



AmInvestment Bank

Company report

MAH SING GROUP

(MSGB MK EQUITY, MAHS.KL)

10 Jan 2022

Launching RM2.4bil projects in 2022

BUY

(Maintained)

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03-20362300

Rationale for report: Company update

Price	RM0.69
Fair Value	RM0.95
52-week High/Low	RM1.11/RM0.67

Key Changes

Fair value	↔
EPS	↔

YE to Dec	FY20	FY21F	FY22F	FY23F
Revenue (RM mil)	1,530.8	1,730.1	2,209.4	2,404.4
Core net profit (RM mil)	136.8	179.8	275.6	311.1
FD Core EPS (sen)	5.4	7.0	10.8	12.2
FD Core EPS growth (%)	(21.6)	30.1	53.3	12.9
Consensus Net Profit (RM mil)	-	132.9	177.5	204.0
DPS (sen)	1.7	3.0	3.5	3.5
PE (x)	13.0	9.8	6.4	5.7
EV/EBITDA (x)	8.1	8.4	6.7	6.0
Div yield (%)	2.2	4.1	4.7	4.7
ROE (%)	3.0	4.2	6.4	7.0
Net Gearing (%)	3.7	16.3	26.0	24.3

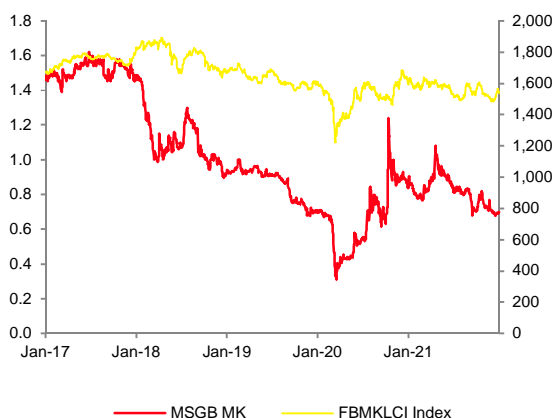
Stock and Financial Data

Shares Outstanding (million)	2,560.1
Market Cap (RM mil)	1,792.1
Book Value (RM/share)	1.65
P/BV (x)	0.4
ROE (%)	3.0
Net Gearing (%)	3.7

Major Shareholders	Mayang Teratai S/B (26.9%) Amanah Saham Nasional (12.2%) Bank of Singapore (7.4%)
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Free Float	60.9
Avg Daily Value (RM mil)	3.2

Price performance	3mth	6mth	12mth
Absolute (%)	(0.7)	(16.7)	(17.6)
Relative (%)	1.0	(16.8)	(14.5)



Investment Highlights

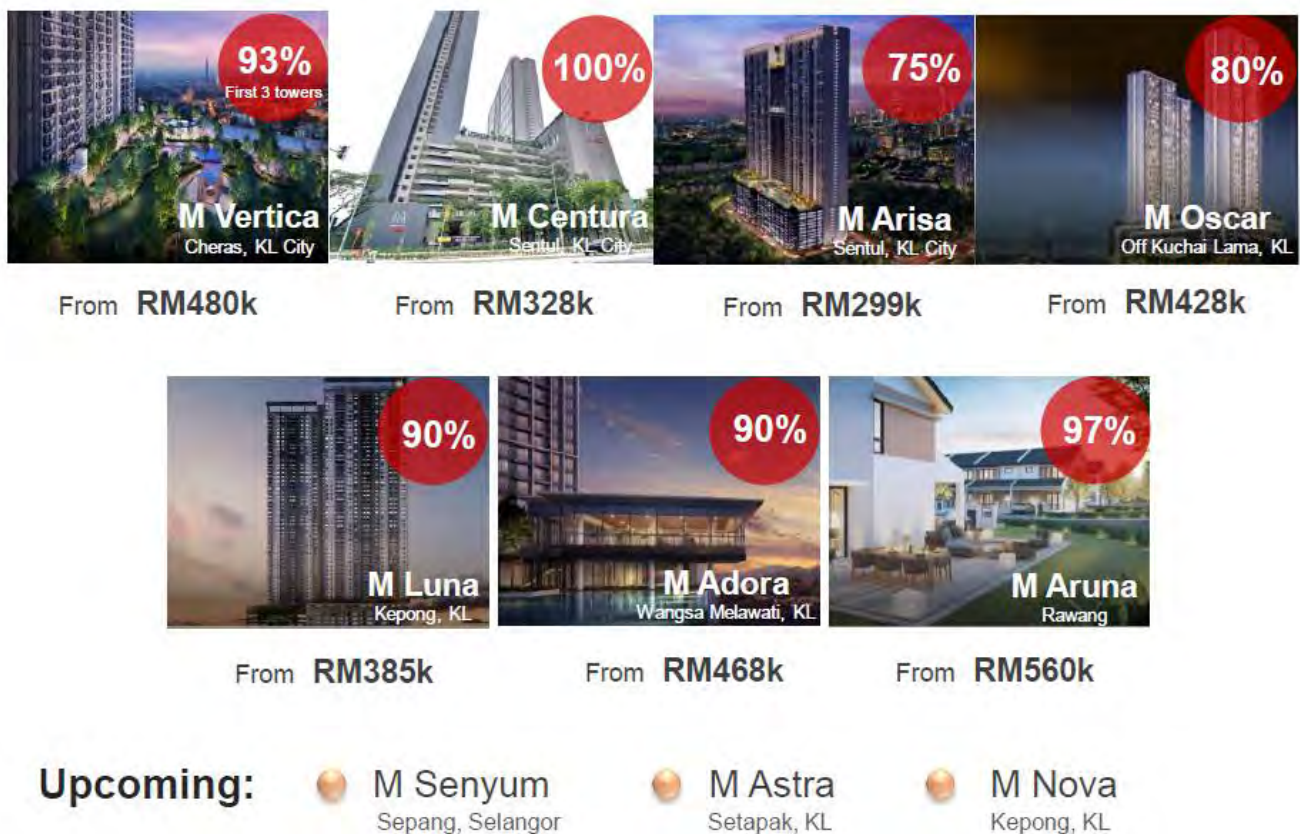
- We maintain BUY on Mah Sing Group (Mah Sing) with an unchanged SOP-based fair value of RM0.95/share and a neutral ESG rating of 3 stars (Exhibits 3 & 4).
- Mah Sing's FY21 new sales of RM1.6bil (+45% YoY) came in within expectations and as guided earlier, underpinned by the group's strong execution model and residential projects targeted at strategic locations together with savvy pricing schemes according to market demand. None of these developments were affected by the recent floods.
- The strong sales mainly stemmed from the affordable M Series developments located in Klang Valley. High-rise products including M Centura in Sentul, M Vertica in Cheras and landed properties M Aruna in Rawang have received a take-up rate of more than 90%.
- Majority of the products are priced below RM500K (51%) while 40% are priced RM500K–700K. The attractive pricing strategy has gained substantial interest from first-time home buyers who are below 35 years old (66%).
- Moving into 2022, Mah Sing plans to launch projects worth RM2.4bil (+71% YoY). Recall that the company has successfully launched products worth RM1.4bil in FY21.
- There are 21 projects in the pipeline with the upcoming launches focused mainly in Klang Valley including M Senyum in Sepang, M Astra in Setapak and M Nova in Kepong. 60% of the products will be priced below RM500K while 34% are priced between RM500K and RM700K. Meanwhile, the company is also eyeing potential new developments in other states such as Perak, Negeri Sembilan and Melaka.
- On its glove manufacturing front, a total of 12 lines are fully operational with a maximum production capacity of 3.7bil pieces of gloves per year. The company has also obtained the FDA 510K, Health Canada Medical Device Licence and Certificate of European Union Medical Device Regulation (EU-MDR) for medical gloves to be exported to the United States, Canada, the EU and EEA territories.
- We remain positive on Mah Sing's property sales trajectory and glove manufacturing capacity expansion given the group's quick turnaround business model and higher selling price of medical gloves to key markets, which support the group's future earnings.
- The stock currently trades at an attractive FY22F PE of only 6x vs. its 5-year average of 12x.

EXHIBIT 1: SITE PROGRESS



Source: Company

EXHIBIT 2: M SERIES PRICING



Source: Company

EXHIBIT 3: SOP VALUATIONS

DEVELOPMENT PROPERTIES	Outstanding GDV(mil)	NAV(RMmil)		DEVELOPMENT PROPERTIES	Outstanding GDV(mil)	NAV (RMmil)	
GREATER KL				PENANG			
Commercial				Residential/Integrated			
Southgate	2.1	0.06	100%	Legenda@Southbay	26.5	1.38	100%
Star Avenue	73.5	2.06	100%	Icon Residence, Georgetown	273.7	14.20	100%
Integrated Development & Residential				Ferringhi Residence	498.0	25.84	100%
Hijauan Residence	188.0	5.44	100%	Southbay City	1,441.6	26.49	100%
Aman Perdana	64.9	1.89	100%	Permatang	144.0	5.16	100%
Garden Residence	63.3	1.84	100%	KK, SABAH			
Perdana Residence 2	10.7	0.30	100%	Integrated Development			
M Suites @ Jalan Ampang	5.4	0.15	100%	Sutera Avenue	21.3	1.14	100%
Bayu Sekamat	6.0	0.16	100%	Unbilled sales		172.82	
Icon Residence Mont' Kiara	25.1	0.71	100%	<hr/>			
Garden Plaza, Cyberjaya	25.7	0.72	100%	TOTAL NPV		502.97	
M City, Jalan Ampang	27.8	0.78	100%	Net Tangible Assets		4,224.69	
M Residence 1 @ Rawang	361.4	10.22	100%	less Perpetual securities		(789.39)	
M Residence 2 @ Rawang	31.4	0.88	100%	NAV		3,938.28	
Southville City@KL South, Bangi	2,011.5	0.00	100%	(+) Proceeds from land sale		3.32	
Icon City, Petaling Jaya	1,595.0	45.27	100%	RNAV		3,941.59	
D'sara Sentral	71.9	2.01	100%	Less 50% discount to RNAV		(1,970.80)	
Lakeville Residence	4.8	0.14	100%			1,970.80	
M Aruna @ Rawang	351.2	9.83	100%	Rubber Glove (FY22F target PE of 12x)		283.60	
M Centura/M Arisa, Sentul	576.7	23.30	78%	Plastics (FY22F target PE of 8x)		88.22	
M Vertica, Cheras	980.8	45.36	100%	Proceeds from Conversion of Sukuk		100.00	
M Oscar, Happy Garden	297.1	8.31	100%	Total SOP		2,442.62	
M Luna, Kepong	586.9	16.42	100%	<hr/>			
M Adora, Wangsa Melawati	314.7	8.81	100%	Enlarged share base		2,560.1	
M Senyum	418.2	3.69	100%	SOP per share		0.95	
M Astra	361.5	5.88	100%	(+) no adjustment for 3-star ESG rating		0.00	
M Nova	462.2	7.89	100%	Fair value/share (RM)+ ESG Neutral		0.95	
JOHOR				<hr/>			
Residential Township & Integrated Development							
Sri Pulai Perdana	1.0	0.02	100%				
Austin Perdana	47.1	2.45	100%				
Sierra Perdana	207.1	10.77	100%				
Meridin@Medini	259.5	7.00	100%				
Meridin East	2,817.8	35.70	100%				
Industrial							
Mah Sing i-Parc	121.0	0.00	100%				

Source: AmInvestment Bank

EXHIBIT 4: 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 5: PB BAND CHART



EXHIBIT 6: PE BAND CHART



EXHIBIT 7: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY19	FY20	FY21F	FY22F	FY23F
Revenue	1,789.7	1,530.8	1,730.1	2,209.4	2,404.4
EBITDA	336.0	241.4	295.0	438.8	481.7
Depreciation/Amortisation	(40.4)	(39.2)	(44.4)	(56.6)	(61.6)
Operating income (EBIT)	295.6	202.2	250.6	382.2	420.1
Other income & associates	-	-	-	-	-
Net interest	(1.2)	(10.8)	(12.2)	(19.6)	(21.3)
Exceptional items	(24.2)	(37.8)	-	-	-
Pretax profit	270.2	153.7	238.4	362.6	398.8
Taxation	(67.6)	(49.6)	(62.0)	(87.0)	(87.7)
Minorities/pref dividends	(2.3)	(3.7)	-	-	-
Net profit	200.3	136.8	179.8	275.6	311.1
Core net profit	200.3	136.8	179.8	275.6	311.1
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	2,233.3	2,279.9	2,279.9
Total non-current assets	2,345.8	2,443.9	2,580.5	2,727.1	2,749.2
Cash & equivalent	1,063.5	1,156.0	1,162.7	1,186.9	1,230.1
Stock	763.3	754.4	509.4	698.3	728.2
Trade debtors	600.0	622.0	641.5	858.5	912.9
Other current assets	1,903.3	1,889.6	1,751.2	2,084.5	2,239.5
Total current assets	4,330.0	4,422.1	4,064.7	4,828.2	5,110.7
Trade creditors	1,063.9	1,171.2	1,052.5	1,412.8	1,451.3
Short-term borrowings	122.0	15.7	15.7	15.7	15.7
Other current liabilities	100.3	102.4	105.6	113.2	116.3
Total current liabilities	1,286.2	1,289.3	1,173.7	1,541.7	1,583.2
Long-term borrowings	444.9	1,200.7	1,043.7	1,438.3	1,532.2
Other long-term liabilities	118.3	134.6	144.3	167.7	177.2
Total long-term liabilities	563.2	1,335.3	1,188.0	1,606.0	1,709.3
Shareholders' funds	4,818.4	4,229.8	4,271.9	4,396.1	4,555.8
Minority interests	8.0	11.5	11.5	11.5	11.5
BV/share (RM)	1.88	1.65	1.67	1.72	1.78
Cash Flow (RMmil, YE 31 Dec)	FY19	FY20	FY21F	FY22F	FY23F
Pretax profit	270.2	153.7	238.4	362.6	398.8
Depreciation/Amortisation	40.4	39.2	44.4	56.6	61.6
Net change in working capital	95.2	123.8	248.5	(371.3)	(197.8)
Others	9.9	(14.0)	(739.6)	(120.3)	(139.9)
Cash flow from operations	415.7	302.7	(208.3)	(72.3)	122.8
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)	(36.6)	(46.6)	-
Cash flow from investing	(360.4)	(130.4)	(136.6)	(146.6)	(22.1)
Debt raised/(repaid)	2.4	(52.6)	538.4	394.6	93.8
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	(109.2)	(81.3)	(76.8)	(89.6)	(89.6)
Others	(403.0)	335.1	(60.9)	(61.8)	(61.8)
Cash flow from financing	(509.9)	201.2	400.7	243.2	(57.6)
Net cash flow	(454.5)	373.4	55.7	24.2	43.1
Net cash/(debt) b/f	1,188.0	733.5	1,107.0	1,162.7	1,186.9
Net cash/(debt) c/f	733.5	1,107.0	1,162.7	1,186.9	1,230.1
Key Ratios (YE 31 Dec)	FY19	FY20	FY21F	FY22F	FY23F
Revenue growth (%)	(18.4)	(14.5)	13.0	27.7	8.8
EBITDA growth (%)	(11.6)	(28.2)	22.2	48.8	9.8
Pretax margin (%)	15.1	10.0	13.8	16.4	16.6
Net profit margin (%)	11.2	8.9	10.4	12.5	12.9
Interest cover (x)	247.4	18.8	20.6	19.5	19.7
Effective tax rate (%)	25.0	32.3	26.0	24.0	22.0
Dividend payout (%)	40.6	29.5	42.7	32.5	28.8
Debtors turnover (days)	122	148	135	142	139
Stock turnover (days)	152	181	133	100	108
Creditors turnover (days)	251	266	235	204	217

Source: Company, AmlInvestment Bank Bhd estimates

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