

31 May 2024

Mah Sing Group

Venturing into Data Centre

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MAHSING's 1QFY24 results met expectations. Its 1QFY24 core net profit rose 20% YoY on a better product mix with more higher-margin products and lower tax. It is venturing into the data centre space in collaboration with Bridge Data Centres (BDC). We maintain our forecasts but lift our TP by 17% to RM1.87 (from RM1.60). Maintain OUTPERFORM.

MAHSING's 1QFY24 core net profit of RM260.0m met expectations at 25% and 24% of our full-year forecast and the full-year consensus estimate, respectively.

YoY, its 1QFY24 revenue declined 13% on slower progress billings as most of its on-going projects were new and at early stages of construction. However, its 1QFY24 core net profit rose 20% thanks to a better product mix with more higher-margin products and lower tax.

QoQ, its 1QFY24 revenue eased 17% as 1Q is typically a low season for property sales and construction progress due to Chinese New Year holidays. Its core net profit only declined 7% thanks to lower tax.

Data centre venture. Separately, it announced its partnership with Bridge Data Centres (BDC) to launch Mah Sing DC Hub @ Southville City in Bangi, Selangor. The group will design and develop the data centre facilities and infrastructure on a 17.55-acre land, including securing necessary approvals and planning permission with the project's capacity involving up to 100MW.

Additionally, the group has earmarked 150 acres of land at Southville City for further expansion into a data centre hub with a planned capacity of 500MW.

We are overall positive with the development as it helps MAHSING to grow recurring income streams. At the very least, it would serve as a catalyst for greater land revaluation due to the land being highly well-suited for data centres thanks to its close proximity to power supply and access to flowing waters via Langat River.

Outlook. MAHSING is on track to meet its minimum sales target of RM2.5b, booking in RM992.0m of property sales as of May 2024. Meanwhile, its unbilled sales stand at RM2.3b. In FY24, MAHSING intends to launch seven new projects with one already launched (M Zenya, with 92% take-up rate), totalling RM2.8b. Of this, 61% of the total planned launches are in Klang Valley with 72% are priced below RM500K. The products will cater to diverse market segments, particularly, affordable housing and first-time home buyers.

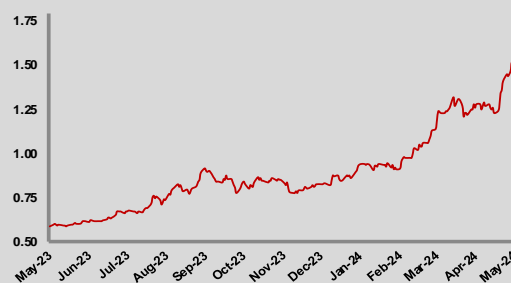
The recent land purchase in Sepang for Mah Sing Business Park in Jan 2024, is on track to be launched in 4QFY24 with a potential GDV of up to RM2.0b, which will sustain earnings at its industrial property segment.

On its manufacturing segment, the group expanded its plastic pallet operations to Jakarta and intends to further expand within Southeast Asia with the key drivers being the regional e-commerce markets which prefers plastic over wooden ones for better durability. It has plans to spin off this business within the next three years.

OUTPERFORM ↔

Price: **RM1.71**
Target Price: **RM1.87** ↑

Share Price Performance



KLCI	1,604.26
YTD KLCI chg	10.3%
YTD stock price chg	106.0%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MSGB MK Equity
Market Cap (RM m)	4,377.8
Shares Outstanding	2,560.1
52-week range (H)	1.71
52-week range (L)	0.59
3-mth avg. daily vol.	11,151,500
Free Float	58%
Beta	1.0

Major Shareholders

Mayang Teratai Sdn Bhd	25.5%
Amanah Saham Nasional	11.5%
Bank of Singapore Limited	7.0%

Summary Earnings Table

FYE Dec (RM m)	2023A	2024F	2025F
Turnover	2,603.2	2,576.4	2,683.6
Operating Profit	379.2	388.3	416.7
Profit Before Tax	327.4	333.3	361.7
Net Profit (NP)	215.3	246.7	267.7
Core NP (CNP)	215.3	246.7	267.7
Consensus (CNP)	-	239.5	268.8
Earnings Revision	-	-	-
FD EPS (sen)	8.9	10.2	11.0
FD EPS Growth (%)	26.2	14.6	8.5
NDPS (sen)	4.0	4.0	4.0
BV/Share (RM)	1.5	1.6	1.7
FD PER (x)	14.2	12.4	11.4
Price/BV (x)	0.8	0.8	0.8
Net Gearing (x)	0.3	0.3	0.2
Dividend Yield (%)	3.2	3.2	3.2

31 May 2024

Forecast. Maintained.

Valuations. We raise our TP by 17% to RM1.87 (from RM1.60) as we now apply a 30% discount to its RNAV (from 40%) to reflect improved realisability of its GDV following the announcement of the catalytic data centre project in its Southville township project. At 30%, the discount is narrower than the industry average of 55%. There is no adjustment to our TP based on ESG given a 3-star rating appraised by us (see page 6).

Investment case. We like MAHSING for: (i) its focus on affordable products targeting first-time house buyers, and (ii) sound land bank management and turnaround which minimises carrying costs, (iii) a strong war chest for land acquisitions underpinned by a clean balance sheet, and (iv) more significant recurring income stream following the venture into data centre. 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 mortgage rates, hurting affordability.

Result Highlight

	1Q	4Q	QoQ	1Q	YoY	3M	3M	YoY
FYE Dec (RM m)	FY24	FY23	Chg	FY23	Chg	FY24	FY23	Chg
Revenue	558.2	671.3	-16.8%	643.5	-13%	558.2	643.5	-13.2%
Cost of Goods Sold	-413.7	-493.8	-16.2%	-501.6	-18%	-413.7	-501.6	-17.5%
Gross Profit	144.5	177.5	-18.5%	141.9	2%	144.5	141.9	1.9%
Other income	10.5	8.3	25.6%	6.4	62%	10.5	6.4	62.2%
Selling and marketing expenses	-14.7	-17.3	-14.8%	-14.0	5%	-14.7	-14.0	5.3%
Administrative and other expenses	-45.4	-54.4	-16.5%	-45.4	0%	-45.4	-45.4	0.1%
Operating Profit	94.8	114.1	-16.9%	89.0	7%	94.8	89.0	6.6%
Net Finance Income / (Cost)	-12.7	-13.5	-6.0%	-13.2	-4%	-12.7	-13.2	-3.5%
Profit Before Tax	82.1	100.6	-18.4%	75.8	8%	82.1	75.8	8.4%
Taxation	-21.7	-35.4	-38.6%	-23.5	-7%	-21.7	-23.5	-7.4%
Minority interest	-0.3	-0.4	-27.9%	-2.2	-86%	-0.3	-2.2	-86.0%
Net Profit	60.0	64.7	-7.3%	50.1	20%	60.0	50.1	20.0%
One-off Adjustments	0.0	0.0	n.a	0.0	N.M.	0.0	0.0	N.M
Core Net Profit	60.0	64.7	-7.3%	50.1	20%	60.0	50.1	20.0%
Gross Profit Margin	25.9%	26.4%		22.1%		25.9%	22.1%	
Operating Margin	17.0%	17.0%		13.8%		17.0%	13.8%	
Pretax Margin	14.7%	15.0%		11.8%		14.7%	11.8%	
Net Margin	10.8%	9.6%		7.8%		10.8%	7.8%	
Effective Tax Rate	26.5%	35.2%		31.0%		26.5%	31.0%	
Net Gearing	0.06	0.08		0.20		0.06	0.20	

Source: Kenanga Research

31 May 2024

Segmental Breakdown

	1Q	4Q	QoQ	1Q	YoY	1Q	1Q	YoY
<u>Revenue</u>	FY24	FY23	Chg	FY23	Chg	FY24	FY23	Chg
Property	448.3	552.6	-19%	514.8	-13%	448.3	514.8	-12.9%
Manufacturing	98.5	107.1	-8%	114.7	-14%	98.5	114.7	-14.1%
Investment & Others	11.4	11.6	-2%	14.0	-19%	11.4	14.0	-18.7%
Total Revenue	558.2	671.3	-17%	643.5	-13%	558.2	643.5	-13.2%
<u>Operating Profit</u>								
Property	88.9	108.7	-18%	89.7	-1%	88.9	89.7	-0.9%
Manufacturing	0.7	0.4	61%	-3.7	-118%	0.7	-3.7	-117.7%
Investment & Others	5.3	5.0	6%	3.0	79%	5.3	3.0	79.4%
Total Operating Profit	94.82	114.08	-17%	89.0	7%	94.8	89.0	6.6%
<u>Operating Margin</u>								
Property	19.8%	19.7%		17.4%		19.8%	17.4%	
Manufacturing	0.7%	0.4%		-3.2%		0.7%	-3.2%	
Investment & Others	46.6%	43.2%		21.1%		46.6%	21.1%	
Total Operating Margin	17.0%	17.0%		13.8%		17.0%	13.8%	

Source: Kenanga Research

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31 May 2024

MAHSING's RNAV			
Project	Remaining Land Bank (acres)	Outstanding GDV (RM b)	NPV of profit (RM b)
<u>GREATER KL</u>			
Commercial			
Southgate	-	2	0
Star Avenue	-	88	6
Industrial			
Mah Sing Business Park, Sepang	185	728	45
Integrated Development & Residential			
Hijauan Residence	25	226	15
Garden Residence	13	76	5
Perdana Residence 2	4	13	1
Aman Perdana	25	74	5
Bayu Sekamat	3	7	0
Icon Residence Mont Kiara	-	12	1
Garden Plaza, Cyberjaya	-	31	2
M Suites @ Jalan Ampang	-	6	0
Icon City, Petaling Jaya	10	1,901	121
M City, Jalan Ampang	-	2	0
M Residence 1 / M Panora @ Rawang	67	128	8
M Residence 2 @ Rawang	7	33	2
M Aruna @ Rawang	29	167	11
D'Sara Sentral	-	51	4
Lakeville Residence	-	1	0
M Centura/M Arisa, Sentul	-	4	0
M Vertica, Cheras	-	176	12
M Oscar, Sri Petaling	-	26	2
M Luna, Kepong	-	18	1
M Adora, Wangsa Melawati	-	9	1
M Senyum, Salak Tinggi	14	71	5
M Astra, Setapak	-	12	1
M Nova, Kepong	3	527	38
M Terra/M Hana, Puchong	8	726	48
M Legasi (Glengowrie Estate), Semenyih	500	3,300	211
M Zenya, Kepong	5	500	37
M Azura, Setapak	4	508	36
Southville City @ Bangi	316	8,465	522
<u>PENANG</u>			
Residential / Integrated			
Ferringhi Residence	30	374	26
Southbay City	21	1,415	87
<u>JOHOR</u>			
Residential			
Sierra Perdana	37	140	10
Meridin@Medini	-	227	16
Meridin East	949	3,440	236
M Minori	2	259	18
M Tiara	76	480	34
Industrial			
Mah Sing i-Parc	-	11	1
Unbilled Sales (as of FY3)		2,325.0	1,198.4
PD Net Assets (FY230)			3,701.2
PD RNAV (RM m)			6,469.2
Discount ascribed to PD RNAV			30%
Discounted PD RNAV			4,528.4
Number of shares (m shares)			2,427.7
Target Price (RM)			1.87

Source: Company, Kenanga Research

31 May 2024

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.
PROPERTY DEVELOPERS																					
ECO WORLD DEVELOPMENT GROUP	UP	1.60	1.27	-20.6%	4,711.0	Y	10/2024	9.7	10.0	5.2%	3.6%	16.5	15.9	1.0	5.9%	6.0	3.8%				
IOI PROPERTIES GROUP BHD	UP	2.44	1.75	-28.3%	13,435.0	N	06/2024	14.1	14.4	23.5%	2.0%	17.3	16.9	0.6	3.4%	4.5	1.8%				
MAH SING GROUP BHD	OP	1.71	1.87	9.4%	4,377.8	Y	12/2024	10.2	11.0	14.6%	8.5%	16.8	15.5	1.1	6.5%	4.0	2.3%				
MKH BHD	OP	1.31	2.11	61.1%	756.4	Y	09/2024	18.0	20.1	41.8%	11.2%	7.3	6.5	0.4	5.3%	6.0	4.6%				
S P SETIA BHD	UP	1.50	0.800	-46.7%	7,121.0	Y	12/2024	5.9	6.1	16.0%	2.7%	25.4	24.8	0.4	1.9%	5.5	3.7%				
SIME DARBY PROPERTY BHD	MP	1.24	1.08	-12.9%	8,433.0	Y	12/2024	6.3	6.5	7.1%	3.8%	19.8	19.0	0.8	4.1%	3.0	2.4%				
SUNWAY BHD	UP	3.62	2.47	-31.8%	20,383.3	Y	12/2024	14.6	14.7	26.0%	1.2%	24.9	24.6	1.4	6.0%	6.0	1.7%				
UOA DEVELOPMENT BHD	MP	1.98	1.79	-9.6%	4,931.0	Y	12/2024	10.6	10.4	19.3%	-2.1%	18.7	19.1	0.8	4.5%	6.5	3.3%				
SECTOR AGGREGATE					64,148.6					18.8%	2.7%	20.0	19.5	0.8	4.7%		2.9%				

Source: Kenanga Research

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Stock ESG Ratings:

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