

# Mah Sing Group Berhad

## Third Land Banking This Year

By Adrian Ng | [adrian.ng@kenanga.com.my](mailto:adrian.ng@kenanga.com.my)

**MAHSING announced the acquisition of a piece of land measuring 4.52 acres in Wangsa Melawati costing RM62.0m. This marks its third land acquisition this year. With GDV of RM378.0m, this project targets the affordable housing segment, which has seen encouraging momentum of late. We are optimistic on this project and maintain our OP call with an unchanged TP of RM1.05.**

**Third land bank replenishment for the year.** An SPA was entered into with KLFA Properties S/B to acquire 4.52 acres of leasehold land with approved DO in Wangsa Melawati for RM62.0m. The acquisition cost works out to RM13.7m per acre or just under RM315psf. Well-located in a matured area surrounded by 8 public schools, and 6 malls in Setapak. The acquisition cost works out with a land cost to GDV ratio of c.16%, which we deem is fair considering that the land has approved development order. We were not surprised with the news as we have anticipated for MAHSING to be active in landbanking activities.

**Estimated GDV of RM378.0m.** We gather that the land already has its development order (DO) in place for two blocks of service-apartments. Named M Adora, it will be positioned similarly to Mah Sing's previous successful launches in the likes of M Luna, M Vertica and M Centura. At a land cost-to-GDV ratio of c.16%, it should yield mid-to-high teens pre-tax margins by our estimates, in-line with the group's average pre-tax margins. Post-acquisition, we expect FY19 net cash position to narrow down to 0.09x (from 0.10x).

**Focusing on affordability is key to this project's success.** The right pricing strategy for this affordable mid-market segment gives us confidence of the project's success. At the expected average selling price psf of c.RM550.0psf, the smallest unit (at ~850sf) at M Adora would sell from RM468.0k onwards – a figure well within the acceptable range of Klang Valley's affordable mid-market home seeker.

**No changes to earnings,** as we anticipate the official launch to take place in 2020 and it has been factored into our FY20 sales estimates of RM1.5b.

**Maintain OUTPERFORM.** We reiterate OUTPERFORM on MAHSING with an unchanged Target Price of RM1.05, which is based on a SoP discount of 63% (-1.25SD) on its FD SoP of RM2.84. No change to our RNAV, as the project's value is within our RM1.0b GDV replenishment assumption. Post-acquisition, our GDV replenishment assumption is reduced to RM0.6b (from RM1.0b). The implied SoP discount is in-line with our universe's valuation range of (from -1.0SD to historical trough levels), while MAHSING's quick turnaround strategy and positioning as an affordable housing player deserve the better-end of our applied discount spectrum.

**Risks to our call 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 1,611.79  
YTD KLCI chg -4.7%  
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)	1.27
52-week range (L)	0.89
3-mth avg daily vol:	1,055,502
Free Float	80%
Beta	0.8

### Major Shareholders

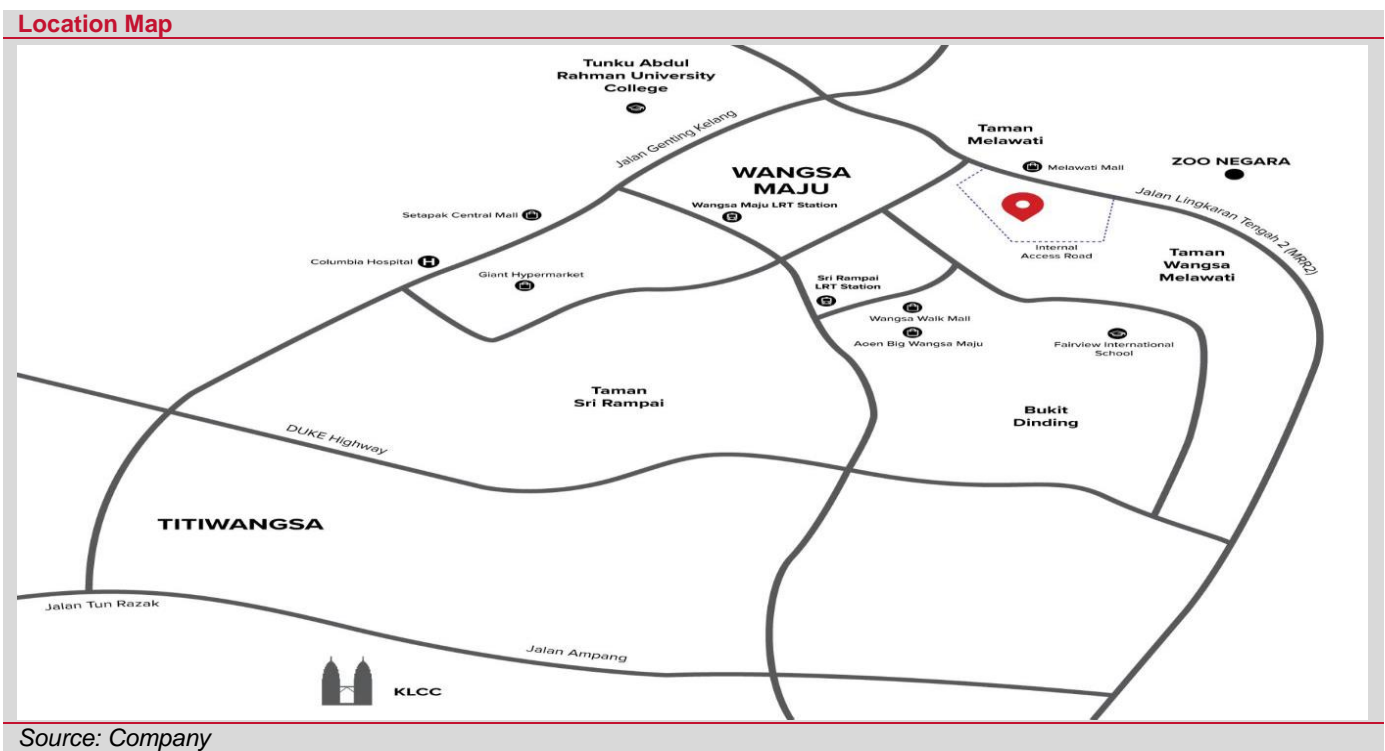
Employees Provident Fund Board	8.7%
Urusharta Jamaah Sdn Bhd	5.8%
Kumpulan Wang Persaraan Diperbadankan	5.0%

### Summary Earnings Table

FYE Dec (RM m)	2018A	2019E	2020E
Turnover	2,193	2,292	2,452
EBIT	368	385	388
PBT	348	362	362
<b>Net Profit (NP)</b>	<b>190</b>	<b>182</b>	<b>181</b>
<b>Core NP (CNP)</b>	<b>190</b>	<b>182</b>	<b>181</b>
Consensus (CNP)	N.A.	212.4	223.6
Earnings Revision	N.A.	0%	0%
FD EPS (sen)	6.8	6.5	6.5
FD EPS growth (%)	-36%	-4%	0%
NDPS (sen)	4.5	4.0	4.0
BV/Share (RM)	1.44	1.47	1.51
FD PER (x)	13.4	14.0	14.0
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= 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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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
<b><u>Northern Region</u></b>						
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
Batu Ferringhi / Ferringhi Residence	100%	5	614	88	10%	67
Bkt Mertajam Industrial Park	100%	4	150	18	10%	14
<b><u>Southern Region</u></b>						
Sri Pulai Perdana, Skudai	100%	2	56	8	10%	7
Sri Pulai Perdana 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 @ Tj Kupang Johor	100%	3	283	34	10%	28
Bandar Meridin East	100%	7	5000	668	10%	464
<b><u>Central Region</u></b>						
Aman Perdana, 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, Bayu Sekamat, 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 @ Jln Ampang	100%	1	6	1	10%	1
Kinrara Residence + Kinrara JV	100%	1	33	4	10%	4
Star Avenue, Pekan Subang	100%	2	88	13	10%	11
M-City	100%	2	171	22	10%	19
Star residence, Subang	100%	3	155	20	10%	17
D'sara Sentral	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, Tmn Wahyu	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
Mukim Petaling KL land	100%	5	500	74	10%	53
Taman Metropolitan, Kepong	100%	5	705	118	10%	85
Wangsa Melawati	100%	5	378	63	10%	45
<b><u>East Malaysia</u></b>						
Sutera Avenue @ KK Sabah (portion 1: 4.26ac)	100%	5	178	21	10%	16
GDV Replenishment	100%	6	622	104	10%	91
Property BV @ 31/12/15						2,896
<b>Property RNAV</b>						<b>6,713</b>
Plastics - based on FY16E PER of 10x						89
Other Assets at 0.8x PBV						470
FD impact (RM'm)						695
<b>FD SOP per share (RM)</b>						<b>RM 2.84</b>
FD No of shares ('m)						2,810
Discount to Property RNAV						-76%
SOP Discount						-63%
<b>TP per share (RM)</b>						<b>RM1.05</b>
* Our TP is rounded to nearest 0 or 5 sen						
Source: Kenanga Research						

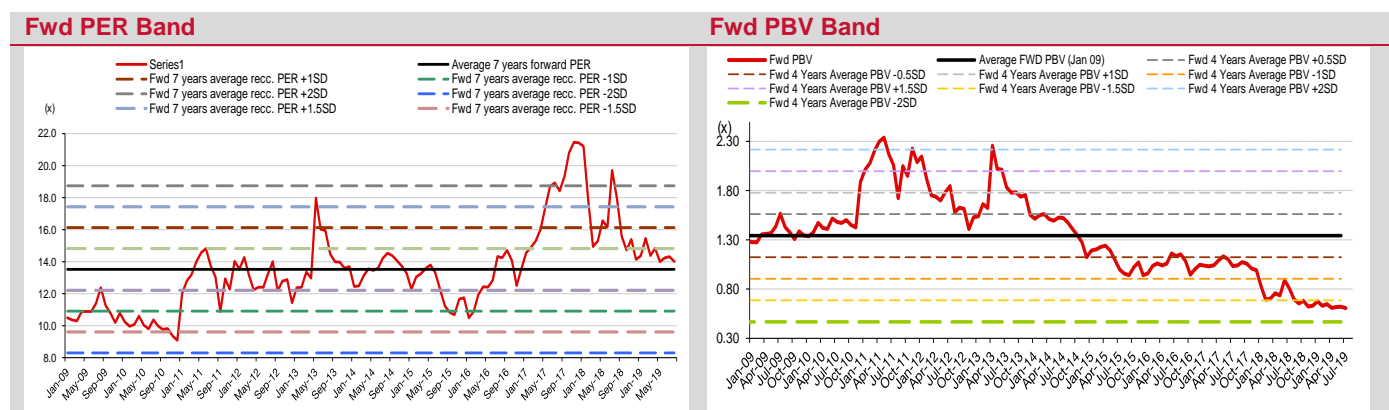
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Income Statement						Financial Data & Ratios					
FY Dec (RM m)	2016A	2017A	2018A	2019E	2020E	FY Dec (RM m)	2016A	2017A	2018A	2019E	2020E
Revenue	2958	2916	2193	2292	2452	<b>Growth (%)</b>					
EBITDA	487	468	364	381	383	Revenue	-4.9	-1.4	-24.8	4.5	7.0
Depreciation	-18	-20	-23	-24	-25	EBITDA	10.0	-3.9	-22.4	4.7	0.6
EBIT	509	481	368	385	388	EBIT	3.8	-5.5	-23.5	4.6	0.8
Interest Expense	-4	-17	-21	-23	-27	Pre-tax Income	-4.1	-2.2	-26.4	4.2	-0.2
Investing	0	0	0	0	0	Core NP	-1.0	-14.4	-36.0	-4.3	-0.3
Associate/JCE	0	0	0	0	0						
Exceptionals/FV	-22	8	0	0	0	<b>Profitability (%)</b>					
PBT	483	472	348	362	362	EBITDA Margin	16.5	16.1	16.6	16.6	15.6
Taxation	-123	-113	-77	-80	-80	EBIT Margin	17.2	16.5	16.8	16.8	15.8
Minority Interest	-36	-56	-81	-101	-101	PBT Margin	16.3	16.2	15.9	15.8	14.7
Net Profit	325	303	190	182	181	Core Net Margin	11.7	10.2	8.7	7.9	7.4
Core NP	347	297	190	182	181	Effective Tax Rate	-25.4	-24.0	-22.1	-22.0	-22.0
						ROE	10.1	9.0	5.5	5.2	5.0
						ROA	5.1	4.5	2.7	2.6	2.6
						<b>DuPont Analysis</b>					
						Net margin (%)	11.7	10.2	8.7	7.9	7.4
						Assets Turnover (x)	0.5	0.4	0.3	0.3	0.4
						Leverage Factor (x)	2.0	2.0	2.0	2.0	1.9
						ROE (%)	10.1	9.0	5.5	5.2	5.0
						<b>Leverage</b>					
						Debt/Asset (x)	0.2	0.1	0.1	0.1	0.1
						Debt/Equity (x)	0.3	0.2	0.2	0.2	0.2
						Net Debt/(Cash)	77.7	-434.8	-656.1	-371.6	-37.9
						Net Debt/Equity (x)	0.02	-0.13	-0.19	-0.10	-0.01
						<b>Valuations</b>					
						Core EPS (sen)	14.3	12.2	7.8	7.5	7.5
						Core FD EPS (sen)	12.3	10.6	6.8	6.5	6.5
						NDPS (sen)	6.5	6.5	4.5	4.0	4.0
						BV/share (RM)	1.35	1.42	1.44	1.47	1.51
						Core PER (x)	6.3	7.3	11.6	12.1	12.1
						Core FD PER (x)	7.3	8.6	13.4	14.0	14.0
						Net Div. Yield (%)	7.1	7.2	5.0	4.4	4.4
						PBV (x)	0.7	0.6	0.6	0.6	0.6
						EV/EBITDA (x)	4.8	5.0	6.4	6.1	6.1

Source: Kenanga Research

Note:

1. Net gearing definition excludes the perpetual bond from the calculations as we view it as an MI.



Source: Bloomberg, 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	1.13	412.5	Y	12/2019	-0.7%	3.4%	-58.8%	7.3%	17.2	41.8	39.0	0.6	0.6	1.4%	0.0%	1.00	UP
ECO WORLD DEVELOPMENT GROUP	0.770	2,267.2	Y	10/2019	-4.4%	-18.3%	9.5%	18.8%	13.7	12.5	10.5	0.5	0.5	4.8%	1.2%	1.15	OP
HUA YANG BHD	0.455	160.2	Y	03/2020	-11.0%	-1.2%	153.2%	-11.8%	N.A.	19.5	22.1	0.3	0.3	1.4%	0.0%	0.335	UP
IOI PROPERTIES GROUP BHD	1.27	6,992.8	Y	06/2019	-15.0%	-6.0%	2.2%	-5.3%	10.6	10.3	10.9	0.4	0.4	3.6%	3.9%	1.65	OP
LBS BINA GROUP BHD	0.525	819.6	Y	12/2019	31.3%	0.9%	7.9%	-7.2%	9.6	8.9	9.6	0.6	0.5	6.6%	3.4%	0.495	MP
MAGNA PRIMA BHD	1.14	379.2	Y	12/2019	40.0%	11.1%	9637.5%	338.9%	N.A.	1,513.4	344.8	1.1	1.1	0.1%	0.0%	0.740	UP
MAH SING GROUP BHD	0.905	2,197.1	Y	12/2019	4.5%	7.0%	-4.3%	-0.3%	13.4	14.0	14.0	0.6	0.6	5.2%	4.4%	1.05	OP
MALAYSIAN RESOURCES CORP BHD	0.895	3,948.8	Y	12/2019	-37.3%	58.2%	0.6%	34.5%	52.1	51.7	38.5	0.8	0.8	1.6%	1.5%	0.750	UP
SIME DARBY PROPERTY BHD	0.950	6,460.8	Y	12/2019	13.6%	12.5%	1.5%	9.7%	17.6	17.4	15.8	0.7	0.7	3.9%	2.3%	1.10	MP
SP SETIA BHD	1.84	7,438.2	Y	12/2019	7.8%	29.7%	63.2%	39.5%	33.8	20.7	14.8	0.5	0.5	2.4%	3.8%	2.45	OP
SUNSURIA BHD	0.745	663.0	Y	09/2019	-18.5%	7.4%	-19.3%	4.4%	5.0	6.2	5.9	0.7	0.7	12.2%	0.0%	0.760	OP
SUNWAY BHD	1.62	7,894.1	Y	12/2019	-2.7%	12.5%	-8.5%	10.6%	13.5	14.8	13.4	0.9	0.9	6.3%	3.6%	1.60	MP
UEM SUNRISE BHD	0.780	3,539.2	Y	12/2019	37.0%	-14.3%	5.9%	-18.1%	10.9	10.2	12.5	0.5	0.5	4.8%	1.3%	0.835	MP
UOA DEVELOPMENT BHD	2.03	3,991.0	Y	12/2019	0.6%	-0.4%	4.4%	0.8%	11.2	10.8	10.7	0.8	0.8	7.4%	6.9%	2.15	MP
Simple Average					3.2%	7.3%	699.6%	30.1%	17.4	125.2	40.2	0.6	0.6	4.4%	2.3%		
*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	0.370	288.1	Y	04/2020	12.9%	38.7%	25.7%	90.1%	21.2	16.8	8.9	0.3	N.A.	1.6%	2.4%	0.405	N.A
MATRIX CONCEPTS HOLDINGS BHD	1.89	1,487.1	Y	03/2020	3.0%	9.6%	3.8%	9.3%	6.8	6.6	6.0	1.1	1.1	16.3%	6.9%	2.36	BUY
PARAMOUNT CORP BHD	1.43	867.6	Y	12/2019	-1.4%	8.4%	2.4%	5.3%	9.4	9.2	8.8	0.8	N.A.	7.2%	4.5%	1.83	BUY
TAMBUN INDAH LAND BHD	0.795	344.6	Y	12/2019	-14.3%	10.6%	-22.4%	10.1%	6.2	8.0	7.3	0.6	N.A.	7.1%	5.4%	0.897	BUY
TITIJAYA LAND BHD	0.295	374.1	Y	06/2019	-14.3%	13.9%	-36.3%	19.5%	5.2	8.1	6.8	0.3	0.3	3.5%	43.4%	0.310	BUY
YONG TAI BHD	0.245	130.9	Y	06/2019	28.1%	108.6%	-238.6%	281.2%	8.4	N.A.	17.1	0.3	0.3	-4.5%	0.0%	0.343	N.A

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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#### **KENANGA INVESTMENT BANK BERHAD (15678-H)**

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia

Telephone: (603) 2172 0880 Website: [www.kenanga.com.my](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)

