

PROPERTY

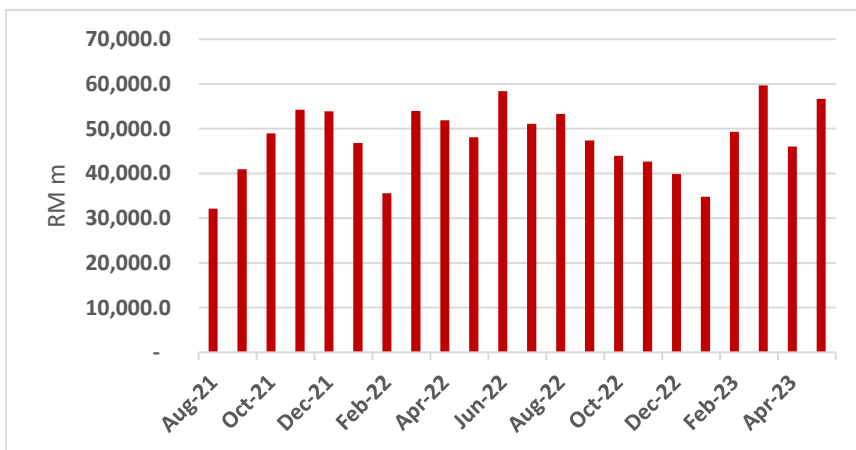
Loan application rebounded

KEY INVESTMENT HIGHLIGHTS

- Loan application rebounded in May 2023
- Higher approved loan in May 2023
- KL Property Index outperformed KLCI
- Unchanged OPR a short-term relief to the sector
- Maintain NEUTRAL with positive bias on Property sector
- Top picks for the sector are Mah Sing Group (BUY, TP: RM0.78) and Glomac Berhad (BUY, TP: RM0.43)

Loan application rebounded. According to data released by Bank Negara Malaysia (BNM), loan application for purchase of property rebounded in May 2023 by +23%mom after a decline of -23%mom in April 2023. The figures rebound in May 2023 could be due to higher loan application following break for festive season in April 2023. On yearly basis, loan application jumped by +18%yoy, bringing cumulative loan application at RM246.5b (+4.3%yoy) in 5MCY13. The higher total loan application in 5M2013 indicates better demand for property. Nevertheless, buying interest on property could be dampened slightly as Bank Negara Malaysia increased OPR by 25basis points to 3% in May 2023.

Figure 1: Monthly total applied loan



Source: BNM, MIDF Research

Higher approved loan in May 2023. Total loan approved for purchase of property jumped by +18%mom in May 2023, reversing decline of -17%mom in April 2023. The higher approved loan in May 2023 was mainly underpinned by the higher loan application in May 2023 which partially cushioned by lower percentage of total approved loan over total applied loan of 44.8% in May 2023 (April 2023: 46.7%). On yearly basis, approved loan rebounded by 18%yoy in May 2023 after decline of -11%yoy in April 2023. Cumulatively, total loan approved stood at RM106.5b in 5M2023, increasing by 10%yoy which bodes well for new property sales outlook for developers.

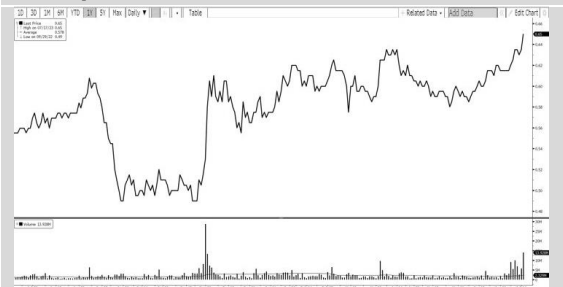
COMPANY IN FOCUS

Mah Sing Group Berhad

Maintain **BUY** | Unchanged Target price: RM0.78
Price @ 17th July 2023: RM0.655

- Resilient earnings in 1QFY23 due to higher property sales and profit recognition from ongoing projects.
- Active land acquisition supports new property sales outlook.
- New sales achieved in 1QFY23 is in line with management new sales target of RM2.2b for FY23.

Share price chart

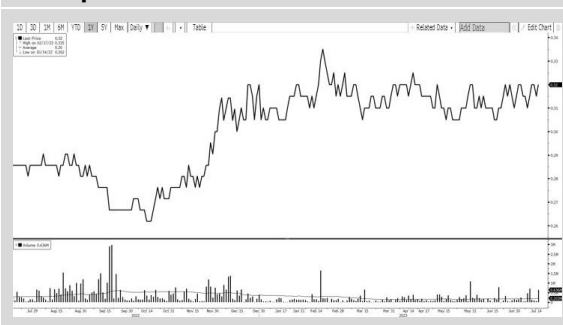


Glomac Berhad

Maintain **BUY** | Unchanged Target price: RM0.43
Price @ 17th July 2023: RM0.32

- Better earnings outlook due to pick up in progress billing.
- New sales prospect is better for FY24 due to launches of projects at its township and new project in Puchong.
- Valuation is undemanding, trading at steep discount of 79% to latest NTA of RM1.53 per share.

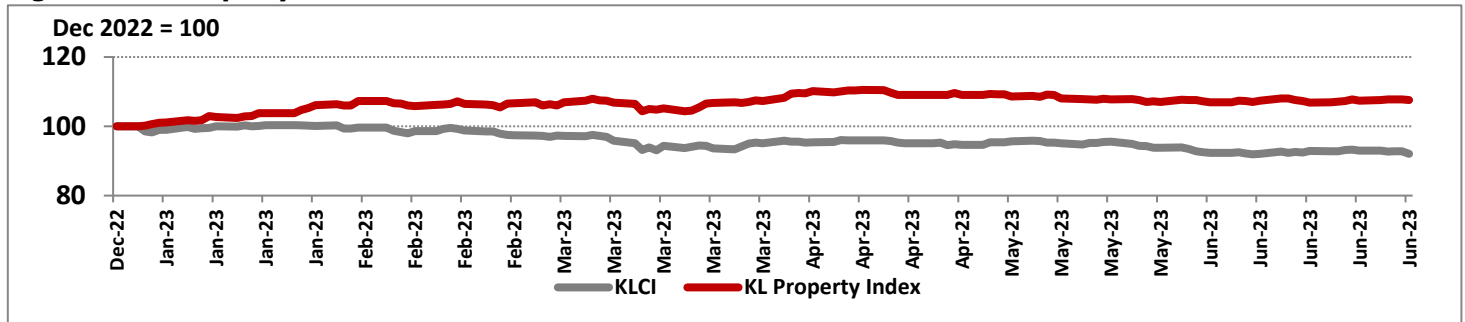
Share price chart



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KL Property Index outperformed KLCI. KL Property Index outperformed KLCI in 1HCY23 by registering a gain of 7.6% against KLCI's losses of 7.9%. Property counters saw stronger trading interest following pause in OPR hike by Bank Negara Malaysia in January 2023 and March 2023 as pause in OPR is expected to support buying interest on properties. Besides, we think that the declining residential overhang in 1QCY23 following reopening of country borders helped support sentiment on property stocks. Meanwhile, the top five performers of property counters in 1HCY23 are Ewein Berhad (+210%), Yong Tai Berhad (+113%), Seal Incorporated Berhad (+96%), Tanco Holdings Berhad (+72%) and Eco World International Berhad (+54%).

Figure 2: KL Property Index and KLCI



Source: Bloomberg, MIDF Research

Unchanged OPR in July 2023 a short-term relief to the sector. Bank Negara Malaysia maintained OPR at 3% in July 2023. The unchanged OPR is positive to property sector as buying sentiment is expected to remain healthy without hike of OPR. Note that higher OPR would raise financing cost of housing loan and hence dampen buying interest on property. Besides, the unchanged OPR is expected to benefit property developers in term of financing cost. Financing cost for property developers is expected to remain stable in the near-term as some of the developers have considerable high exposure to floating rate debt.


Maintain NEUTRAL on property sector. The rebound in loan application and loan approved data in May 2023 is slight positive to property sector as it signals demand for property remains supported while new property sales outlook for developer is expected to be better. In a nutshell, we maintain **NEUTRAL** with positive bias on property sector. Our top picks for the sector are **Mah Sing Group (BUY, TP: RM0.78)** and **Glomac Berhad (BUY, TP: RM0.43)**. We like Mah Sing Group due to its strategy of focusing on building affordable homes. Besides, its recent active land banking exercise should support new sales and earnings growth in the near-term. We are also positive for Glomac Berhad as we see a better earnings outlook in FY24 which will be driven by higher progress billing. Besides, new sales prospect is better for FY24 due to launches of key project in Puchong and projects at its townships. 

Figure 3: Peers comparison table

Stock	FYE	Rec.	Price @ 17-July-2023	Target Price (RM)	Core EPS (sen)		Core PER (x)		Net DPS (sen)		Net Dvd Yield	
					FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F
MAHSING	Dec	BUY	0.655	0.78	8.5	9.7	7.7	6.8	3.4	3.9	5.2%	6.0%
ECOWLD	Oct	BUY*	0.875	0.87	9.6	9.6	9.1	9.1	5.0	5.0	5.7%	5.7%
IOIPG	June	BUY	1.15	1.38	13.3	13.6	8.6	8.5	4.0	4.0	3.5%	3.5%
GLOMAC	April	BUY	0.32	0.43	4.1	5.3	7.8	6.1	1.3	1.5	3.9%	4.7%
SPSETIA	Dec	BUY	0.605	0.71	7.0	8.1	8.7	7.5	1.6	1.7	2.6%	2.7%
UOADEV	Dec	NEUTRAL	1.59	1.65	8.8	9.0	18.1	17.7	10.0	10.0	6.3%	6.3%
SUNWAY	Dec	NEUTRAL	1.61	1.66	10.2	10.5	15.8	15.3	5.5	5.5	3.4%	3.4%

*Under Review

Source: MIDF Research

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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