

04 July 2024

Mah Sing Group

Buying Taman Desa Land for RM109m

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MAHSING is acquiring 6.2 acres of land in Taman Desa, Kuala Lumpur, for RM108.7m cash, to be developed into high-rise residential units with an estimated GDV of RM1.0b. We believe it is paying a fair price for the land. We maintain our forecasts but raise our TP by 0.5% to RM1.88 (from RM1.87). **Maintain MARKET PERFORM.**

Third land purchase in FY24. MAHSING is acquiring 6.2 acres of land in Taman Desa, Kuala Lumpur, for RM108.0m or RM402 per sq ft (psf). It will develop high-rise residential units on the land with a GDV of RM1b. The development will be carried out in two phases via: (i) M Aspira comprising approximately 1,600 units on 3.7 acres, and (ii) Residensi Madani comprising approximately 800 units on 2.47 acres. M Aspira is set to open for registration in 3QCY24, with starting prices from RM448K.

At RM402 psf, we believe MAHSING is paying a fair price considering asking prices of c.RM400-450 psf in the vicinity.

In terms of its indicative starting price at RM448K of an apartment sized 708sf (RM633psf) for residential apartment, we see reasonable pricing points when compared with the listed asking prices of approximately RM480K-RM550K for residential apartments within the vicinity, as seen on property online portals.

Overall, we are slightly positive as the intended development is fairly-priced within a highly sought-after address in a mature area, allowing for quick monetisation.

Forecasts. Maintained as the project is unlikely to contribute within our forecast period.

Valuations. We raise our TP by 0.5% to RM1.88 (from RM1.87), having reflected enhancement from the latest project. We continue to value MAHSING at a 30% discount to RNAV, which is narrower than the industry's average of 55%. This is to reflect the strong realisability of its GDV backed by its quick turnaround development strategy. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 6).

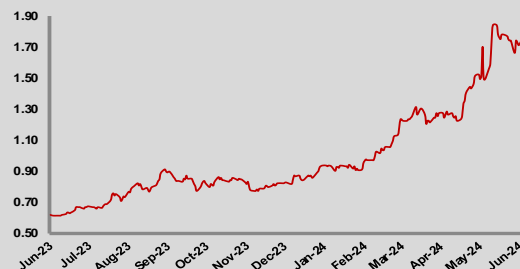
Investment case. We like MAHSING for: (i) its focus on affordable products targeting first-time house buyers, and (ii) sound land bank management and turnaround which minimises carrying costs, (iii) a strong war chest for land acquisitions underpinned by a clean balance sheet, and (iv) more significant recurring income stream following the venture into data centre. However, these have been priced in by the market. **Maintain MARKET PERFORM.**

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.

MARKET PERFORM ↔

Price : **RM1.81**
Target Price : **RM1.88** ↑

Share Price Performance



KLCI 1,615.32
YTD KLCI chg 11.0%
YTD stock price chg 118.1%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MSGB MK Equity
Market Cap (RM m)	4,633.9
Shares Outstanding	2,560.1
52-week range (H)	1.85
52-week range (L)	0.62
3-mth avg. daily vol.	16,656,900
Free Float	58%
Beta	1.1

Major Shareholders

Mayang Teratai Sdn Bhd	25.5%
Amanah Saham Nasional	11.5%
Mayang Teratai Ltd	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	362.6	387.2
Profit Before Tax	327.4	307.6	332.2
Net Profit (NP)	215.3	227.6	245.8
Core NP (CNP)	215.3	227.6	245.8
Consensus (CNP)	-	237.5	265.9
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)	20.4	17.8	16.4
Price/BV (x)	1.2	1.1	1.1
Net Gearing (x)	0.3	0.3	0.2
Dividend Yield (%)	2.2	2.2	2.2

Location of Land to be Acquired



Source: Company, Kenanga Research

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MAHSING's RNAV

Project	Remaining Land Bank (acres)	Outstanding GDV (RM b)	NPV of profit (RM b)
GREATER KL			
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 Panorama @ 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
M Aspira & Residensi Madani	6	1,000	66
PENANG			
Residential / Integrated			
Ferringhi Residence	30	374	26
Southbay City	21	1,415	87
JOHOR			
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)			6,535.4
Discount ascribed to PD RNAV			30%
Discounted PD RNAV			4,574.8
Number of shares (m shares)			2,427.7
Target Price (RM)			1.88

Source: Company, Kenanga Research

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Income Statement

FY Dec (RM m)	2021A	2022A	2023A	2024F	2025F
Revenue	1,754	2,317	2,603	2,576	2,684
Gross Profit	457	513	596	618	647
Operating Profit	261	320	379	388	417
Finance costs	-42	-56	-52	-55	-55
Pre-tax Profit	219	264	327	333	362
Taxation	-47	-77	-105	-87	-94
Minority Interest	11	7	-7	0	0
Net Profit	184	194	215	247	268
Exceptionals	1	1	0	0	0
Perpetual Sukuk	-54	-22	0	0	0
Core Net Profit	129	171	215	247	268

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	1,265	1,435
Total Assets	7,042	7,353	7,465	7,614	7,785
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
Total Liabilities	2,905	3,756	3,756	3,756	3,756
Net Assets	4,137	3,598	3,709	3,858	4,029
Share Cap & Reserves	1,788	1,788	1,788	1,788	1,788
Retained Earnings	1,682	1,781	1,899	2,049	2,219
Shareholder's Equity	3,470	3,569	3,687	3,837	4,007
Perps	645	0	0	0	0
MI	22	29	22	22	22
Total Equity	4,137	3,598	3,709	3,858	4,029

Cashflow Statement

FY Dec (RM m)	2021A	2022A	2023A	2024F	2025F
Operating CF	164	44	167	302	323
Investing CF	-302	-39	0	0	0
Financing CF	-456	83	-156	-152	-152
Net Change in Cash	-595	88	11	150	171

Financial Data & Ratios

FY Dec	2021A	2022A	2023A	2024F	2025F
Growth					
Revenue	14.6%	32.1%	12.3%	-1.0%	4.2%
Operating Profit	59.0%	22.5%	18.3%	2.4%	7.3%
Pre-tax Profit	42.7%	20.4%	24.0%	1.8%	8.5%
Net Profit	70.4%	5.4%	11.1%	14.6%	8.5%
Core Net Profit	82.7%	32.4%	26.2%	14.6%	8.5%
Profitability					
Gross Profit Margin	26%	22%	23%	24%	24%
Operating Margin	15%	14%	15%	15%	16%
Pre-tax margin	13%	11%	13%	13%	13%
Net Profit Margin	10%	8%	8%	10%	10%
Core Net Profit Margin	7%	7%	8%	10%	10%
Effective Tax Rate	-21%	-29%	-32%	-26%	-26%
ROE	3.7%	4.8%	5.8%	6.4%	6.7%
ROA	1.8%	2.3%	2.9%	3.2%	3.4%
Leverage					
Debt/Equity (x)	0.43	0.66	0.64	0.61	0.59
Net Debt/(Cash)	489	1,251	1,240	1,090	920
Net Debt/Equity (x)	0.14	0.35	0.34	0.28	0.23
Net Debt & Perps/(Cash)	1134	1251	1240	1090	920
Net Debt & Perps/Equity	0.33	0.35	0.34	0.28	0.23
Valuations					
Core EPS (sen)	5.3	7.0	8.9	10.2	11.0
NDPS (sen)	2.7	3.0	4.0	4.0	4.0
BV/share (RM)	1.43	1.47	1.52	1.58	1.65
Core PER (x)	34.1	25.8	20.4	17.8	16.4
Net Div. Yield (%)	1.5%	1.7%	2.2%	2.2%	2.2%
PBV (x)	1.27	1.23	1.19	1.15	1.10

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.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.		
PROPERTY DEVELOPERS																					
ECO WORLD DEVELOPMENT GROUP	UP	1.56	1.41	-9.6%	4,600.0	Y	10/2024	9.7	10.0	5.2%	3.6%	16.1	15.5	0.9	5.9%	6.0	3.8%				
IOI PROPERTIES GROUP BHD	UP	2.21	1.75	-20.8%	12,168.6	N	06/2024	14.1	14.4	23.4%	2.1%	15.6	15.3	0.4	2.3%	4.5	2.0%				
MAH SING GROUP BHD	MP	1.81	1.88	3.9%	4,633.9	Y	12/2024	10.2	11.0	14.6%	8.5%	17.8	16.4	1.1	6.5%	4.0	2.2%				
MKH BHD	OP	1.32	1.83	38.6%	762.2	Y	09/2024	18.0	20.1	41.8%	11.2%	7.3	6.6	0.4	5.3%	6.0	4.5%				
S P SETIA BHD	UP	1.48	0.850	-42.6%	7,047.0	Y	12/2024	5.9	6.1	17.0%	2.5%	24.9	24.3	0.4	1.9%	4.5	3.0%				
SIME DARBY PROPERTY BHD	UP	1.47	1.08	-26.5%	9,997.2	Y	12/2024	6.3	6.5	7.1%	3.8%	23.4	22.6	1.0	4.1%	3.0	2.0%				
SUNWAY BHD	UP	3.95	2.66	-32.7%	22,281.1	Y	12/2024	14.6	14.7	26.0%	1.2%	27.1	26.8	1.5	6.0%	6.0	1.5%				
UOA DEVELOPMENT BHD	UP	1.91	1.79	-6.3%	4,756.7	Y	12/2024	10.6	10.4	19.3%	-2.1%	18.0	18.4	0.8	4.5%	6.5	3.4%				
SECTOR AGGREGATE					66,246.6					18.8%	2.7%	20.7	20.1	0.8	4.6%		2.8%				

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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