



Mah Sing Group Berhad

(8583 | MSGB MK) Main | Property

Maintain BUY

Expanding Presence in Kepong

Unchanged Target Price: RM0.78

KEY INVESTMENT HIGHLIGHTS

- Expanding presence in Kepong
- Fourth land deal in 2023
- New addition to M-Series affordable home
- Net gearing remains commendable
- Earnings forecast maintained
- Maintain BUY an unchanged TP of RM0.78

Expanding presence in Kepong. Mah Sing Group (Mah Sing) announced that its wholly-owned subsidiary had entered into a joint venture agreement with Liberty Triangle Sdn Bhd ("landowner") for the proposed joint venture to undertake a development of two pieces of land in Kepong measuring approximately 4.88 acres for a total consideration of RM85.3m. The land has direct frontage along the Kepong Metropolitan Lake. Meanwhile, the JV consideration includes landowner's entitlement of RM70m and fixed guaranteed return of RM15.3m.

Fourth land deal in 2023. The land deal marks the fourth land banking exercise of Mah Sing in 2023. Note that Mah Sing acquired land in Puchong, Johor and Semenyih in 1HCY23. The latest land deal in Kepong allows Mah Sing to expand its presence in Kepong where it has strong footprint in Kepong. Development on the land, to be named M Zenya would be Mah Sing's forth property development in Kepong after Lakeville Residence, M Luna and M Nova. M Luna which is under construction is less than 1km away from M Zenya. Land price of RM401psf for the latest land deal in Kepong is close to the land price of RM398psf for M Luna land back in 2019.

New addition to M-Series affordable home. The proposed development on the Kepong land, M Zenya, is a mixed residential development which includes serviced apartments and commercial units. Indicative built-ups is from 718sf to 1,067sf while indicative starting price is affordable from RM420k. Total estimated GDV for M Zenya is RM500m and that translates into land cost to GDV of 17%. The land cost to GDV ratio is similar to Mah Sing's recent land deals which are below 20%. The land acquisition is in line with Mah Sing's strategy of quick turnaround as registration of interest is expected to be in 2HCY23.

Net gearing remains commendable. Mah Sing intends to fund the proposed joint venture through a combination of internally generated funds and bank borrowings. Payment terms for the proposed joint venture is deferred and staggered with 8% deposit upon the execution of the JV agreement, 62% within 3 months from the JV agreement date, 12% within 18 months from the JV agreement date and balance 18% upon completion of the project. Despite a series of land banking recently, net gearing of Mah Sing is expected to remain below 0.3x due to cash flow from the delivery of ongoing projects.

RETURN STATISTICS

Price @ 6 July 2023 (RM)	0.615
Expected share price return (%)	26.8
Expected dividend yield (%)	5.5
Expected total return (%)	32.3

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	4.2	4.2
3 months	0.0	1.3
12 months	5.1	8.0

INVESTMENT STATISTICS


FYE Dec	2023E	2024F	2025F
Revenue	2,168	2,277	2,344
Operating Profit	304	341	382
Profit Before Tax	274	312	355
Core PATAMI	207	235	268
Core EPS	8.50	9.67	11.00
DPS	3.40	3.87	4.40
Dividend Yield	5.5%	6.3%	7.2%

KEY STATISTICS

FBM KLCI	1,385.95
Issue shares (m)	2427.69
Estimated free float (%)	49.63
Market Capitalisation (RM'm)	1493.03
52-wk price range	RM0.48-RM0.65
3-mth average daily volume (m)	1.68
3-mth average daily value (RM'm)	1.02
Top Shareholders (%)	
Mayang Teratai Sdn Bhd	26.90
Amanah Saham Nasional Bhd	12.15
Bank of Singapore Limited	7.45
Mayang Teratai Limited	7.41

Analyst

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Maintain BUY with an unchanged TP of RM0.78. We make no changes to our earnings forecast for FY23F/24F/25F as earnings contribution is expected to be limited in the near-term. Our **TP** is unchanged at **RM0.78** after factoring in contribution from M Zenya as RNAV contribution from M Zenya is minimal. Our **TP** is based on unchanged 65% discount to RNAV. We remain positive on Mah Sing as we think that the active land acquisition of Mah Sing would continue to support new property sales growth and earnings visibility in the near-term. Besides, dividend yield is also attractive at 5.5%. 

Location of land:



Source: Company

Mah Sing Group RNAV

Mah Sing 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%	74	10%	6
Garden Residence	100%	76	10%	6
Perdana Residence 2	100%	13	10%	1

Mah Sing RNAV				
	Stake	Est remaining GDV (RM m)	WACC (%)	Value (RM m)
M Suites @ Jalan Ampang	100%	6	10%	1
Bayu Sekamat	100%	7	10%	1
Icon Residence Mont' Kiara	100%	16	10%	1
Garden Plaza, Cyberjaya	100%	31	10%	3
Clover @ Garden Residence	100%	0	10%	0
M City, Jalan Ampang	100%	2	10%	0
M Residence 1 @ Rawang	100%	282	10%	22
M Residence 2 @ Rawang	100%	38	10%	3
Southville City @ KL South, Bangi	100%	8647	10%	519
Icon City, PJ	100%	1901	10%	147
D'sara Sentral	100%	51	10%	4
Lakeville Residence	100%	1	10%	0
M Aruna Rawang	100%	182	10%	15
M Centura, M Arisa, Sentul	78%	0	10%	0
M Vertica, Cheras	100%	421	10%	33
M Oscar	100%	61	10%	5
M Luna	100%	24	10%	2
M Adora	100%	21	10%	2
M Senyum	100%	329	10%	24
M Astra	100%	299	10%	22
M Nova	100%	790	10%	59
M Terra & M Hana	100%	726	10%	54
Glengowrie Estate	100%	3300	10%	198
M Zenya	100%	500	10%	37
Johor Projects				
Sierra Perdana	100%	175	10%	14
Meridin @ Medini	100%	252	10%	20

Mah Sing RNAV				
	Stake	Est remaining GDV (RM m)	WACC (%)	Value (RM m)
Meridin East	100%	4182	10%	232
Mah Sing i-Parc	100%	105	10%	9
M Minori	100%	469	10%	35
M Tiara	100%	480	10%	36
Penang Projects				
Ferringhi Residence	100%	392	10%	32
Southbay City	100%	1421	10%	93
Unbilled sales		2260		174
Total				1833
Shareholder Funds				3609
Total RNAV				5442
Number of shares				2428
RNAV per share				2.24
Discount				65%
Target Price				0.78

Source: MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023E	2024F	2025F
Revenue	1,754	2,317	2,168	2,277	2,344
EBIT	261	320	304	341	382
PBT	219	264	274	312	355
Net Income	161	180	207	234	266
Core Net Income	106	158	207	235	268
Core EPS (sen)	4.4	6.5	8.5	9.7	11.0
Core PER (x)	14.1	9.5	7.2	6.4	5.6
NTA/share	1.43	1.46	1.50	1.53	1.56
P/NTA	0.43	0.42	0.41	0.40	0.40

Balance Sheet (RM'm)	2021A	2022A	2023E	2024F	2025F
Property, plant and equipment	378	392	398	414	418
Land held for property development	1871	1839	1880	1635	1602
Total non-current assets	2698	2685	2819	2929	2993
Property development costs	1449	1017	1040	1074	1085
Inventories	729	674	688	722	738
Cash and bank balances	1016	580	682	759	776
Other assets	1150	1434	1392	1449	1596
Total Assets	7042	6390	6621	6933	7188
Medium Term Notes	999.1	1001.1	1091.2	1145.8	1226.0
LT Term Loans	447.7	254.6	260.2	281.0	287.2
Other Liabilities	1458	1547	1619	1773	1879
Total Liability	2905	2803	2970	3200	3392
Share capital	1776	1776	1776	1776	1776
Other Equity	2361	1811	1874	1957	2020
Total Equity	4137	3587	3651	3733	3796
Equity + Liability	7042	6390	6621	6933	7188

Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
Cash flows from operating activities					
Net income before taxation	219	264	274	312	355
Net cash from operating activities	164	716	709	717	703
Cash flows from investing activities					
Addition to land held for property development	-35	-50	-50	-38	-33
Net cash used in investing activities	-302	-209	-213	-189	-144
Cash flows from financing activities					
Net proceeds from issuance of Medium Term Notes	299	0	0	0	0
Net cash from/(used in) financing activities	-456	-540	-498	-520	-509
Net increase/(decrease) in cash and cash equivalents	-595	-33	-3	8	50
Cash and cash equivalent at 1 January	1107	512	480	478	486
Cash and cash equivalent at 1 December	512	480	478	486	536

Key Metrics	2021A	2022A	2023E	2024F	2025F
EBIT margin	14.9%	13.8%	14.0%	15.0%	16.3%
PBT margin	12.5%	11.4%	12.6%	13.7%	15.1%
PAT margin	9.2%	7.8%	9.5%	10.3%	11.3%
Core PATAMI margin	6.0%	6.8%	9.5%	10.3%	11.4%
ROE	3.1%	4.4%	5.7%	6.3%	7.0%

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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.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology