

31 May 2019

Mah Sing Group Berhad

Within Our Expectation

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1Q19 CNP of RM37m came within our, but below street's, expectation. The quarter's sales of RM301m are on track to meeting management's target and our estimate. No dividends declared, as expected. Management is sticking to its FY19 sales target of at least RM1.50b, driven mainly by its Klang Valley affordable housing products. No changes to earnings. Reiterate OUTPERFORM and TP of RM1.05.

Within our, but slightly below street's, expectation. 1Q19 CNP* of RM37m is within our expectation at 20% but slightly below the street's full-year estimate at 16%. We believe that street's estimates could be on the high-side due to definitions of CNP where some forecasts included perpetual sukuk distributions while others did not. This quarter's sales of RM301m accounted for 20% each of management's target of at least RM1.50b and our RM1.52b forecast, implying that they are still on track. No dividends, as expected.

Results' highlights. YoY, 1Q19 CNP dipped by 20% primarily due to a 23% drop in revenue given the declining annual sales trend over the last few years, but was partly cushioned by an improvement in EBIT margin (+1.5ppt to 16.6%) on better product margin mix as some projects are at more advanced billing stages. **QoQ**, 1Q19 CNP fell 16% on the back of weaker billings due to recognition timing while EBIT margin was relatively flattish (-0.4ppt to 16.6%). Net cash position remained strong at 0.20x while we note that inventories have dropped by 10% QoQ to RM660m (at cost), thanks to their strong marketing initiatives, including the Home Ownership Campaign.

FY19E sales target to be at least RM1.50b, according to management, to be driven by RM2.2b GDV worth of launches (of which RM388m was launched over 1Q19) from its on-going projects. Products offered are mainly urban affordable units to residential upgrades of which 81% are priced below RM700,000. With its light balance sheet, we note that MAHSING is still on the lookout for affordable housing landbanks in Klang Valley, likely those in more established areas.

No changes to earnings. Unbilled sales of RM1.58b provide less than 1-year's visibility.

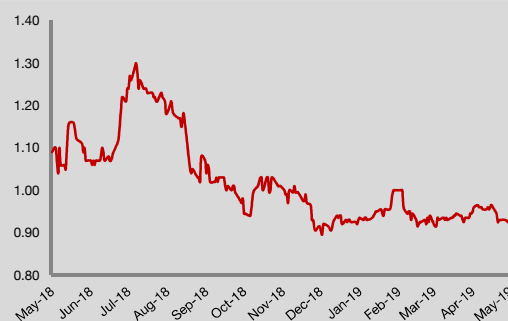
Reiterate OUTPERFORM with an unchanged TP of RM1.05 based on a SoP discount of 63% (-1.25SD) on its FD SoP of RM2.84. This is in-line with our universe's valuation range (-1.0SD to trough levels) while MAHSING's positioning as an affordable housing player warrants the better-end of our applied discount spectrum. Nonetheless, Fwd. PBV of 0.6x is at historical trough levels and has above peers' average dividend yields of 4.4% (universe average: 2.2%). We also expect the group to continue landbanking replenishment in the affordable housing space (note that our FD SoP already included GDV replenishments of RM1.7b). YTD-wise, the stock performance has lagged behind the KLPRP (+2.6%) at +0.6%.

Risks include: (i) weaker-than-expected property sales, (ii) margin compressions, (iii) changes in real estate policies, and (iv) changes in lending environment.

OUTPERFORM ↔

Price : **RM0.905**
Target Price : **RM1.050** ↔

Share Price Performance



KLCI	1,636.50
YTD KLCI chg	-3.2%
YTD stock price chg	-1.1%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MSGB MK Equity
Market Cap (RM m)	2,197.1
Shares Outstanding	2,427.7
52-week range (H)	1.32
52-week range (L)	0.89
3-mth avg daily vol:	752,368
Free Float	81%
Beta	1.0

Major Shareholders

Employee Provident Fund Board	8.7%
Urusharta Jamaah Sdn Bhd	5.8%
Kumpulan Wang Persaraan Diperbadankan	5.0%

Summary Earnings Table

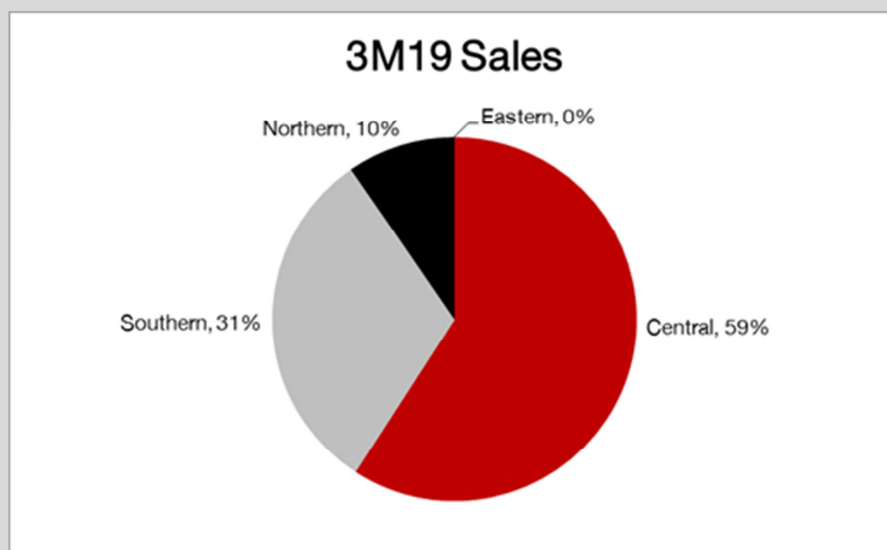
FYE Dec (RM m)	2018A	2019E	2020E
Turnover	2,193	2,292	2,452
EBIT	368	385	388
PBT	348	367	369
Net Profit (NP)	190	185	187
Core NP (CNP)	190	185	187
Consensus (CNP)	n.a.	231	244
Earnings Revision	n.a.	n.a.	n.a.
FD EPS (sen)	6.8	6.6	6.7
FD EPS growth (%)	-36%	-3%	1%
NDPS (sen)	4.5	4.0	4.0
BV/Share (RM)	1.44	1.47	1.51
FD PER (x)	13.4	13.7	13.6
Price/BV (x)	0.6	0.6	0.6
Net Gearing (x)	(0.2)	(0.1)	(0.0)
Dividend Yield (%)	5.0%	4.4%	4.4%

* CNP : Defined as core net profit to attributable to ordinary shareholders i.e. net of hybrid capital financing costs (e.g. Perpetual bonds). But note that our CNP excludes one-offs and non-cash adjustments.

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OTHER POINTS

1Q19 Sales Composition



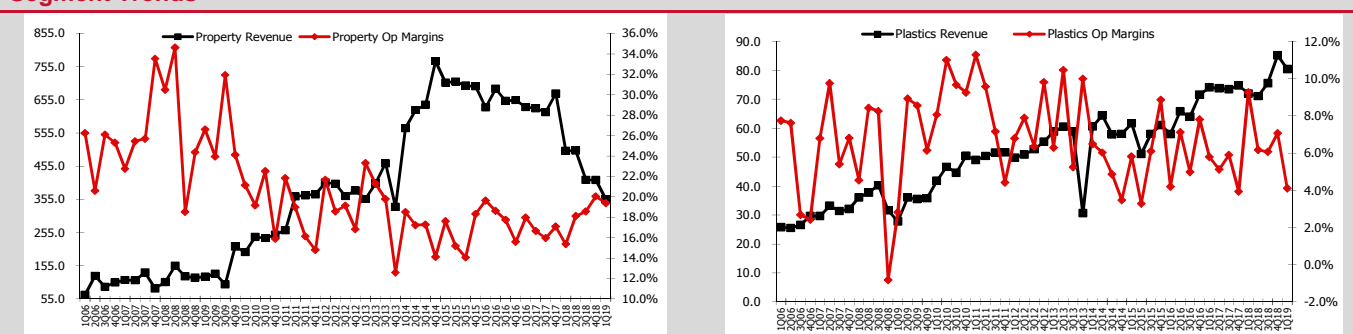
Source: Company, Kenanga Research

Result Highlight

FYE 31 Dec (RM'm)	1Q19	4Q18	QoQ%	1Q18	YoY%	1Q19	1Q18	YtdYoY
Revenue	450.3	514.6	-12%	584.8	-23.0%	450.3	584.8	-23%
Op costs w/o depn	-370.4	-432.9	-14%	-498.0	-25.6%	-370.4	-498.0	-26%
Other Op Income	5.0	11.9	-58%	7.1	-29.9%	5.0	7.1	-30%
Interest income	3.8	3.2	21%	2.3	68.9%	3.8	2.3	69%
EBITDA	84.9	93.6	-9%	93.8	-9.5%	84.9	93.8	-10%
EBIT	74.8	87.4	-14%	88.5	-15.5%	74.8	88.5	-16%
Interest expense	-4.7	-6.5	-28%	-4.6	0.6%	-4.7	-4.6	1%
Pretax profit	73.9	84.1	-12%	86.1	-14.2%	73.9	86.1	-14%
Taxation	-19.3	-18.7	3%	-21.5	-10.3%	-19.3	-21.5	-10%
MI + P.Bond/Securities Financing Cost	-18.0	-21.9	-18%	-18.8	-4.3%	-18.0	-18.8	-4%
Net profit	36.7	43.5	-16%	45.9	-20.0%	36.7	45.9	-20%
Core NP	36.7	43.5	-16%	45.9	-20.0%	36.7	45.9	-20%
EPS (sen)	1.5	1.8	-16%	1.9	-20.1%	1.5	1.9	-20%
NDPS (sen)	0.0	4.5		0.0		0.0	0.0	
NTA/share (RM)	1.45	1.43		1.44		1.45	1.44	
Net gearing/(cash) (x)	-0.20	-0.19		-0.04		-0.20	-0.04	
<i>EBIT margin</i>	<i>16.6%</i>	<i>17.0%</i>		<i>15.1%</i>		<i>16.6%</i>	<i>15.1%</i>	
<i>Pretax margin</i>	<i>16.4%</i>	<i>16.3%</i>		<i>14.7%</i>		<i>16.4%</i>	<i>14.7%</i>	
<i>Effective tax rate</i>	<i>26.1%</i>	<i>22.2%</i>		<i>24.9%</i>		<i>26.1%</i>	<i>24.9%</i>	

Source: Company, Kenanga Research

Segment Trends

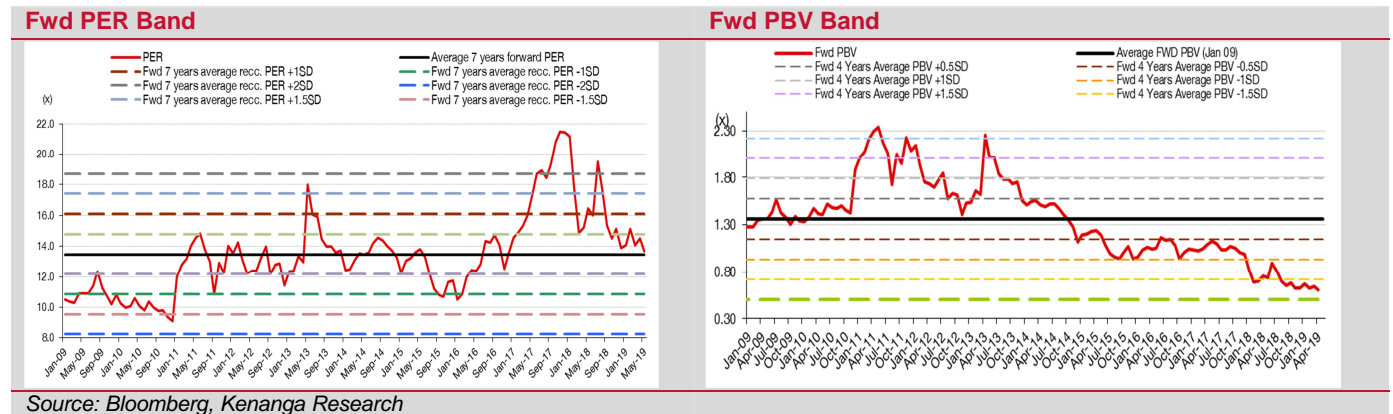


Source: Company, Kenanga Research

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FD SOP						
Projects	Stake	Duration (assumed) Years	Remaining GDV (RM'm)	Remaining Net Profit *** (RM'm)	WACC (%)	DCF Value (RM m)***
Total Unbilled Sales	various	various	4,754	680	10%	577
Northern Region						
Legenda @ Southbay, Penang	70%	2	104	12	10%	11
Southbay City (Commercial), Penang	100%	6	1722	287	10%	209
Icon Residence, Georgetown	100%	2	280	40	10%	35
BatuFerringhi / Ferringhi Residence	100%	5	614	88	10%	67
BktMertajam Industrial Park	100%	4	150	18	10%	14
Southern Region						
Sri PulaiPerdana, Skudai	100%	2	56	8	10%	7
Sri PulaiPerdana 2, Skudai	100%	12	28	4	10%	2
Austin Perdana, Tebrau	100%	2	139	20	10%	17
Sierra Perdana, Tebrau-Plentong	100%	5	560	80	10%	61
Meridin@Medini	100%	6	407	49	10%	40
Mah Sing iParc @ TjKupang Johor	100%	3	283	34	10%	28
Bandar Meridin East	100%	7	5000	668	10%	464
Central Region						
AmanPerdana, Meru Shah Alam	100%	2	94	13	10%	12
Hijaun Residence, Cheras	100%	3	226	32	10%	27
Southgate Commercial Centre, KL	100%	1	2	0	10%	0
Icon Residence, Mont Kiara	100%	2	94	13	10%	12
Low cost housing, BayuSekamat, Hulu Langat	100%	2	7	0	10%	0
Garden Residence, Cyberjaya	100%	2	139	20	10%	17
Clover, Garden Residence 2, Cyberjaya	100%	2	24	3	10%	3
Garden Plaza, Cyberjaya	100%	2	32	5	10%	4
Perdana Residence 2, Selayang	100%	1	13	2	10%	2
Icon City (PJ Commercial Hub @ LDP)	100%	6	1937	286	10%	208
M Suites @ JlnAmpang	100%	1	6	1	10%	1
Kinrara Residence + Kinrara JV	100%	1	33	4	10%	4
Star Avenue, PekanSubang	100%	2	88	13	10%	11
M-City	100%	2	171	22	10%	19
Star residence, Subang	100%	3	155	20	10%	17
D'saraSentral	100%	4	406	52	10%	41
SouthVille City @ Bangi	100%	8	9694	1,387	10%	1,052
M Residence @ Rawang	100%	5	475	68	10%	52
M Residence 2 @Rawang	100%	5	322	46	10%	37
Lakeville Residence, TmnWahyu	100%	4	673	96	10%	73
M Residence 3@Rawang	100%	5	520	74	10%	56
Sentul KL land	78%	4	1300	160	10%	115
Cheras, KL land	100%	5	2200	325	10%	234
East Malaysia						
Sutera Avenue @ KK Sabah (portion 1: 4.26ac)	100%	5	178	21	10%	16
GDV Replenishment	100%	6	2200	315	10%	275
Property BV @ 31/12/15						2,896
Property RNAV						6,714
Plastics - based on FY16E PER of 13x						129
Other Assets at 0.8x PBV						470
FD impact (RM'm)						695
FD SOP per share (RM)						RM2.84
FD No of shares ('m)						2,810
Discount to Property RNAV						-76%
SOP Discount						-63%
TP per share (RM)						RM1.05
Source: Kenanga Research						

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Peer Comparison

Name	Last Price	Market	Shariah	Current	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div.Yld. (%)	Target	Rating
	(RM)	Cap (RM'm)	Compliant	FYE	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	Price (RM)	
PROPERTY DEVELOPERS UNDER COVERAGE																	
AMVERTON BHD	1.08	394.3	Y	12/2019	-0.7%	3.4%	-58.8%	7.3%	16.5	40.0	37.3	0.6	0.5	1.4%	0.0%	1.00	UP
ECO WORLD DEVELOPMENT GROUP	0.860	2,532.2	Y	10/2019	-4.4%	-18.3%	23.4%	23.9%	15.3	12.4	10.0	0.7	0.6	4.5%	1.2%	1.15	OP
HUA YANG BHD	0.305	107.4	Y	03/2020	-11.0%	-1.2%	153.2%	-11.8%	N.A.	13.1	14.8	0.2	0.2	1.4%	0.0%	0.335	MP
IOI PROPERTIES GROUP BHD	1.29	7,102.9	Y	06/2019	-15.0%	-6.0%	5.3%	0.7%	10.7	10.2	10.1	0.4	0.4	3.8%	3.9%	1.65	OP
LBS BINA GROUP BHD	0.515	802.9	Y	12/2019	31.3%	0.9%	7.9%	3.4%	9.4	8.7	8.5	0.6	0.5	6.6%	3.4%	0.675	MP
MAGNA PRIMA BHD	0.880	292.7	Y	12/2019	40.0%	11.1%	9637.5%	338.9%	N.A.	1,168.2	266.2	0.8	0.8	0.1%	0.0%	0.740	UP
MAH SING GROUP BHD	0.905	2,197.1	Y	12/2019	4.5%	7.0%	-2.5%	1.0%	13.4	13.7	13.6	0.6	0.6	5.2%	4.4%	1.05	OP
MALAYSIAN RESOURCES CORP BHD	0.930	4,091.9	Y	12/2019	-37.3%	58.2%	3.8%	46.1%	54.1	52.1	35.7	0.8	0.8	1.6%	1.5%	0.750	UP
SIME DARBY PROPERTY BHD	1.06	7,208.9	Y	12/2019	13.6%	12.5%	7.8%	16.9%	19.6	18.2	15.6	0.8	0.8	4.1%	2.2%	1.10	MP
SP SETIA BHD	2.11	8,508.6	Y	12/2019	7.8%	29.7%	71.3%	50.5%	38.8	22.6	15.0	0.6	0.6	2.5%	3.3%	2.45	OP
SUNSURIA BHD	0.660	587.3	Y	09/2019	-18.5%	7.4%	-14.7%	9.7%	4.4	5.2	4.7	0.6	0.6	12.9%	0.0%	0.760	OP
SUNWAY BHD	1.69	8,252.0	Y	12/2019	-2.7%	12.5%	-8.5%	22.5%	14.1	15.4	12.6	1.0	1.0	6.3%	3.5%	1.60	MP
UEM SUNRISE BHD	0.860	3,902.2	Y	12/2019	37.0%	-14.3%	9.0%	-11.7%	12.0	11.0	12.4	0.6	0.6	4.9%	1.2%	0.850	MP
UOA DEVELOPMENT BHD	2.30	4,240.6	Y	12/2019	0.6%	-0.4%	4.6%	0.9%	12.7	12.2	12.1	0.9	0.9	7.4%	6.1%	2.15	MP
Simple Average					3.2%	7.3%	702.8%	35.6%	18.4	100.2	33.5	0.7	0.6	4.5%	2.2%		
*SIMEPROP change of FY-end from 30-Jun to 31-Dec. Our historical numbers are based on FY18A while 1-Yr and 2-Yr Fwd are based on FY19E and FY20E figures																	
CONSENSUS NUMBERS																	
GLOMAC BHD	0.350	273.1	Y	04/2019	-37.9%	22.4%	-81.8%	179.8%	8.7	47.9	17.1	0.3	N.A.	0.6%	1.1%	0.390	SELL
MATRIX CONCEPTS HOLDINGS BHD	1.93	1,518.5	Y	03/2019	25.1%	12.1%	-2.3%	11.5%	7.1	7.3	6.5	1.1	1.1	16.2%	6.2%	2.33	BUY
PARAMOUNT CORP BHD	2.10	910.0	Y	12/2019	-1.4%	8.4%	2.4%	5.3%	9.9	9.7	9.2	0.8	N.A.	7.2%	4.3%	2.56	BUY
TAMBUN INDAH LAND BHD	0.755	327.3	Y	12/2019	-14.3%	10.6%	-22.4%	10.1%	5.9	7.6	6.9	0.5	N.A.	7.1%	5.7%	0.897	BUY
TITIJAYA LAND BHD	0.295	375.6	Y	06/2019	-14.3%	13.9%	-28.4%	17.1%	5.2	7.2	6.2	0.3	0.3	3.9%	1.7%	0.360	BUY
YONG TAI BHD	0.335	179.0	Y	06/2019	28.1%	108.6%	-168.0%	66.5%	11.5	N.A.	11.3	0.4	0.5	-4.5%	0.0%	0.343	NEUTRAL

Source: Kenanga Research

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Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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