

01 June 2018 | 1QFY18 Results Review

Mah Sing Group Berhad

Strong property sales in 1QFY18

Maintain BUY

Revised Target Price (TP): RM1.60
(Previously RM1.68)


INVESTMENT HIGHLIGHTS

- **1QFY18 earnings below expectations**
- **Klang Valley projects the key earnings contributor**
- **Strong property sales of RM470m in 1QFY18**
- **Earnings forecast reduced**
- **Maintain BUY with unchanged TP of RM1.60**

1QFY18 earnings below expectations. Mah Sing Group Berhad (Mah Sing) 1QFY18 core net earnings of RM65m came in below expectations, making up 16% and 19% of our and consensus full year estimates. The negative deviation could be attributed to the slower-than-expected progress billing in 1QFY18.

Klang Valley projects the key earnings contributor. Mah Sing 1QFY18 core net income dropped 28%yoy to RM65m, in line with lower topline (-19%yoy). The lower revenue was mainly due to slower progress billing as more Mah Sing's projects that are focusing on affordable products are at their initial stage of construction. Projects in Greater KL and Klang Valley remains the key earnings contributor to Mah Sing while Mah Sing will remain focused in Greater KL. Meanwhile, unbilled sales decreased marginally to RM2.6b from RM2.7b in 4QFY17, providing 1 year of earnings visibility.

Strong property sales of RM470m in 1QFY18. Mah Sing registered new property sales of RM470m in 1QFY18, higher than new sales of RM410m in 1QFY17. New sales in 1QFY18 makes up 26% of management and our sales target of RM1.8b. 90% of the total new sales were contributed by projects in greater KL while the remaining 10% was contributed by projects in Johor, Penang and Sabah. Looking forward, management is confident to exceed its new sales target of RM1.8b as "Desire" campaign that was launched recently is expected to drive sales of inventory. Meanwhile, key upcoming launches in 2018 include M Centura, M Vertica, Sensa Residence and Cerrado Residential Suites in Southville City.

Maintain BUY with a revised TP of RM1.60. We revise downwards our earnings forecast for FY18 by 19% to reflect the lower progress billing. We revise our TP for Mah Sing to RM1.60 from RM1.68 as we update our RNAV figures and widen RNAV discount from 20% to 30% in view of the slightly weaker earnings outlook. Nevertheless, we maintain our BUY call on Mah Sing due to its attractive valuation (trading at a steep 24% discount to NTA) and decent dividend yield of 5.9%. 

RETURN STATS	
Price (31 May 2018)	RM1.10
Target Price	RM1.60
Expected Share Price Return	+45.5%
Expected Dividend Yield	+5.9%
Expected Total Return	+51.4%

STOCK INFO	
KLCI	1,740.62
Bursa / Bloomberg	8583 / MSGB MK
Board / Sector	Main / Properties
Syariah Compliant	Yes
Issued shares (mil)	2,427.65
Market cap. (RM'm)	2,670.46
Price over NA	0.96
52-wk price Range	RM0.98–RM1.64
Beta (against KLCI)	0.96
3-mth Avg Daily Vol	3.17m
3-mth Avg Daily Value	RM3.38m
Major Shareholders	
Mayang Teratai Sdn Bhd	26.90%
EPF	9.28%
Mayang Teratai Limited	7.41%
Bank of Singapore	7.41%
Lembaga Tabung Haji	5.81%
KWAP	5.02%

INVESTMENT STATISTICS

FYE Dec	FY15A	FY16A	FY17A	FY18F	FY19F
Revenue	3108.5	2957.6	2915.8	2432.3	2639.1
EBIT	500.0	477.6	476.5	415.4	467.5
PBT	503.7	482.9	472.3	412.5	466.1
Net Income	386.7	361.4	361.9	317.8	358.9
Core Net Income	357.2	372.7	356.3	317.8	358.9
EPS (sen)	16.5	15.0	15.0	13.1	14.8
Core EPS (sen)	15.3	15.5	14.8	13.1	14.8
Net DPS (sen)	6.5	6.5	6.5	6.5	6.5
Net Dvd Yield	5.9%	5.9%	5.9%	5.9%	5.9%
Core PER	7.21	7.11	7.45	8.40	7.44
NTA/share (RM)	1.34	1.36	1.43	1.49	1.57
P/NTA	0.82	0.81	0.77	0.74	0.70
ROE	11.4%	11.3%	10.3%	8.8%	9.4%
ROA	5.4%	6.0%	5.0%	4.3%	4.8%

Source: Company, MIDF Research Estimates

Mah Sing: 1QFY18 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	1QFY18	%YoY	%QoQ	1QFY18	%YoY
Revenue	584.8	-19%	-23%	584.8	-19%
EBIT	88.5	-27%	-24%	88.5	-27%
PBT	86.1	-29%	-24%	86.1	-29%
Net Income	64.2	-29%	-28%	64.2	-29%
Core Net Income	65.0	-28%	-28%	65.0	-28.0%
EPS (sen)	2.64	-12%	-28%	2.6	-12%
Core EPS (sen)	2.68	-10%	-29%	2.7	-10%
Net DPS (sen)	6.50	NA	NA	6.5	NA
NTA/share (RM)	1.44	3%	2%	1.4	3%
Net Gearing (x)	Net Cash	NA	NA	Net Cash	NA
EBIT Margin	15.1%	NA	NA	15.1%	NA
PBT Margin	14.7%	NA	NA	14.7%	NA

Source: Company

RNAV

Mah Sing Fully Diluted RNAV				
	Stake	Est remaining GDV (RM m)	WACC (%)	Value (RM m)
Greater KL Projects				
Southgate	100%	2	10%	2
Star Avenue	100%	88	10%	9
Hijauan Residence	100%	226	10%	20
Aman Perdana	100%	79	10%	8
Garden Residence	100%	79	10%	7
Perdana Residence 2	100%	13	10%	1
M Suites @ Jalan Ampang	100%	6	10%	1
Bayu Sekamat	100%	7	10%	1
Icon Residence Mont' Kiara	100%	42	10%	4
Garden Plaza, Cyberjaya	100%	32	10%	3
Clover @ Garden Residence	100%	24	10%	2
M City, Jalan Ampang	100%	154	10%	14
M Residence 1 @ Rawang	100%	436	10%	39
M Residence 2 @ Rawang	100%	73	10%	7
Southville City @ KL South, Bangi	100%	9067	10%	627
Star Residence, Subang	100%	155	10%	14
Icon City, PJ	100%	1919	10%	171
D'sara Sentral	100%	152	10%	15
Lakeville Residence	100%	96	10%	9
M Residence 3 @ Rawang	100%	520	10%	48
M Centura, Sentul	78%	1123	10%	75
M Vertica, Cheras	100%	2200	10%	188
Johor Projects				
Sri Pulai Perdana	100%	40	10%	4
Austin Perdana	100%	83	10%	8
Sierra Perdana	100%	411	10%	37
Meridin @ Medini	100%	345	10%	32
Meridin East	100%	4643	10%	297
Mah Sing i-Parc	100%	191	10%	18
Penang Projects				
Legenda @ Southbay	100%	55	10%	5
Icon Residence, Georgetown	100%	280	10%	26
Ferringhi Residence	100%	587	10%	55
Southbay City	100%	1525	10%	114
Permatang	100%	150	10%	14
KK, Sabah Projects				
Sutera Avenue	100%	107	10%	10

Unbilled sales	2708	240
Total		2125
Shareholder Funds		3456
Total RNAV		5581
Number of shares		2428
RNAV per share		2.30
Warrants, Exercise Price @ RM2.10		349
Fully Diluted Number of Shares		2594
FD RNAV per share		2.29
Discount		30%
Target Price		1.60

Source: MIDF Research Estimates

DAILY PRICE CHART



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Source: Bloomberg

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.