

01 December 2022

Mah Sing Group

Sales Defying Gravity

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MAHSING's 9MFY22 earnings met expectations. Its property sales were strong at RM1.7b, exceeding both our expectation and its own internal target. While keeping our FY22F earnings, we raise FY23F's by 14% as we lift our annual sales assumption to RM2.2b for both FY22 and FY23 (from RM1.7b). We maintain our TP of RM0.60 but upgrade our call to OUTPERFORM from MARKET PERFORM as we see value in MAHSING after the recent weakness in its share price.

Within expectations. 9MFY22 core net profit of RM105m (after adjusting for RM24m insurance claims, RM6m PPE write-off and RM12m inventories written down) came in within expectations at 70% and 73% of our full-year forecast and the full-year consensus estimate, respectively.

9MFY22 earnings improved 13% in tandem with the rise in revenue (+35%) on: (i) better progress billings as construction activities returned to normalcy from a pandemic-stricken period a year ago, and (ii) higher unbilled sales of RM1.9b at the start of FY22 (vs RM1.6b a year ago).

Outlook. Despite the challenging market condition especially with rising interest rates, MAHSING managed to book in RM1.7b sales (backed by RM867m worth of new launches) in 9MFY22. This already matched our full-year assumption of RM1.7b and is on track to surpass its internal target of RM2.0b. As such, we raise our FY22F sales assumption by 30% to RM2.2b. For 4QFY22F, MAHSING has earmarked c.RM0.4b worth of launches namely from M Astra and link homes at Meridin East. As at end-Sept 2022, its unbilled sales stood at a healthy RM2.3b.

Separately, while its glove division would likely remain loss-making going into FY23, we foresee the losses to narrow on better sales volumes from new multinational clients, tighter cost controls, lower raw material prices and the bottoming of selling prices.

Forecasts. While keeping our FY22F earnings, we raise FY23F's by 14% on higher annual sales assumption of RM2.2b for both FY22 and FY23 (from RM1.7b).

We maintain our TP of RM0.60 based on a 65% discount to RNAV, at the upper-end of the sector's average of 60-65% to reflect its on-going projects which are skewed towards high-rise products faced with a national overhang issue. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 5). We see value in MAHSING after the recent weakness in its share price. Upgrade to **OUTPERFORM** from **MARKET PERFORM**.

We like MAHSING for: (i) its commendable cash management with net gearing being reduced from a peak of 0.37x to 0.27x as of 3QFY22, (ii) appealing lifestyle-focused products at affordable prices providing ease of entry for first time home buyers, and (iii) quick turnaround strategy for its land banks which helps save on land carrying costs.

Risks to our call include: (i) persistent overhang in the high-rise segment, (ii) widening losses at its glove division due to oversupply, and (iii) sustained elevated inflation and rising interest rates, hurting affordability.

OUTPERFORM ↑

Price: RM0.53
Target Price: RM0.60 ↔

Share Price Performance



KLCI 1,488.80
YTD KLCI chg -5.0%
YTD stock price chg -23.2%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MSGB MK EQUITY
Market Cap (RM m)	1,286.7
Shares Outstanding	2,427.7
52-week range (H)	0.77
52-week range (L)	0.49
3-mth avg. daily vol:	1,992,386
Free Float	50%
Beta	1.0

Major Shareholders

MayangTeratai Sdn Bhd	26.9%
Amanah Saham Nasional	12.2%
Bank of Singapore Limited	7.5%

Summary Earnings Table

FYE Dec (RM m)	2021A	2022F	2023F
Turnover	1,754	2,074	2,162
EBIT	261	314	300
PBT	219	226	185
Net Profit (NP)	161	172	141
Core NP (CNP)	106	150	141
Consensus (CNP)	n.a.	144	164
Earnings Revision	n.a.	0%	+14%
FD EPS (sen)	4.36	6.17	5.80
FD EPS growth (%)	69	41	-6
NDPS (sen)	2.7	3.0	3.0
BV/Share (RM)	1.43	1.46	1.49
FD PER (x)	13.6	9.6	10.3
Price/BV (x)	0.4	0.4	0.4
Net Gearing (x)	0.1	0.4	0.4
Dividend Yield (%)	4.5	5.0	5.0

* 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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Result Highlight								
FYE Dec (RM m)	3Q22	2Q22	QoQ	3Q21	YoY	9M22	9M21	YoY
Revenue	671.1	542.0	24%	364.6	84%	1646.4	1216.6	35%
Cogs	-531.8	-428.5	24%	-254.7	109%	-1272.7	-874.2	46%
Gross Profit	139.4	113.5	23%	109.8	27%	373.7	342.4	9%
Other Income	16.0	16.2	-1%	5.2	206%	39.1	15.9	146%
SGA	-60.4	-56.1	8%	-53.2	14%	-174.7	-160.7	9%
Operating Profit	95.0	73.6	29%	61.9	53%	238.0	197.5	20%
Net Finance income/(costs)	-14.6	-13.8	5%	-9.7	50%	-41.8	-31.2	34%
PBT	80.4	59.8	34%	52.2	54%	196.2	166.4	18%
Tax	-29.8	-16.8	77%	-12.0	149%	-58.9	-38.0	55%
PAT	50.6	43.0	18%	40.2	26%	137.3	128.4	7%
MI	3.5	0.1	4567%	0.0	8437%	4.1	7.6	-45%
Perps	0.0	-22.4	n.a.	0.0	n.a.	-22.4	-27.1	-17%
PATAMI	47.1	20.5	129%	40.2	17%	110.8	93.7	18%
Exceptionals	2.9	2.8	4%	0.0	n.a.	5.8	0.8	629%
CNP	44.1	17.7	149%	40.2	10%	105.0	93.0	13%
DPS	0.0	0.0	n.a.	0.0	n.a.	0.0	0.0	n.a.
GP margin	21%	21%		30%		23%	28%	
OP margin	14%	14%		17%		14%	16%	
PBT margin	12%	11%		14%		12%	14%	
CNP margin	7%	4%		11%		7%	8%	
Effective tax	-37%	-28%		-23%		-30%	-23%	

Source: Kenanga Research

Segmental Breakdown								
External Revenue	3Q22	2Q22	QoQ	3Q21	YoY	9M22	9M21	YoY
Property	550.3	426.9	29%	265.7	107%	1296.5	917.9	41%
Manufacturing (previously Plastic)*	112.0	106.4	5%	90.2	24%	326.1	268.1	22%
Hotel	0.0	0.0	n.a.	3.2	-100%	0.0	7.8	-100%
Investment & Others	8.7	8.7	0%	5.4	61%	23.7	22.7	4%
Total	671.1	542.0	24%	364.6	84%	1646.4	1216.6	35%
Operating Profit								
Property	99.4	73.7	35%	65.6	51%	247.5	189.2	31%
Manufacturing (previously Plastic)*	-5.0	-1.2	311%	-12.3	-59%	-14.0	-0.4	3761%
Hotel	0.0	0.0	n.a.	0.7	-100%	0.0	0.6	-100%
Investment & Others	0.6	1.2	-49%	7.9	-92%	4.5	8.1	-44%
Total	95.0	73.6	29%	61.9	53%	238.0	197.5	20%
OP Margins								
Property	18%	17%		25%		19%	21%	
Manufacturing (previously Plastic)*	-4%	-1%		-14%		-4%	0%	
Hotel	n.a.	n.a.		23%		n.a.	8%	
Investment & Others	7%	14%		145%		19%	36%	
Total	14%	14%		17%		14%	16%	

*Changed from Plastic to Manufacturing from 3QFY21 onwards after bundling in gloves division.

Source: Kenanga Research

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RNAV and TP				
Project		Remaining Land Bank	GDV left (RM m)	NPV of profits (RM m)
Landbanks				
Greater KL	100%	743	15,263	340
Johor	100%	1210	5,095	114
Penang	100%	55	2,162	48
		2008	22,520	502
Unbilled Sales (as of March-22)	100%		2,032	214
Shareholders Fund (FY21)				3,470.0
Total RNAV				4,185.9
Number of shares				2,428
RNAV/share (RM)				1.72
Discount to RNAV				65%
TP (RM)				0.60
BV/share (1 yrFwd) (RM)				1.46
EPS (1yr Fwd) (RM)				0.06
ROE				4.22%
Implied PBV (x)				0.40

Source: Company, Kenanga Research

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Peer Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside (%)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Core EPS (sen)		Core Earnings Growth		PER (x) - Core Earnings		PBV (x)	ROE (%)	Net Div. (sen)	Net Div. Yld. (%)
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
ECO WORLD DEVELOPMENT GROUP	OP	0.680	0.830	22.06%	2,002.2	Y	10/2022	8.0	8.0	-1.3%	-0.2%	8.5	7.6	0.4	4.9%	5.0	7.4%
IOI PROPERTIES GROUP BHD	OP	1.13	1.60	41.59%	6,221.9	Y	06/2023	13.5	14.3	4.2%	5.9%	8.4	7.9	0.3	4.0%	3.0	2.7%
MAH SING GROUP BHD	OP	0.530	0.600	13.21%	1,286.7	Y	12/2022	6.2	6.6	41.5%	6.7%	8.6	8.0	0.4	4.9%	3.0	5.7%
MALAYSIAN RESOURCES CORP BHD	MP	0.320	0.340	6.25%	1,429.6	Y	12/2022	1.0	0.7	-61.4%	-30.8%	32.0	45.7	0.3	0.9%	1.0	3.1%
SIME DARBY PROPERTY BHD	OP	0.485	0.550	13.40%	3,298.4	Y	12/2022	3.5	3.8	68.9%	9.8%	14.0	12.8	0.4	2.5%	2.0	2.7%
SP SETIA BHD	UP	0.695	0.380	-45.32%	2,847.8	Y	12/2022	4.2	4.4	4.9%	5.8%	16.5	15.8	0.2	2.2%	1.3	5.5%
SUNWAY BHD	OP	1.68	2.15	27.98%	8,213.6	Y	12/2022	10.1	14.7	52.1%	44.5%	16.6	11.5	0.8	5.7%	3.0	1.8%
UOA DEVELOPMENT BHD	MP	1.61	1.75	8.70%	3,876.0	Y	12/2022	10.4	10.6	7.7%	1.9%	11.5	10.7	0.6	4.4%	10.0	8.1%
Simple Average								7.1	7.9	14.6%	5.5%	14.5	15.0	0.4	3.7%		4.6%

Source: Kenanga Research

Stock ESG Ratings:

	Criterion	Rating			
GENERAL	Earnings Sustainability & Quality	★	★	★	
	Corporate Social Responsibility	★	★	☆	
	Management/Workforce Diversity	★	★	★	
	Accessibility & Transparency	★	★	★	☆
	Corruption-Free Pledge	★	★	★	
	Carbon-Neutral Initiatives	★	★		
	OVERALL	★	★	★	
SPECIFIC	Digital Transformation	★	★	★	☆
	Adoption of Green Financing	★	★	★	
	Waste Management	★	★	★	
	Flora and Fauna Preservation	★	★	★	
	Green Building Planning	★	★	★	
	Supply Chain Auditing	★	★	★	

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

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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