

19 November 2018 | 3QFY18 Results Review

Mah Sing Group Berhad

New sales below expectations

INVESTMENT HIGHLIGHTS

- **9MFY18 earnings slightly below our expectation**
- **New projects at initial stage of construction**
- **9MFY18 new sales at RM1.2b**
- **New property sales and earnings forecast reduced**
- **Downgrade to Neutral with a revised TP of RM1.08**

9MFY18 earnings slightly below our expectation. Mah Sing Group Berhad (Mah Sing) 9MFY18 core net earnings of RM204.9m came in slightly below our expectation, making up 69% of our full year forecast as progress billing came in slightly weaker than expected. Nevertheless, 9MFY18 core net income is within consensus expectation as it makes up 76% of consensus estimates.

New projects at initial stage of construction. On sequential basis, 3QFY18 core net income fell 17%qoq to RM63.1m, in line with lower topline (-14%qoq). The lower earnings in 3QFY18 was due to low progress billing, higher marketing expenses and higher administrative expenses. On yearly basis, 3QFY18 core net income eased 25.4%yoy to RM63.1m, bringing cumulative 9MFY18 core net income to RM204.9m (-22.8%yoy). The decline in earnings was due to low contribution from new projects in Klang Valley as the projects were still at initial stages of construction. Meanwhile, unbilled sales decreased marginally to RM2.51b in 3QFY18 from RM2.65b in 2QFY18, providing less than one year of earnings visibility.


9MFY18 new sales at RM1.2b. Mah Sing recorded new property sales of RM275m in 3QFY18, lower than new sales of RM472m in 2QFY18 as buyers adopted wait-and-see stance prior to Budget 2019 announcement. That brought cumulative new sales to RM1.2b in 9MFY18. The new sales in 9MFY18 is slightly below expectations as it makes up 67% of our and management new sales target of RM1.8b. As such, we are revising our sales target to RM1.6b for FY18. Looking ahead, new property sales in 4QFY18 are expected to be stronger than 3QFY18 as new sales momentum is expected to support by its Home Ownership Campaign (campaign period: 15th November 2018 – 31st December 2018) whereby property buyers could start to enjoy the Budget 2019 stamp duty incentives. Meanwhile, upcoming launches for the remainder of the year include M Vertica serviced apartments and 2-storey link homes in Meridin East and M Aruna.

Downgrade to NEUTRAL
(Previously BUY)
Revised Target Price (TP): RM1.08
(Previously RM1.49)

RETURN STATS	
Price (16 Nov 2018)	RM1.03
Target Price	RM1.08
Expected Share Price Return	4.8%
Expected Dividend Yield	4.9%
Expected Total Return	9.7%

STOCK INFO	
KLCI	1,706.38
Bursa / Bloomberg	8583 / MSGB MK
Board / Sector	Main / Properties
Syariah Compliant	Yes
Issued shares (mil)	2,427.65
Market cap. (RM'm)	2,501
Price over NA	0.62
52-wk price Range	RM0.94–RM1.55
Beta (against KLCI)	1.04
3-mth Avg Daily Vol	1.31m
3-mth Avg Daily Value	RM1.39m

Major Shareholders	
Mayang Teratai Sdn Bhd	26.90%
EPF	8.70%
Mayang Teratai Limited	7.41%
Bank of Singapore	7.41%
Lembaga Tabung Haji	5.81%
KWAP	5.02%

Downgrade to Neutral with a revised TP of RM1.08. We revise downwards our FY18/19 earnings forecast by 7.2%/7.6% to take into account for the lower new sales assumption and lower progress billing. We downgrade our call on Mah Sing to Neutral from Buy with a revised target price of RM1.08 (previously RM1.49) as we widen our RNAV discount to 50% from 35%. We are recommending Neutral call on Mah Sing due to the weaker FY18 new sales prospect and expected lower dividend pay-out in FY18 as a result of weaker earnings in FY18. Nevertheless, potential catalyst for Mah Sing could emanate from potential land banking exercise as net cash position of Mah Sing provides the group with opportunities to expand its landbank. 

INVESTMENT STATISTICS

FYE Dec	FY15A	FY16A	FY17A	FY18F	FY19F
Revenue	3108.5	2957.6	2915.8	2244.1	2378.8
EBIT	500.0	477.6	476.5	361.8	394.6
PBT	503.7	482.9	472.3	358.9	393.2
Net Income	386.7	361.4	361.9	276.8	303.1
Core Net Income	357.2	372.7	356.3	276.8	303.1
EPS (sen)	16.5	15.0	15.0	11.4	12.5
Core EPS (sen)	15.3	15.5	14.8	11.4	12.5
Net DPS (sen)	6.5	6.5	6.5	5.00	5.5
Net Dvd Yield	6.3%	6.3%	6.3%	4.9%	5.3%
Core PER	6.75	6.66	6.98	9.03	8.25
NTA/share (RM)	1.34	1.36	1.43	1.48	1.55
P/NTA	0.77	0.76	0.72	0.69	0.66
ROE	11.4%	11.3%	10.3%	7.7%	8.0%
ROA	5.4%	6.0%	5.0%	3.8%	4.1%

Source: Company, MIDF Research Estimates

Mah Sing: 3QFY18 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	3QFY18	%YoY	%QoQ	FY18	%YoY
Revenue	504.3	-28%	-14%	1,678.3	-22%
EBIT	82.2	-30%	-18%	270.3	-24%
PBT	81.3	-31%	-15%	263.5	-27%
Net Income	64.2	-30%	-17%	205.6	-25%
Core Net Income	63.1	-25.4%	-17%	204.9	-22.8%
EPS (sen)	2.65	-29%	-17%	8.5	26%
Core EPS (sen)	2.60	-24%	-17%	8.4	28%
Net DPS (sen)	0.00	NA	NA	0.0	NA
NTA/share (RM)	1.42	1%	2%	1.4	1%
Net Gearing (x)	Net Cash	NA	NA	Net Cash	NA
EBIT Margin	16.3%	NA	NA	16.1%	NA
PBT Margin	16.1%	NA	NA	15.7%	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%	7
Hijauan Residence	100%	226	10%	17
Aman Perdana	100%	79	10%	7
Garden Residence	100%	79	10%	6
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%	12
M Residence 1 @ Rawang	100%	436	10%	34
M Residence 2 @ Rawang	100%	73	10%	6
Southville City @ KL South, Bangi	100%	9067	10%	544
Star Residence, Subang	100%	155	10%	13
Icon City, PJ	100%	1919	10%	149
D'sara Sentral	100%	152	10%	13
Lakeville Residence	100%	96	10%	8
M Residence 3 @ Rawang	100%	520	10%	42
M Centura, Sentul	78%	1123	10%	65
M Vertica, Cheras	100%	2200	10%	163
Johor Projects				
Sri Pulai Perdana	100%	40	10%	3
Austin Perdana	100%	83	10%	7
Sierra Perdana	100%	411	10%	32
Meridin @ Medini	100%	345	10%	28
Meridin East	100%	4643	10%	258
Mah Sing i-Parc	100%	191	10%	15
Penang Projects				
Legenda @ Southbay	100%	55	10%	5
Icon Residence, Georgetown	100%	280	10%	23
Ferringhi Residence	100%	587	10%	48
Southbay City	100%	1525	10%	99
Permatang	100%	150	10%	12
KK, Sabah Projects				
Sutera Avenue	100%	107	10%	9

Unbilled sales	2511	193
Total		1830
Shareholder Funds		3444
Total RNAV		5274
Number of shares		2428
RNAV per share		2.17
Warrants, Exercise Price @ RM2.10		349
Fully Diluted Number of Shares		2594
FD RNAV per share		2.17
Discount		50.0%
Target Price		1.08

Source: MIDF Research Estimates

DAILY PRICE CHART



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

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.