

08 April 2024

## Mah Sing Group

### Acquiring 100-acre Land in Johor Bahru

By Clement Chua | [clement.chua@kenanga.com.my](mailto:clement.chua@kenanga.com.my)

**MAHSING is acquiring 100.4 acres of land in Johor Bahru for RM103.7m, to be developed into a township with an estimated GDV of RM1.5b. We believe it is paying a fair price for the land. We maintain our forecasts, TP of RM1.11 but downgrade our call to UNDERPERFORM (from OUTPERFORM) as valuations have become rich after the recent run-up in its share price.**

**First land purchase in FY24.** MAHSING is acquiring two plots of freehold land in Mukim Pulai, Johor Bahru measuring 100.4 acres for RM103.7m (or RM23 psf). This land is located between established townships such as Mutiara Rini and Lima Kedai. The group has earmarked the land for a township development known as M Tiara 2 with a total GDV of RM1.5b. M Tiara 2 comprises double-storey terrace, with indicative built-up of 22'x24'x70' and 34'x70'/75' and an indicative starting price of RM772k, serviced apartment with indicative starting price of RM253K, and double-storey shops. It will start accepting registration of interest in 1QCY25.

**Fair purchase price.** We find the purchase price fair from: (i) a land-to-GDV perspective, and (ii) price psf standpoint. Compared against ECOWLD's purchase of Eco Botanic 2 land back in 2019 located c.10km south from M Tiara 2, M Tiara 2's land/GDV ratio is 7% which is lower compared to Eco Botanic 2's land/GDV ratio of c.18% (RM1.67b GDV over land price of RM305m). Meanwhile, M Tiara 2's RM23 psf price tag is at a discount against Eco Botanic 2's RM35 psf purchase price (for 200 acres) given its less strategic location.

In terms of its indicative starting price; at RM772K for terraced houses and RM253K for serviced apartments, we see reasonable pricing points when compared with the listed asking prices of approximately RM600K-RM900K for terraced houses and RM300K for serviced apartments for sub-sale homes within the vicinity, as seen on property online portals.

Overall, we are slightly positive as the intended development is fairly priced with a highly sought-after address in a mature area, allowing for quick monetisation. Based on our preliminary estimates, the project could potentially add 2.0 sen to both our RNAV/share and TP for MAHSING.

**Forecasts.** Maintained pending the completion of the deal.

**Valuations.** We keep our TP of RM1.11 based on an unchanged 50% discount to RNAV, which is below the industry's average of 60%-65%. This is to reflect its significant exposure to high-rise residential and commercial segments which are highly sought after currently. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 5).

**Investment case.** We like MAHSING for: (i) its efforts to keep its net gearing ratio in check, with a 4QFY23 reading of 0.08x being the lowest since 2QFY22's 0.34x, (ii) lifestyle-focused products to provide ease of entry for first-time home buyers, and (iii) sound land bank management turnaround which minimises carrying costs. That said, we downgrade MAHSING to **UNDERPERFORM** from **OUTPERFORM** as valuations have become rich after the recent run-up in its share price.

**Risks to our call include:** (i) strong recovery in the property sector, (ii) lower mortgage rates boosting affordability, and (iii) construction costs stabilise/decline.

## UNDERPERFORM ↓

Price : **RM1.26**  
Target Price : **RM1.11 ↔**

### Share Price Performance



KLCI 1,555.25  
YTD KLCI chg 6.9%  
YTD stock price chg 51.8%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MSGB MK Equity
Market Cap (RM m)	3,142.3
Shares Outstanding	2,493.9
52-week range (H)	1.26
52-week range (L)	0.58
3-mth avg. daily vol:	8,932,123
Free Float	51%
Beta	1.0

### Major Shareholders

Mayang Teratai SdnBhd	26.2%
Amanah Saham Nasional	11.8%
Bank of Singapore Limited	7.3%

### Summary Earnings Table

FYE Dec (RM m)	2023A	2024F	2025F
Turnover	2,603.2	2,576.4	2,683.6
Operating Profit	379.2	362.6	387.2
Profit Before Tax	327.4	307.6	332.2
<b>Net Profit (NP)</b>	<b>215.3</b>	<b>227.6</b>	<b>245.8</b>
<b>Core NP (CNP)</b>	<b>215.3</b>	<b>227.6</b>	<b>245.8</b>
Consensus (CNP)	-	236.2	265.1
Earnings Revision	-	-	-
FD EPS (sen)	8.9	9.4	10.1
FD EPS Growth (%)	26.2	5.7	8.0
NDPS (sen)	4.0	4.0	4.0
BV/Share (RM)	1.5	1.6	1.6
FD PER (x)	14.2	13.4	12.4
Price/BV (x)	0.83	0.80	0.77
Net Gearing (x)	0.3	0.3	0.2
Dividend Yield (%)	3.2	3.2	4.2



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### Income Statement

FY Dec (RM m)	2021A	2022A	2023A	2024F	2025F
<b>Revenue</b>	<b>1,754</b>	<b>2,317</b>	<b>2,603</b>	<b>2,576</b>	<b>2,684</b>
Gross Profit	457	513	596	593	617
Operating Profit	261	320	379	363	387
Finance costs	-42	-56	-52	-55	-55
Pre-tax Profit	219	264	327	308	332
Taxation	-47	-77	-105	-80	-86
Minority Interest	11	7	-7	0	0
<b>Net Profit</b>	<b>184</b>	<b>194</b>	<b>215</b>	<b>228</b>	<b>246</b>
Exceptionals	1	1	0	0	0
Perpetual Sukuk	-54	-22	0	0	0
<b>Core Net Profit</b>	<b>129</b>	<b>171</b>	<b>215</b>	<b>228</b>	<b>246</b>

### Balance Sheet

FY Dec (RM m)	2021A	2022A	2023A	2024F	2025F
Fixed Assets	621	660	660	660	660
Intangibles	5	5	5	5	5
JVA	0	0	0	0	0
NC Inventories (Land)	1,871	1,871	1,871	1,871	1,871
Inventories	2,178	2,300	2,300	2,300	2,300
Receivable+Con.Asset	1,137	1,200	1,300	1,300	1,300
Other Assets	214	214	214	214	214
Cash	1,016	1,104	1,115	1,245	1,394
<b>Total Assets</b>	<b>7,042</b>	<b>7,353</b>	<b>7,465</b>	<b>7,595</b>	<b>7,744</b>
Payables	1,249	1,250	1,250	1,250	1,250
ST Borrowings	58	58	58	58	58
LT Borrowings	1,447	2,297	2,297	2,297	2,297
Other Liabilities	151	151	151	151	151
<b>Total Liabilities</b>	<b>2,905</b>	<b>3,756</b>	<b>3,756</b>	<b>3,756</b>	<b>3,756</b>
<b>Net Assets</b>	<b>4,137</b>	<b>3,598</b>	<b>3,709</b>	<b>3,839</b>	<b>3,988</b>
Share Cap & Reserves	1,788	1,788	1,788	1,788	1,788
Retained Earnings	1,682	1,781	1,899	2,030	2,178
<b>Shareholder's Equity</b>	<b>3,470</b>	<b>3,569</b>	<b>3,687</b>	<b>3,818</b>	<b>3,966</b>
Perps	645	0	0	0	0
MI	22	29	22	22	22
<b>Total Equity</b>	<b>4,137</b>	<b>3,598</b>	<b>3,709</b>	<b>3,839</b>	<b>3,988</b>

### Cashflow Statement

FY Dec (RM m)	2021A	2022A	2023A	2024F	2025F
Operating CF	164	44	167	283	301
Investing CF	-302	-39	0	0	0
Financing CF	-456	83	-156	-152	-152
Net Change in Cash	-595	88	11	130	149

### Financial Data & Ratios

FY Dec	2021A	2022A	2023A	2024F	2025F
<b>Growth</b>					
Revenue	14.6%	32.1%	12.3%	-1.0%	4.2%
Operating Profit	59.0%	22.5%	18.3%	-4.4%	6.8%
Pre-tax Profit	42.7%	20.4%	24.0%	-6.1%	8.0%
Net Profit	70.4%	5.4%	11.1%	5.7%	8.0%
Core Net Profit	82.7%	32.4%	26.2%	5.7%	8.0%
<b>Profitability</b>					
Gross Profit Margin	26%	22%	23%	23%	23%
Operating Margin	15%	14%	15%	14%	14%
Pre-tax margin	13%	11%	13%	12%	12%
Net Profit Margin	10%	8%	8%	9%	9%
Core Net Profit Margin	7%	7%	8%	9%	9%
Effective Tax Rate	-21%	-29%	-32%	-26%	-26%
ROE	3.7%	4.8%	5.8%	6.0%	6.2%
ROA	1.8%	2.3%	2.9%	3.0%	3.2%
<b>Leverage</b>					
Debt/Equity (x)	0.43	0.66	0.64	0.62	0.59
Net Debt/(Cash)	489	1,251	1,240	1,109	961
Net Debt/Equity (x)	0.14	0.35	0.34	0.29	0.24
Net Debt & Perps/(Cash)	1134	1251	1240	1109	961
Net Debt & Perps/Equity	0.33	0.35	0.34	0.29	0.24
<b>Valuations</b>					
Core EPS (sen)	5.3	7.0	8.9	9.4	10.1
NDPS (sen)	2.7	3.0	4.0	4.0	4.0
BV/share (RM)	1.43	1.47	1.52	1.57	1.63
Core PER (x)	18.0	13.6	10.8	10.2	9.4
Net Div. Yield (%)	2.8%	3.1%	4.2%	4.2%	4.2%
PBV (x)	0.67	0.65	0.63	0.61	0.58

Source: Kenanga Research

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### Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS 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.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.
<b>PROPERTY DEVELOPERS</b>																					
ECO WORLD DEVELOPMENT GROUP	UP	1.48	1.20	-18.9%	4,357.7	Y	10/2024	9.7	10.0	5.2%	3.6%	15.3	14.7	0.9	5.9%	6.0	4.1%				
IOI PROPERTIES GROUP BHD	UP	2.20	1.75	-20.5%	12,113.5	N	06/2024	14.1	14.4	23.5%	2.0%	15.6	15.3	0.5	3.4%	4.5	2.0%				
MAH SING GROUP BHD	UP	1.26	1.11	-11.9%	3,142.3	Y	12/2024	9.4	10.1	5.7%	8.0%	13.4	12.4	0.8	6.0%	4.0	3.2%				
MKH BHD	OP	1.40	2.11	50.7%	808.4	Y	09/2024	18.0	20.1	41.8%	11.2%	7.8	7.0	0.4	5.3%	6.0	4.3%				
S P SETIA BHD	MP	1.44	0.800	-44.4%	6,612.2	Y	12/2024	5.9	6.1	16.0%	2.7%	24.4	23.8	0.4	1.9%	5.5	3.8%				
SIME DARBY PROPERTY BHD	OP	0.900	0.840	-6.7%	6,120.8	Y	12/2024	6.0	6.4	1.7%	7.5%	15.1	14.1	0.6	3.9%	3.0	3.3%				
SUNWAY BHD	UP	3.45	2.51	-27.2%	19,073.1	Y	12/2024	14.6	14.7	26.0%	1.2%	23.7	23.4	1.3	6.0%	6.0	1.7%				
UOA DEVELOPMENT BHD	MP	1.88	1.79	-4.8%	4,682.0	Y	12/2024	10.6	10.4	19.3%	-2.1%	17.7	18.1	0.8	4.5%	6.5	3.5%				
<b>SECTOR AGGREGATE</b>					<b>56,909.9</b>					<b>17.3%</b>	<b>3.1%</b>	<b>18.0</b>	<b>17.4</b>	<b>0.7</b>	<b>4.6%</b>		<b>3.2%</b>				

Source: Kenanga Research

**Stock ESG Ratings:**

	Criterion	Rating				
<b>GENERAL</b>	Earnings Sustainability & Quality	★	★	★		
	Community Investment	★	★	★		
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	☆		
	Anti-Corruption Policy	★	★	☆		
	Emissions Management	★	★	☆		
<b>SPECIFIC</b>	Product Quality & Safety	★	★	★	★	
	Effluent/Water Management	★	★	★		
	Waste Management	★	★	★		
	Biodiversity & Conservation	★	★	★		
	Green Building	★	★	★		
	Supply Chain Management	★	★	★		
<b>OVERALL</b>		★	★	★		

☆ 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](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)

