



AmInvestment Bank

# MAH SING GROUP

(MSGB MK EQUITY, MAHS.KL)

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## Company report

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03-2036 2025

### Venturing into rubber glove manufacturing business

## BUY

(Maintained)

**Rationale for report: Company update**

Price	RM0.72
Fair Value	RM1.50
52-week High/Low	RM0.91/RM0.31

#### Key Changes

Fair value	↑
EPS	↑

YE to Dec (RM mil)	FY19	FY20F	FY21F	FY22F
Revenue (RM mil)	1,789.7	1,546.0	2,123.7	2,485.8
Core net profit (RM mil) *	109.1	78.3	179.1	241.1
FD Core EPS (sen)	5.2	3.1	7.0	9.4
FD Core EPS growth (%)	(29.9)	(41.3)	128.8	34.6
Consensus Net Profit (RM mil)	-	89.8	128.1	142.9
DPS (sen)	3.2	1.5	3.3	4.5
PE (x)	13.1	22.3	9.8	7.3
EV/EBITDA (x)	4.7	6.4	5.0	4.8
Div yield (%)	4.4	2.0	4.6	6.2
ROE (%)	2.3	1.7	4.1	5.4
Net Gearing (%)	nm	0.6%	8.3%	14.3%

\*Core net profit after distribution to perpetual sukuk/securities

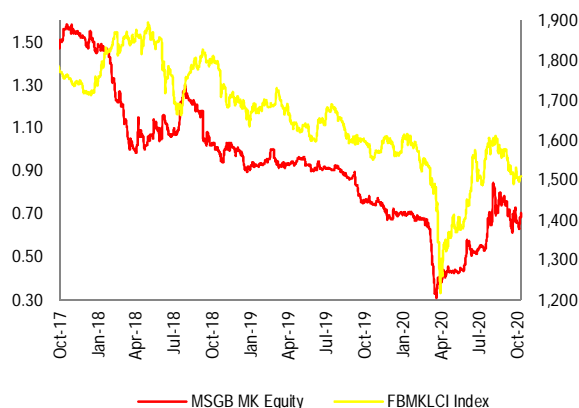
#### Stock and Financial Data

Shares Outstanding (million)	2,427.7
Market Cap (RM mil)	1,747.9
Book Value (RM/share)	1.73
P/BV (x)	0.4
ROE (%)	3.3
Net Gearing (%)	3.4%

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)	10.24

Price performance	3mth	6mth	12mth
Absolute (%)	34.5	72.1	(2.6)
Relative (%)	(1.6)	34.4	(4.9)



#### Investment Highlights

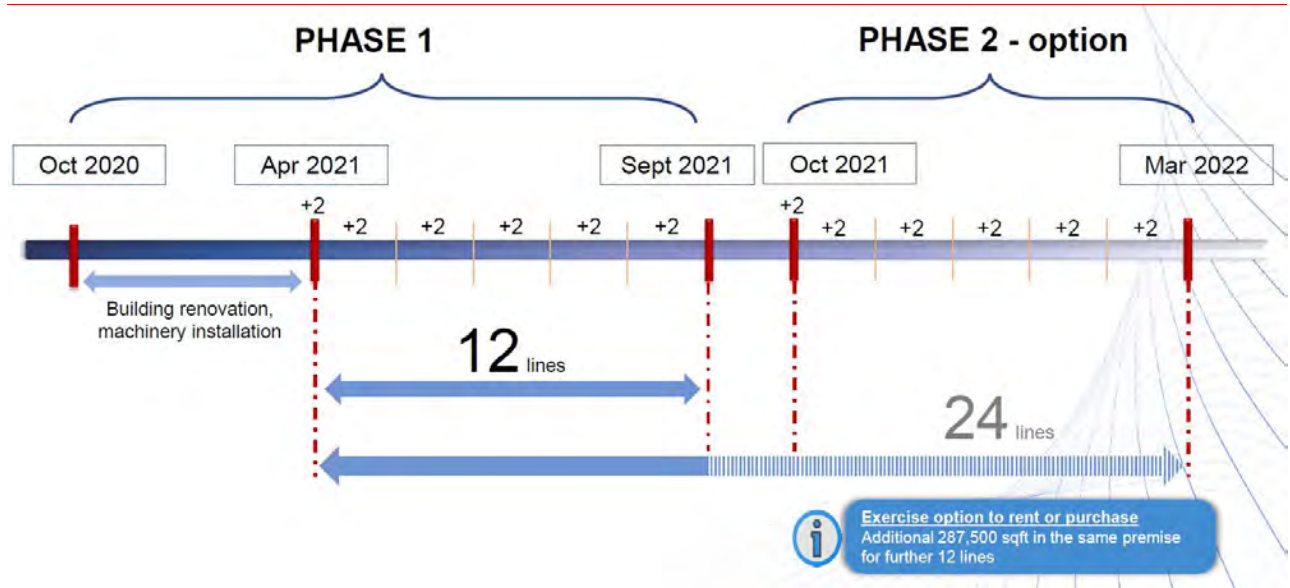
- We maintain our BUY call on Mah Sing Group (Mah Sing) with a higher fair value of RM1.50 per share (from RM0.99), based on SOP valuation (Exhibit 4). The increase in fair value is to reflect the contribution from the company's glove manufacturing business in FY21. We make no changes to our FY20 numbers while raising FY21-FY22 net earnings forecasts by 43% and 91%. We value the glove business at 25x over FY21 earnings which is a discount over the glove sector PE of 35x. We believe the discount is justified as Mah Sing has no prior experience in glove manufacturing business.
- Mah Sing proposed to venture into rubber glove manufacturing and healthcare related business. For phase 1, the company is planning to build 12 new gloves production lines with an estimated total production capacity of up to 3.68bil pieces of gloves per annum, located at Kapar, Klang (Exhibit 1). Capex for commissioning phase 1 is RM150mil. The land is rented at RM274k per month (from 1 November 2020) for 3 years with an option to renew for further four terms. Mah Sing has the first right of refusal to purchase the land at market price if the landlord intends to sell the land during the term of the tenancy agreement.
- The first 6 lines are scheduled to commence production in 2QCY21 while the remaining 6 lines are expected to commence in 3QCY2021 (Exhibit 2). The second phase will put 12 additional production lines with similar output as phase 1. The glove making division will lead by a management team with more than 30 years of experience in the glove industry. Mah Sing intends to gradually expand up to 100 gloves production lines as part of the group's future expansion plan.
- Based on our average selling price (ASP) assumption of USD50/1,000 pieces (spot price), 80% average utilisation rate, nitrile price of RM5.60/kg and MYR/USD exchange rate of RM4.25; the glove division will provide additional net profit of RM51mil and RM105mil for FY21 and FY22 respectively. Hence, we increase our FY21 and FY22 net profit forecasts by 43% and 91% respectively. We believe the spot price to be lower in FY21 (presently >USD80/1,000 pieces) given the availability of covid19 vaccine and increase in glove supply as a result of expansion by other glove manufacturers. Nonetheless, management noted that indicative orders received has exceeded its phase 1 and 2 capacity (Exhibit 3).
- We believe Mah Sing has the financial strength to venture into the glove manufacturing business given its current strong cashflow position coupled with the new issuance of RM100mil convertible sukuk. After paying RM150mil capex for phase 1, Mah Sing's net gearing will increase from 0.4% to 4.8%. All in all, we see this is a positive move by the management given the good prospects in glove business amid the covid19 pandemic. We believe the demand of glove will remain stable post-covid19 due to increase in healthcare awareness and more stringent regulations. We maintain our BUY recommendation on Mah Sing with a fair value of RM1.50.

EXHIBIT 1: LOCATION OF PLANT



Source: Company

EXHIBIT 2: TIMELINE OF COMMISSIONING THE PRODUCTION LINES



Source: Company

## EXHIBIT 3: INDICATIVE ORDERS RECEIVED

	Order Quantity (mil pcs per mth)	Product & Colour
Client A	208	Powder Free Nitrile Gloves
Client B	200	Powder Free Nitrile Gloves 3.5g (Blue)
Client C	167	Powder Free Nitrile Gloves
Client D	90	Powder Free Nitrile Gloves 3.5g (Blue)
Client E	50	Powder Free Nitrile Gloves
Client F	40	Powder Free Nitrile Gloves 3.5g (Blue)
Client G	25	Powder Free Nitrile Gloves 4g (Blue / White)
Others*	91	Powder Free Nitrile Gloves 3 – 3.5g (Blue)
<b>Total</b>	<b>871</b> Per annum demand = <b>9.41</b> billion pieces	

Source: 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	2.0	0.14	100%	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%
<b>Integrated Development &amp; Residential</b>				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%	<b>KK, SABAH</b>			
Perdana Residence 2	10.4	0.71	100%	<b>Integrated Development</b>			
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 (profit portion)		301.20	
Icon Residence Mont' Kiara	24.4	1.67	100%				
Garden Plaza, Cyberjaya	25.0	1.72	100%	<b>TOTAL NPV</b>		<b>1,240.93</b>	
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		4,664.76	
M Cahaya, Subang	125.6	8.62	100%	Less 50% discount to RNAV		(2,332.38)	
Icon City, Petaling Jaya	1,551.9	106.58	100%			2,332.38	
D'sara Sentral	70.0	4.81	100%	Rubber Glove (FY21F target PE of 25x)		1,291.75	
Lakeville Residence	4.7	0.32	100%	Plastics (FY21F target PE of 10x)		111.18	
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		3,835.31	
M Vertica, Cheras	812.7	55.81	100%				
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		<b>1.50</b>	
M Adora, Wangsa Melawati	306.2	21.03	100%				
<b>JOHOR</b>							
<b>Residential Township &amp; Integrated Development</b>							
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%				
<b>Industrial</b>							
Mah Sing i-Parc	189.3	13.73	100%				

Source: AmlInvestment Bank Bhd estimates, Company

## EXHIBIT 5: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY18	FY19	FY20F	FY21F	FY22F
Revenue	2,192.9	1,789.7	1,546.0	2,123.7	2,485.8
EBITDA	380.3	287.6	292.5	444.7	542.2
Depreciation/Amortisation	(22.6)	(40.4)	(34.9)	(47.9)	(56.1)
Operating income (EBIT)	357.7	247.2	257.6	396.8	486.1
Other income & associates	0.0	0.0	0.0	0.0	0.0
Net interest	(10.1)	(1.2)	(47.3)	(77.7)	(93.9)
Exceptional items	0.0	24.2	0.0	0.0	0.0
<b>Pretax profit</b>	<b>347.6</b>	<b>270.2</b>	<b>210.3</b>	<b>319.1</b>	<b>392.2</b>
Taxation	(77.0)	(67.6)	(57.0)	(83.0)	(94.1)
Minority interests	1.0	(2.3)	0.0	0.0	0.0
<b>Net profit</b>	<b>271.6</b>	<b>200.3</b>	<b>153.3</b>	<b>236.1</b>	<b>298.1</b>
Net Profit after distributions to perpetual	190.1	109.1	78.3	179.1	241.1
<b>Balance Sheet (RMmil, YE 31 Dec)</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20F</b>	<b>FY21F</b>	<b>FY22F</b>
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	2,376.3	2,507.3
<b>Total non-current assets</b>	<b>2,254.6</b>	<b>2,345.8</b>	<b>2,576.3</b>	<b>2,807.1</b>	<b>3,038.2</b>
Cash & equivalent	1,220.5	1,063.5	777.5	750.3	726.5
Inventories	731.3	763.3	385.4	557.0	678.6
Trade receivables	946.0	600.0	635.3	792.3	974.5
Other current assets	1,757.1	1,903.3	1,854.1	2,117.2	2,346.7
<b>Total current assets</b>	<b>4,654.8</b>	<b>4,330.0</b>	<b>3,652.4</b>	<b>4,216.9</b>	<b>4,726.3</b>
Trade payables	1,395.8	1,063.9	889.5	1,223.8	1,489.4
Short-term borrowings	121.3	122.0	122.0	122.0	122.0
Other current liabilities	22.4	100.3	98.3	103.0	106.0
<b>Total current liabilities</b>	<b>1,539.6</b>	<b>1,286.2</b>	<b>1,109.8</b>	<b>1,448.9</b>	<b>1,717.4</b>
Long-term borrowings	443.0	444.9	679.8	1,026.0	1,361.1
Other long-term liabilities	103.1	118.3	111.6	127.5	137.4
<b>Total long-term liabilities</b>	<b>546.1</b>	<b>563.2</b>	<b>791.4</b>	<b>1,153.5</b>	<b>1,498.5</b>
<b>Shareholders' funds</b>	<b>4,818.4</b>	<b>4,818.4</b>	<b>4,319.6</b>	<b>4,413.7</b>	<b>4,540.5</b>
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
<b>Cash Flow (RMmil, YE 31 Dec)</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20F</b>	<b>FY21F</b>	<b>FY22F</b>
Pretax profit	347.6	246.0	210.3	319.1	392.2
Depreciation/Amortisation	22.6	40.4	34.9	47.9	56.1
Net change in working capital	354.3	95.2	215.2	(252.5)	(264.6)
Others	(87.2)	34.1	(308.6)	(115.0)	(140.3)
<b>Cash flow from operations</b>	<b>637.2</b>	<b>415.7</b>	<b>151.7</b>	<b>(0.5)</b>	<b>43.4</b>
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)	(130.5)	(130.8)	(131.0)
<b>Cash flow from investing</b>	<b>(321.7)</b>	<b>(360.4)</b>	<b>(230.5)</b>	<b>(230.8)</b>	<b>(231.0)</b>
Debt raised/(repaid)	(176.6)	2.4	234.9	346.1	335.1
Equity raised/(repaid)	0.0	0.0	0.0	0.0	0.0
Dividends paid	(157.8)	(109.2)	(37.1)	(84.9)	(114.3)
Others	65.1	(403.0)	(75.0)	(57.0)	(57.0)
<b>Cash flow from financing</b>	<b>(269.3)</b>	<b>(509.9)</b>	<b>122.8</b>	<b>204.2</b>	<b>163.7</b>
<b>Net cash flow</b>	<b>46.2</b>	<b>(454.5)</b>	<b>44.0</b>	<b>(27.2)</b>	<b>(23.9)</b>
Adjustments	0.0	0.0	0.0	0.0	0.0
<b>Net cash/(debt) b/f</b>	<b>1,141.8</b>	<b>1,188.0</b>	<b>733.5</b>	<b>777.5</b>	<b>750.3</b>
<b>Net cash/(debt) c/f</b>	<b>1,188.0</b>	<b>733.5</b>	<b>777.5</b>	<b>750.3</b>	<b>726.5</b>
<b>Key Ratios (YE31 Dec)</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20F</b>	<b>FY21F</b>	<b>FY22F</b>
Revenue growth (%)	(24.8)	(18.4)	(13.6)	37.4	17.1
EBITDA growth (%)	(23.5)	(24.4)	1.7	52.0	21.9
Pretax margin (%)	15.9	15.1	13.6	15.0	15.8
Net profit margin (%)	12.4	11.2	9.9	11.1	12.0
Interest cover (x)	35.5	206.9	5.4	5.1	5.2
Effective tax rate (%)	22.1	25.0	27.1	26.0	24.0
Dividend payout (%)	40.2	40.6	24.2	36.0	38.4
Receivable turnover (days)	157.5	122.4	150.0	136.2	143.1
Inventory turnover (days)	113.2	152.4	135.6	81.0	90.7
Payable turnover (days)	243.0	250.8	230.6	181.6	199.2

Source: Company, AmlInvestment Bank Bhd estimates



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