

03 September 2018 | 2QFY18 Results Review

Mah Sing Group Berhad

New sales in line

Maintain BUY

Revised Target Price (TP): RM1.49
(Previously RM1.60)


INVESTMENT HIGHLIGHTS

- **1HFY18 earnings slightly below our expectation**
- **Earnings contributed by Klang Valley projects**
- **1HFY18 new property sales on track**
- **Earnings forecast reduced**
- **Maintain BUY with a revised TP of RM1.49**

1HFY18 earnings slightly below our expectation. Mah Sing Group Berhad (Mah Sing) 1HFY18 core net earnings of RM141.3m came in slightly below our expectation, making up 44% of our full year forecast as the anticipated higher progress billing came in slower than expected. Nevertheless, 1HFY18 core net income is within consensus expectation as it makes up 48% of consensus estimates.

Earnings contributed by Klang Valley projects. Mah Sing 2QFY18 core net income climbed 17%qoq to RM76.3m due to higher progress billing and recognition of cost savings arising from the finalisation of construction contracts. That brought cumulative earnings to RM141.3m in 1HFY18 (-22%yoy). The lower earnings in 1HFY18 were due to lower contribution from new projects that were at their initial stage of construction. Klang Valley projects remain the key earnings contributor in 1HFY18. Meanwhile, unbilled sales increased marginally to RM2.65b in 2QFY18 from RM2.6b in 1QFY18, providing 1 year of earnings visibility.

1HFY18 new property sales on track. Mah Sing recorded new property sales of RM472m in 2QFY18, flattish against new sales of RM470m in 1QFY18. That brought total new sales to RM942m in 1HFY18 which is in line with our and management sales target of RM1.8b. Looking ahead, management plans to launch projects with total GDV of RM1.2b in 2HFY18. Key upcoming launches in 2HFY18 include M Centura, M Vertica, Sensa Residence, Cerrado Residential Suites Tower C and D, M Aruna 2-storey link homes and 2-storey link homes in Meridin East.

Maintain BUY with a revised TP of RM1.49. We revise downwards our earnings forecast for FY18/19 by -6.2%/-8.6% to reflect the lower progress billing. We revised our TP for Mah Sing to RM1.49 from RM1.60 as we widen RNAV discount from -30% to -35% in view of the slightly weaker earnings outlook. Nevertheless, we maintain our BUY call on Mah Sing due to its attractive valuation (trading at 16% discount to NTA) and decent dividend yield of 5.5%. 

RETURN STATS	
Price (30 Aug 2018)	RM1.18
Target Price	RM1.49
Expected Share Price Return	26.3%
Expected Dividend Yield	5.5%
Expected Total Return	31.8%

STOCK INFO	
KLCI	1,819.66
Bursa / Bloomberg	8583 / MSGB MK
Board / Sector	Main / Properties
Syariah Compliant	Yes
Issued shares (mil)	2,427.65
Market cap. (RM'm)	2,864.67
Price over NA	0.71
52-wk price Range	RM0.98–RM1.59
Beta (against KLCI)	1.01
3-mth Avg Daily Vol	2.11m
3-mth Avg Daily Value	RM2.43m
Major Shareholders	
Mayang Teratai Sdn Bhd	26.90%
EPF	8.65%
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	2342.1	2494.8
EBIT	500.0	477.6	476.5	389.7	427.0
PBT	503.7	482.9	472.3	386.8	425.7
Net Income	386.7	361.4	361.9	298.1	327.9
Core Net Income	357.2	372.7	356.3	298.1	327.9
EPS (sen)	16.5	15.0	15.0	12.3	13.5
Core EPS (sen)	15.3	15.5	14.8	12.3	13.5
Net DPS (sen)	6.5	6.5	6.5	6.5	6.5
Net Dvd Yield	5.5%	5.5%	5.5%	5.5%	5.5%
Core PER	7.73	7.63	7.99	9.61	8.74
NTA/share (RM)	1.34	1.36	1.43	1.49	1.56
P/NTA	0.88	0.87	0.83	0.79	0.75
ROE	11.4%	11.3%	10.3%	8.2%	8.6%
ROA	5.4%	6.0%	5.0%	4.1%	4.4%

Source: Company, MIDF Research Estimates

Mah Sing: 2QFY18 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	2QFY18	%YoY	%QoQ	FY18	%YoY
Revenue	589.3	-19%	1%	1,174.0	-19%
EBIT	99.6	-15%	13%	188.1	-21%
PBT	96.1	-20%	12%	182.2	-24%
Net Income	77.1	-15%	20%	141.3	-22%
Core Net Income	76.3	-16%	17%	141.3	-22.0%
EPS (sen)	3.18	-15%	20%	5.8	-14%
Core EPS (sen)	3.14	-17%	17%	5.8	-14%
Net DPS (sen)	0.00	NA	NA	0.0	NA
NTA/share (RM)	1.40	2%	2%	1.4	2%
Net Gearing (x)	Net Cash	NA	NA	Net Cash	NA
EBIT Margin	16.9%	NA	NA	16.0%	NA
PBT Margin	16.3%	NA	NA	15.5%	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		35%
Target Price		1.49

Source: MIDF Research Estimates

DAILY PRICE CHART



Jessica Low Jze Tieng
 Jessica.low@midf.com.my
 03-2173 8391

Source: Bloomberg

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (23878 - X).

(Bank Pelaburan)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (23878-X). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This document may not be reproduced, distributed or published in any form or for any purpose.

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.