

15 November 2018 | Visit Note

## Mah Sing Group Berhad

**Booking rate for phase one of M Aruna at 63%**

### INVESTMENT HIGHLIGHTS

- Visit to M Aruna and IBS facility
- Booking rate for phase one of M Aruna at 63%
- M Aruna adopts IBS precast technology
- Earnings forecast maintained
- Maintain BUY with an unchanged TP of RM1.49

**Visit to M Aruna and IBS facility.** We had a site visit to M Aruna township and Industrialised Building System (IBS) facility of Mah Sing Group Berhad (Mah Sing) in Rawang recently. Key takeaways from the visit as below:

**Booking rate for phase one of M Aruna at 63%.** M Aruna is the third project of Mah Sing in Rawang with total GDV of RM520m. Note that M Residence (GDV: RM1b) and M Residence 2 (GDV: RM1.4b) are the first two projects of Mah Sing in Rawang. Mah Sing launched Aster, its first project in M Aruna township in end of September. The project features two-storey link homes measuring 20ft by 60ft and priced from RM550k per unit. We gather booking rate for Aster is encouraging whereby 63% of 117 units have been taken-up within a period of less than two months.

**M Aruna adopts IBS precast technology.** M Aruna is the first pilot project by Mah Sing that adopts the IBS precast technology. IBS is a construction technique in which components are manufactured in a controlled environment. Subsequently, the components are transported, positioned and assembled into a structure with minimal additional site work. We gather that IBS score of Aster is at 85, which is well above the IBS score requirement of 50 for private projects. Few of the key benefits of IBS are reducing construction time, reducing dependency on foreign workers and increasing quality of buildings. Nevertheless, we gather that Mah Sing has yet to reap cost saving from adoption of IBS as it has yet to achieve economies of scale.

**Maintain BUY with an unchanged TP of RM1.49.** We make no changes to our earnings forecast. Our TP is unchanged at RM1.49, based on 35% discount to RNAV. We maintain our BUY call on Mah Sing due to attractive valuation of Mah Sing. Mah Sing is trading at 29% discount to its NTA per share of RM1.40. Besides, its dividend yield is attractive, estimated at 6.5% based on dividend forecast of 6.5sen per share.



**Maintain BUY**

**Unchanged Target Price (TP): RM1.49**

RETURN STATS	
Price (14 Nov 2018)	RM0.995
Target Price	RM1.49
Expected Share Price Return	49.7%
Expected Dividend Yield	6.5%
<b>Expected Total Return</b>	<b>56.2%</b>

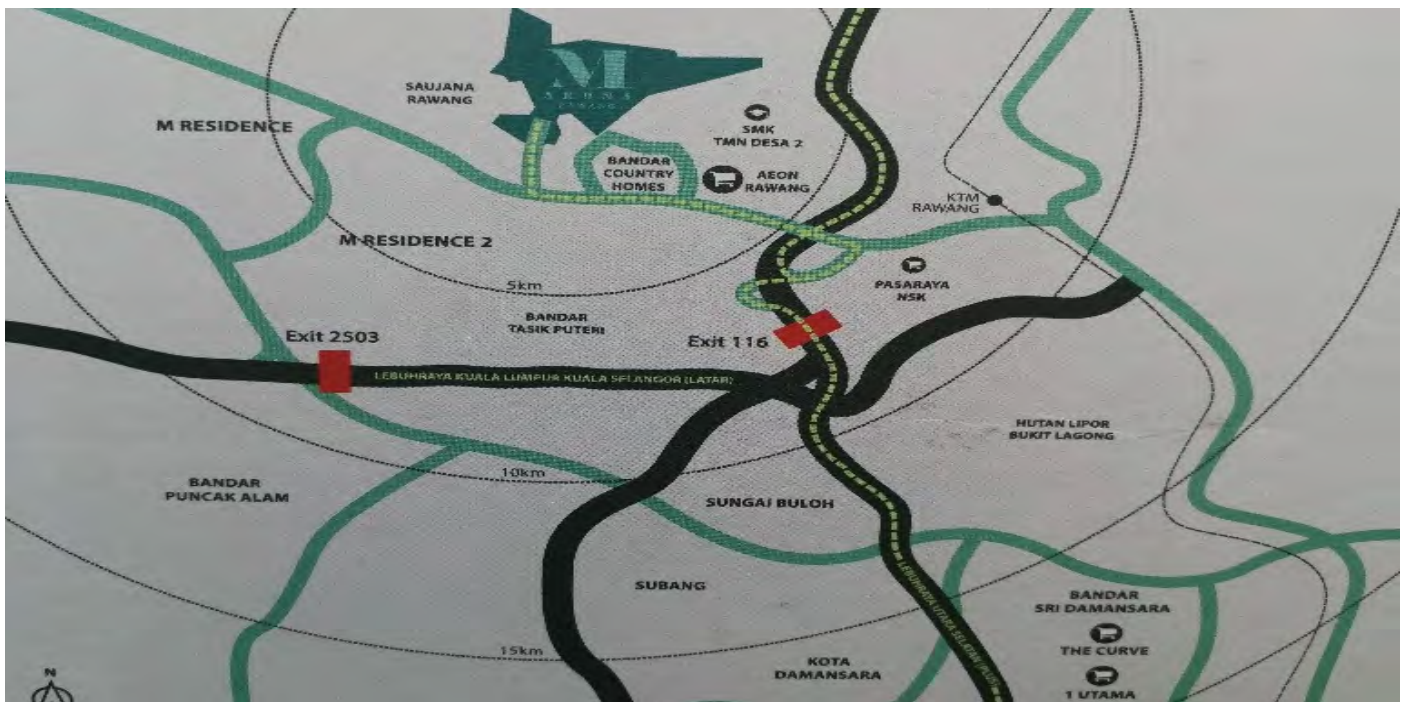
STOCK INFO	
KLCI	1,688.41
Bursa / Bloomberg	8583 / MSGB MK
Board / Sector	Main / Properties
Syariah Compliant	Yes
Issued shares (mil)	2,427.65
Market cap. (RM'm)	2,416
Price over NA	0.60
52-wk price Range	RM0.94–RM1.55
Beta (against KLCI)	1.04
3-mth Avg Daily Vol	1.34m
3-mth Avg Daily Value	RM1.44m
Major 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%

**Figure 1: Master Plan of M Aruna Township**



Source: Company

**Figure 2: Location map of M Aruna Township**



Source: Company

**Figure 3: Aster show unit (built by IBS)**



Source: MIDF Research

**Figure 4: Project site of M Aruna**



Source: MIDF Research

**Figure 5: IBS Facility**



Source: MIDF Research

**Figure 6: IBS process**



**1. Getting the mould done**



**2. Insert the reinforcement & piping.**



**3. After pouring the cement, they need to flatten the surface & let it dry.**



**4. Once it's dry, they will deliver to the site.**

Source: Company

## 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	6.5%	6.5%	6.5%	6.5%	6.5%
Core PER	6.52	6.43	6.74	8.10	7.37
NTA/share (RM)	1.34	1.36	1.43	1.49	1.56
P/NTA	0.74	0.73	0.70	0.67	0.64
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

## RNAV

Mah Sing Fully Diluted RNAV				
	Stake	Est remaining GDV (RM m)	WACC (%)	Value (RM m)
<b>Greater KL Projects</b>				
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
<b>Johor Projects</b>				

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
<b>Penang Projects</b>				
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
<b>KK, Sabah Projects</b>				
Sutera Avenue	100%	107	10%	10
Unbilled sales		2708		240
<b>Total</b>				<b>2125</b>
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



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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.