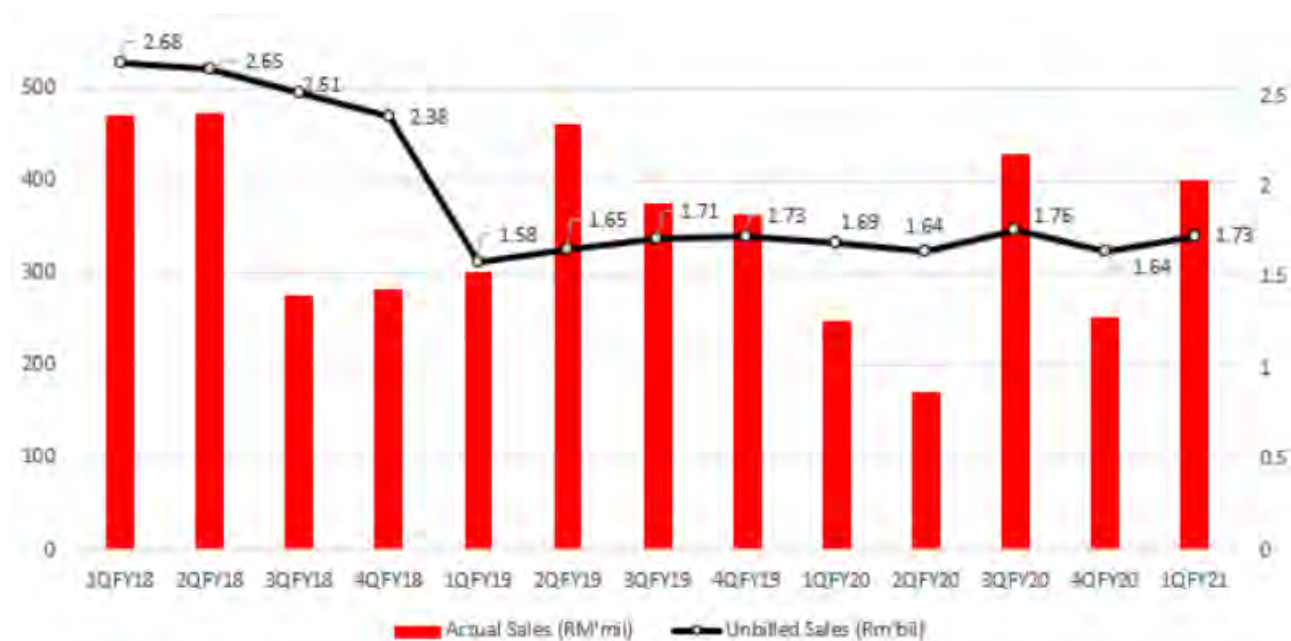
Source: AmInvestment Bank Bhd, Company

## EXHIBIT 2: SEGMENTAL BREAKDOWN

FY31 Dec (RM mil)	1QFY20	4QFY20	1QFY21	QoQ (%)	YoY (%)
Properties	281.3	376.7	311.0	(17.4)	10.6
Plastics	76.1	83.6	91.3	9.2	19.8
Hotel	1.9	3.4	1.9	(43.7)	1.9
Investment Holding	11.8	9.1	9.2	0.6	(22.3)
<b>Revenue</b>	<b>371.1</b>	<b>472.8</b>	<b>413.3</b>	<b>(12.6)</b>	<b>11.4</b>
Properties	37.5	41.1	51.9	26.1	38.4
Plastics	2.9	8.4	4.7	(43.5)	63.1
Hotel	(3.4)	(0.9)	(0.3)	(61.6)	(89.7)
Investment Holding	4.6	(1.0)	(0.1)	(87.6)	(>100)
<b>PBT/(LBT)</b>	<b>41.6</b>	<b>47.6</b>	<b>56.2</b>	17.9	35.0
<b>Pretax margin (%)</b>					
Properties	13.3	10.9	16.7		
Plastics	3.8	10.1	5.2		
Hotel	(>100)	(26.7)	(18.2)		
Investment Holding	38.7	(11.1)	(1.4)		

Source: AmlInvestment Bank Bhd, Company

## EXHIBIT 3: ACTUAL SALES AND UNBILLED SALES TREND



Source: AmlInvestment Bank Bhd, Company

## EXHIBIT 4: SOP VALUATIONS

DEVELOPMENT PROPERTIES	Outstanding GDV (mil)	NAV (RMmil)		DEVELOPMENT PROPERTIES	Outstanding GDV (mil)	NAV (RMmil)	
<b>GREATER KL</b>				<b>PENANG</b>			
<b>Commercial</b>				<b>Residential/Integrated</b>			
Southgate	2.1	0.10	100%	Legenda@Southbay	27.1	1.75	100%
Star Avenue	75.5	3.41	100%	Icon Residence, Georgetown	280.0	18.10	100%
<b>Integrated Development &amp; Residential</b>				Ferringhi Residence	509.5	32.94	100%
Hijauan Residence	193.1	9.34	100%	Southbay City	1,474.8	57.92	100%
Aman Perdana	66.6	3.08	100%	Permatang	150.0	8.33	100%
Garden Residence	65.1	3.01	100%	<b>KK, SABAH</b>			
Perdana Residence 2	11.0	0.50	100%	<b>Integrated Development</b>			
M Suites @ Jalan Ampang	5.5	0.25	100%	Sutera Avenue	21.3	1.55	100%
Bayu Sekamat	6.1	0.27	100%	Unbilled sales		152.13	
Icon Residence Mont' Kiara	25.7	1.17	100%	<hr/>			
Garden Plaza, Cyberjaya	26.4	1.19	100%	<b>TOTAL NPV</b>		<b>807.12</b>	
M City, Jalan Ampang	28.6	1.29	100%	Net Tangible Assets		4,224.69	
M Residence 1 @ Rawang	371.1	16.88	100%	less Perpetual securities		<u>-789.39</u>	
M Residence 2 @ Rawang	32.3	1.46	100%	NAV		4,242.42	
Southville City@KL South, Bangi	2,011.5	81.56	100%	Less 40% discount to RNAV		<u>-1,696.97</u>	
M Cahaya, Subang	132.5	5.99	100%			2,545.45	
Icon City, Petaling Jaya	1,638.1	74.67	100%	Rubber Glove (FY22F target PE of 15x)		546.32	
D'sara Sentral	73.9	3.34	100%	Plastics (FY22F target PE of 8x)		88.22	
Lakeville Residence	4.9	0.22	100%	Proceeds from Conversion of Sukuk		100.00	
M Aruna @ Rawang	360.7	16.32	100%	Total SOP		<u>3,279.99</u>	
M Centura/M Arisa, Sentul	591.4	32.12	78%	<hr/>			
M Vertica, Cheras	1,003.3	57.28	100%	Enlarged share base		2,560.14	
M Oscar, Happy Garden	305.1	13.80	100%	SOP per share		<b>1.28</b>	
M Luna, Kepong	602.8	27.26	100%	(+) no adjustment for 3-star ESG rating		0.00	
M Adora, Wangsa Melawati	323.2	14.62	100%	Fair value/share (RM)+ ESG Neutral		<u><b>1.28</b></u>	
M Senyum	418.2	18.50	100%	<hr/>			
M Astra	361.5	16.08	100%	<hr/>			
<b>JOHOR</b>							
<b>Residential Township &amp; Integrated Development</b>							
Sri Pulau Perdana	1.0	0.04	100%				
Austin Perdana	49.1	3.24	100%				
Sierra Perdana	215.7	14.22	100%				
Meridin@Medini	262.1	12.54	100%				
Meridin East	2,850.7	98.11	100%				
<b>Industrial</b>							
Mah Sing i-Parc	189.3	6.01	100%				

Source: AmlInvestment Bank Bhd, Company

**EXHIBIT 5: ESG RATING**

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

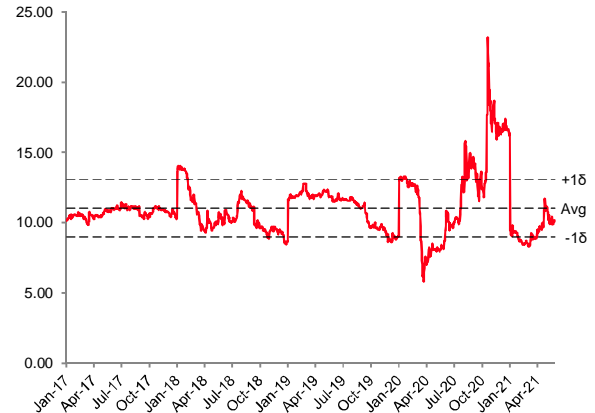
*We accord a discount/premium of -6%, -3%, 0%, +3% and +6% on fundamental fair value based on the overall ESG rating as appraised by us, from 1-star to 5-star*

Source: AmInvestment Bank Bhd

**EXHIBIT 6: PB BAND CHART**



**EXHIBIT 7: PE BAND CHART**



## EXHIBIT 8: 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)
<b>Exceptional items</b>	<b>(24.2)</b>	<b>(36.4)</b>	-	-	-
Pretax profit	270.2	153.7	319.2	397.0	400.6
Taxation	(67.6)	(49.6)	(83.0)	(95.2)	(88.1)
<b>Minorities/pref dividends</b>	<b>(2.3)</b>	<b>(3.7)</b>	-	-	-
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
<b>Balance Sheet (RMmil, YE 31 Dec)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21F</b>	<b>FY22F</b>	<b>FY23F</b>
Fixed assets	225.7	242.0	342.0	442.0	464.1
Intangible assets	5.2	5.1	5.1	5.1	5.1
<b>Other long-term assets</b>	<b>2,115.0</b>	<b>2,196.7</b>	<b>2,238.3</b>	<b>2,280.1</b>	<b>2,280.1</b>
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
<b>Other current assets</b>	<b>1,903.3</b>	<b>1,889.6</b>	<b>1,885.1</b>	<b>2,245.1</b>	<b>2,251.0</b>
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
<b>Other current liabilities</b>	<b>100.3</b>	<b>102.4</b>	<b>108.2</b>	<b>116.4</b>	<b>116.5</b>
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
<b>Other long-term liabilities</b>	<b>118.3</b>	<b>134.6</b>	<b>152.2</b>	<b>177.5</b>	<b>177.9</b>
<b>Total long-term liabilities</b>	<b>563.2</b>	<b>1,335.3</b>	<b>855.5</b>	<b>1,249.4</b>	<b>1,200.5</b>
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
<b>Cash Flow (RMmil, YE 31 Dec)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21F</b>	<b>FY22F</b>	<b>FY23F</b>
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)
<b>Others</b>	<b>9.9</b>	<b>(14.0)</b>	<b>(64.8)</b>	<b>(131.7)</b>	<b>(149.8)</b>
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)	-	-	-
<b>Others</b>	<b>(343.3)</b>	<b>(120.9)</b>	<b>(41.6)</b>	<b>(41.8)</b>	-
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)
<b>Others</b>	<b>(403.0)</b>	<b>335.1</b>	<b>(60.9)</b>	<b>(61.8)</b>	<b>(61.8)</b>
<b>Cash flow from financing</b>	<b>(509.9)</b>	<b>201.2</b>	<b>(641.5)</b>	<b>193.1</b>	<b>(230.0)</b>
<b>Net cash flow</b>	<b>(454.5)</b>	<b>373.4</b>	<b>(372.2)</b>	<b>(23.0)</b>	<b>21.1</b>
<b>Net cash/(debt) b/f</b>	<b>1,188.0</b>	<b>733.5</b>	<b>1,107.0</b>	<b>734.7</b>	<b>711.7</b>
Net cash/(debt) c/f	733.5	1,107.0	734.7	711.7	732.8
<b>Key Ratios (YE 31 Dec)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21F</b>	<b>FY22F</b>	<b>FY23F</b>
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, AmInvestment Bank Bhd estimates

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