

Mah Sing Group

Shrewd Capital Management Counts

By Lum Joe Shen | ljums@kenanga.com.my

MAHSING's 1QFY23 earnings exceeded expectations on lower-than-expected financing costs. Meanwhile, its property sales are on track to meet our RM2.2b target with a launch pipeline of RM1.5b for the rest of the year. Losses at its glove division narrowed thanks to cost reduction efforts. We raise our FY23-24F net profit forecasts by 21% and 17%, respectively, and reiterate our OUTPERFORM call with an unchanged TP of RM0.70.

Above expectations. 1QFY23 core net profit of RM50.1m came in above expectations, accounting for 31% and 28% of our full-year forecast and the full-year consensus estimate, respectively. The variance against our forecast stemmed from lower-than-expected financing costs thanks to lower borrowings and fixed interest rates (locked in during the pandemic). Strong incoming cash flows upon completion of its existing projects had greatly reduced its reliance for external financing for its upcoming launches and operational needs.

YoY, 1QFY23 revenue surged 49% from increased progress billings from more projects underpinned by higher unbilled sales at the start of the period. Nonetheless, net profit rose by a smaller quantum of 16% due to weaker property development operating margins (-6ppts) from the absence of cost saving recognition registered a year ago. Meanwhile, we highlight that its manufacturing segment (comprising its plastic and gloves division) saw its losses narrowed on cost reduction efforts derived in its gloves division.

MAHSING booked in RM601m of property sales (backed by RM566m worth of new launches) which is on track to meet our and its internal RM2.2b target. For the rest of the year, it intends to launch an additional c.RM1.5b of properties from M Nova, M Minori, M Senyum, Southville and Meridin East. Unbilled sales as of March 2023 stood healthily at RM2.2b to be recognised over for the next three years.

Separately, while its glove division would likely remain loss-making for the subsequent quarters, we foresee losses to narrow on better sales volumes from tighter cost controls, lower input costs (gas prices and nitrile butadiene rubber) and marginally higher ASPs.

Forecasts. After factoring for lower borrowings and interest rates where 71% of its borrowings are fixed (with some tied to low rates of 3.0%-4.9% secured during the pandemic), we raise our FY23-24F earnings forecasts by 21% and 17%, respectively.

However, we maintain our TP of RM0.70 based on an unchanged 65% discount to RNAV, which is at the upper-end of the sector's average of 60%-65%. This is to reflect its high exposure to high-rises which are currently face 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 like MAHSING for: (i) its commendable cash management with net gearing reduced from a peak of 0.37x to 0.20x as of 1QFY23, (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 to minimise land carrying costs. Maintain **OUTPERFORM**.

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

OUTPERFORM ↔

Price: **RM0.595**
Target Price: **RM0.700** ↔

Share Price Performance



KLCI 1,404.93
YTD KLCI chg -6.1%
YTD stock price chg 5.3%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MSGB MK Equity
Market Cap (RM m)	1,444.5
Shares Outstanding	2,427.7
52-week range (H)	0.66
52-week range (L)	0.49
3-mth avg. daily vol:	1,985,046
Free Float	50%
Beta	0.9

Major Shareholders

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

Summary Earnings Table

FYE Dec (RM m)	2022A	2023F	2024F
Turnover	2,317	2,522	2,646
EBIT	320	331	350
PBT	264	261	270
Net Profit (NP)	180	193	200
Core NP (CNP)	157	193	200
Consensus (CNP)	-	179	196
Earnings Revision	-	21%	17%
FD EPS (sen)	6.46	7.96	8.24
FD EPS growth (%)	48%	23%	4%
NDPS (sen)	3.0	4.0	4.0
BV/Share (RM)	1.46	1.50	1.55
FD PER (x)	9.3	7.5	7.3
Price/BV (x)	0.41	0.40	0.39
Net Gearing (x)	0.4	0.3	0.3
Dividend Yield (%)	5.0	6.7	6.7

* CNP : Defined as core net profit 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.

30 May 2023

Result Highlight

FYE Dec (RM m)	1Q23	4Q22	QoQ	1Q22	YoY	1Q23	1Q22	YoY
Revenue	643.5	670.9	-4%	433.2	49%	643.5	433.2	49%
COGS	-501.6	-531.7	-6%	-312.4	61%	-501.6	-312.4	61%
Gross Profit	141.9	139.2	2%	120.8	17%	141.9	120.8	17%
Other Income	6.4	5.7	12%	6.8	-5%	6.4	6.8	-5%
SGA	-59.4	-62.5	-5%	-58.2	2%	-59.4	-58.2	2%
Operating Profit	89.0	82.5	8%	69.4	28%	89.0	69.4	28%
Net Finance income/(costs)	-13.2	-14.5	-9%	-13.4	-1%	-13.2	-13.4	-1%
PBT	75.8	68.0	11%	56.0	35%	75.8	56.0	35%
Tax	-23.5	-18.4	28%	-12.3	91%	-23.5	-12.3	91%
PAT	52.3	49.5	6%	43.7	20%	52.3	43.7	20%
MI	2.2	2.8	-20%	0.6	297%	2.2	0.6	297%
Perps	0.0	0.0	n.a.	0.0	n.a.	0.0	0.0	n.a.
Net Profit	50.1	46.8	7%	43.2	16%	50.1	43.2	16%
Exceptionals	0.0	-5.0	n.a.	0.0	n.a.	0.0	0.0	n.a.
CNP	50.1	51.8	-3%	43.2	16%	50.1	43.2	16%
DPS	0.0	3.0	-100%	0.0	n.a.	0.0	0.0	n.a.
GP margin	22%	21%		28%		22%	28%	
OP margin	14%	12%		16%		14%	16%	
PBT margin	12%	10%		13%		12%	13%	
CNP margin	8%	7%		10%		8%	10%	
Effective tax	-31%	-27%		-22%		-31%	-22%	

Source: Kenanga Research

Segmental Breakdown

External Revenue	1Q23	4Q22	QoQ	1Q22	YoY	1Q23	1Q22	YoY
Property	514.8	543.5	-5%	319.3	61%	514.8	319.3	61%
Manufacturing (previously Plastic)*	114.7	115.2	0%	107.6	7%	114.7	107.6	7%
Hotel	0.0	0.0	n.a.	0.0	n.a.	0.0	0.0	n.a.
Investment & Others	14.0	12.2	14%	6.3	122%	14.0	6.3	122%
Total	643.5	670.9	-4%	433.2	49%	643.5	433.2	49%
Operating Profit								
Property	89.7	91.2	-2%	74.5	20%	89.7	74.5	20%
Manufacturing (previously Plastic)*	-3.7	-9.0	-59%	-7.8	-53%	-3.7	-7.8	-53%
Hotel	0.0	0.0	n.a.	0.0	n.a.	0.0	0.0	n.a.
Investment & Others	3.0	0.3	763%	2.7	8%	3.0	2.7	8%
Total	89.0	82.5	8%	69.4	28%	89.0	69.4	28%
OP Margins								
Property	17%	17%		23%		17%	23%	
Manufacturing (previously Plastic)*	-3%	-8%		-7%		-3%	-7%	
Hotel	n.a.	n.a.		n.a.		n.a.	n.a.	
Investment & Others	21%	3%		43%		21%	43%	
Total	14%	12%		16%		14%	16%	

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

Source: Kenanga Research

30 May 2023

MAHSING's RNAV and TP			
Project	Remaining Land Bank (acres)	Outstanding GDV RM m)	NPV of profits (RM m)
Landbanks			
Greater KL	743	15,263	814
Johor	1,210	5,095	229
Penang	55	2,162	97
	2,008	22,520	1,140
Unbilled Sales (as of March-22)		2,032	235
Shareholders Fund (FY21)			3,470.0
Total RNAV			4,845.1
Number of shares (m)			2,428
RNAV/share (RM)			2.00
Discount to RNAV			65%
TP (RM)			0.70

Source: Company, Kenanga Research

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30 May 2023

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	0.740	0.830	12.16%	2,179.0	Y	10/2023	8.3	8.4	2.1%	1.5%	9.3	8.2	0.5	5.0%	5.0	6.8%
IOI PROPERTIES GROUP BHD	OP	1.13	1.60	41.59%	6,222.0	N	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	0.595	0.700	17.65%	1,444.0	Y	12/2023	6.6	7.0	1.9%	6.9%	7.5	7.2	0.4	5.5%	4.0	6.7%
MALAYSIAN RESOURCES CORP BHD	MP	0.305	0.340	11.48%	1,363.0	Y	12/2023	0.7	1.3	-32.7%	84.1%	43.0	23.1	0.3	0.7%	1.0	3.3%
SIME DARBY PROPERTY BHD	OP	0.460	0.550	19.57%	3,128.0	Y	12/2023	4.1	4.6	-16.5%	11.3%	11.2	10.0	0.3	3.0%	2.0	2.8%
SP SETIA BHD	UP	0.520	0.380	-26.92%	2,122.0	Y	12/2023	2.9	2.0	15.5%	-31.9%	17.9	26.0	0.2	1.8%	1.5	7.3%
UOA DEVELOPMENT BHD	MP	1.76	1.75	-0.57%	4,239.0	Y	12/2023	10.6	11.7	-2.7%	10.2%	12.6	11.7	0.7	4.5%	10.0	7.4%
Simple Average					28,496.0					-1.2%	5.6%	15.9	15.1	0.4	3.8%		4.9%

Source: Kenanga Research

30 May 2023

Stock ESG Ratings:

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

☆ 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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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 E-mail: research@kenanga.com.my