

PROPERTY

Maintain NEUTRAL

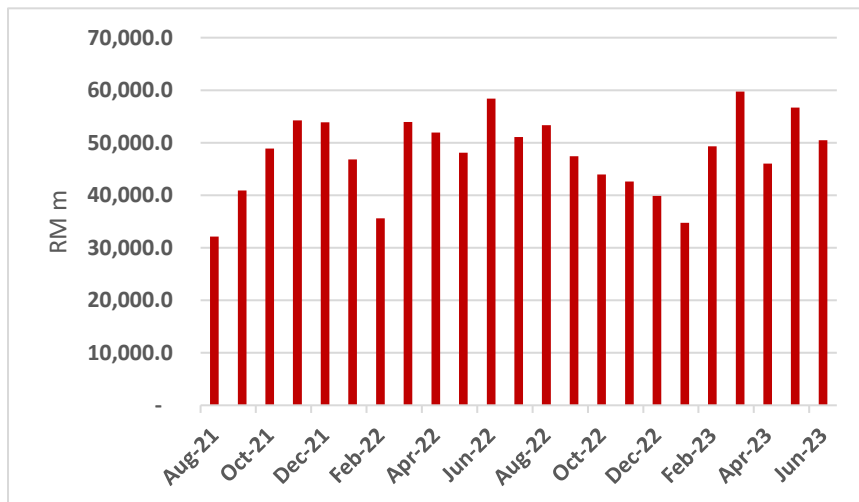
Flattish loan application in 1HCY23

KEY INVESTMENT HIGHLIGHTS

- **Flattish loan application in 1HCY23**
- **Healthy approved loan in 1HCY23**
- **Narrower discount for property companies due to improving property scene at Johor**
- **Valuation of property counters regressing to above mean**
- **Maintain NEUTRAL with positive bias on Property sector**
- **Top picks for the sector are Mah Sing Group (BUY, TP: RM0.83) and Glomac Berhad (BUY, TP: RM0.47)**

Flattish loan application in 1HCY23. According to data released by Bank Negara Malaysia (BNM), loan application for purchase of property declined by -11%mon in June 2023 after strong growth of +23%mom in May 2023. The decline in loan application in June 2023 could be due to normalizing of loan application as data in May 2023 was likely boost by pent up demand post break for Hari Raya celebration. Besides, the weaker figures could also due to impact of OPR hike by 25bps in May 2023. On yearly basis, loan application declined by -13.4%yoy, bringing cumulative loan application to RM297b in 1HCY23. The loan application in 1H2023 was flattish at +0.8%, indicating marginally better demand for property. Moving forward, loan application is expected to grow stronger as Bank Negara Malaysia paused rate hike in July 2023.

Figure 1: Monthly total applied loan



Source: BNM, MIDF Research

Healthy approved loan in 1HCY23. Total loan approved for purchase of property eased by -5.8%mom in June 2023 mainly due to lower loan application. On yearly basis, total approved loan increased by +5.4%yoy despite lower loan application mainly due to higher percentage of total approved loan over total applied loan of 47.7% in June 2023 (May 2023: 45%). Cumulatively, total approved loan in 1HCY23 was healthy at RM131b which represents growth rate of +9.2%yoy. In a nutshell, we see that the healthy total approved loan should translate into slightly better new sales outlook for property developers.

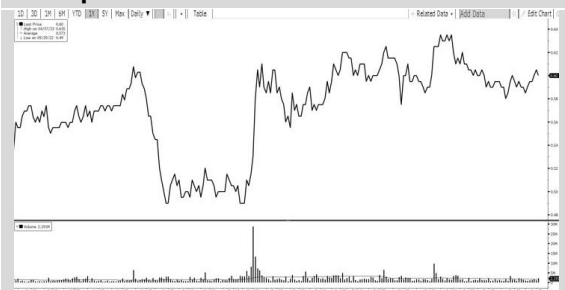
COMPANY IN FOCUS

Mah Sing Group Berhad

Maintain **BUY** | Revised Target price: RM0.83
Price @ 8th Aug 2023: RM0.675

- 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

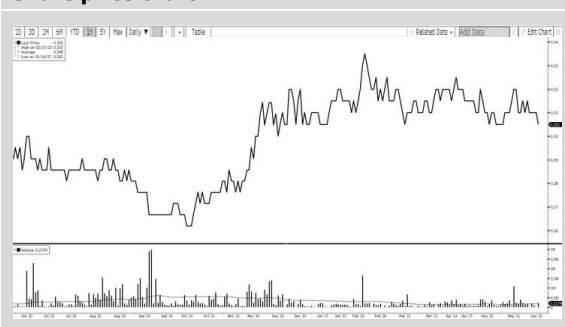


Glomac Berhad

Maintain **BUY** | Revised Target price: RM0.47
Price @ 8th Aug 2023: RM0.34

- 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



Analyst(s)
JESSICA Low Jze Tieng
jessica.low@midf.com.my
03 -2173 8391

Narrower discount for property companies due to improving property scene at Johor. Property scene for Johor is improving with lower residential overhang units and potential revival of High-Speed Rail project. That is expected to benefit property developers with exposure to Johor namely Sunway Berhad with 1,632 acres of land in Johor, Eco World Development with 1000 acres land in Johor and Mah Sing with 1120 acres land in Meridin East. Similarly, property developers that have township projects in Johor are also expected to benefit from better property outlook for Johor namely IOI Properties with Bandar Putra Kulai township, Glomac Berhad with Sri Saujana and Saujana Jaya township in Johor and S P Setia with Setia Tropika, Setia Eco Gardens and few more townships in Johor. In view of the improving outlook for the property developers, we are narrowing our RNAV discount and target prices for property companies under our coverage (refer to figure 2). Post adjustment to valuation, we downgrade **Eco World Development Group** to **NEUTRAL** from **BUY** due to limited upside. We also revert our **TRADING BUY** call to **NEUTRAL** on **UOA Development** as bumper dividend of 20sen per share goes ex today. Meanwhile, we maintain our **BUY** call on **Mah Sing Group, IOI Properties Group, Glomac** and **S P Setia**.

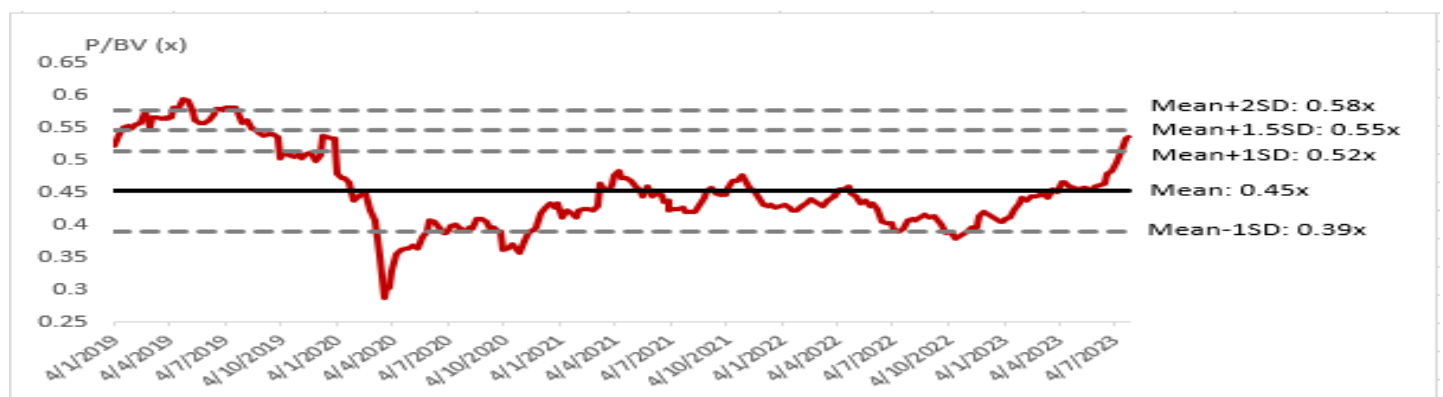
Figure 2: Peers comparison table

Stock	Rec.	Price @ 8-Aug-2023	Previous Target Price (RM)	Revised Target Price (RM)	Core EPS (sen)		Core PER (x)		Net DPS (sen)		Net Dvd Yield		P/NTA (x)
					FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	
MAHSING	BUY	0.675	0.78	0.83	8.5	9.7	7.9	7.0	3.4	3.9	5.0%	5.8%	0.46
SPSETIA	BUY	0.655	0.71	0.79	7.0	8.1	9.2	7.9	1.6	1.7	2.5%	2.6%	0.14
IOIPG	BUY	1.33	1.38	1.53	13.3	13.6	10.0	9.8	4.0	4.0	3.0%	3.0%	0.34
GLOMAC	BUY	0.34	0.43	0.47	4.1	5.3	8.2	6.4	1.3	1.5	3.7%	4.5%	0.22
ECOWLD	NEUTRAL	0.93	0.87	0.96	9.6	9.6	9.7	9.7	5.0	5.0	5.4%	5.4%	0.57
UOADEV	NEUTRAL	1.91	1.91	1.65	8.8	9.0	21.7	21.2	30.0	10.0	15.7%	5.2%	0.80
SUNWAY	NEUTRAL	1.79	1.66	1.71	10.2	10.5	17.5	17.0	5.5	5.5	3.1%	3.1%	0.85


Source: MIDF Research

Valuation of property counters regressing to above mean. KL Property Index recorded strong gains of +20.5%ytd as valuation of property counters were undemanding. The strong gains in KL Property Index could be due to the improving property scene at Johor and potential revival of High-Speed Rail which bodes well for long term outlook for property sector. Based on price to book value (P/BV) for 25 property stocks with bigger market cap, it was trading at 3-year mean minus one standard deviation level of 0.39x at the beginning of the year. With the strong gains of property counters recently, valuation has moved up to above mean. Presently, the average P/BV of the 25 property stocks is trading at 0.54x, which is above mean plus one standard deviation level of 0.52x. We think that valuation of property counters is more reasonable at this level and may limit further upside.

Figure 3: Price to Book value of 25 property companies based on market cap



Source: Bloomberg

Maintain Neutral on property sector. While the weaker loan application in June 2023 is slight negative to the sector, we see that demand should recover gradually in the coming months as Bank Negara Malaysia paused rate hike in July 2023. Meanwhile, overall outlook for property sector is improving gradually with better property outlook for Johor. Nevertheless, valuation of property companies regressed to above mean hence may limit upside in the near-term. Overall, we maintain **NEUTRAL** with positive bias on property sector. Our top picks for the sector are **Mah Sing Group (BUY, TP: RM0.83)** and **Glomac Berhad (BUY, TP: RM0.47)** as we see developers that focus on mid-market and affordable segment should continue to do well in the long term as demand for affordable homes remains resilient. 

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077(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 (197501002077 (23878 – X)) for distribution to and use by its clients to the extent permitted by applicable law or regulation.

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 MIDF Investment believes are reliable at the time of publication. All information, opinions and estimates contained in this report are subject to change at any time without notice. Any update to this report will be solely at the discretion of MIDF Investment.

MIDF Investment 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. MIDF Investment and its affiliates and related companies and each of their respective directors, officers, employees, connected parties, associates and agents (collectively, "Representatives") shall not be liable for any direct, indirect or consequential loss, loss of profits and/or damages arising from the use or reliance by anyone upon this report and/or further communications given in relation to this report.

This report is not, and should not at any time be construed as, an offer, invitation or solicitation to buy or sell any securities, investments or financial instruments. The price or value of such securities, investments or financial instruments may rise or fall. Further, the analyses contained herein are based on numerous assumptions. This report does not take into account the specific investment objectives, the financial situation, risk profile and the particular needs of any person who may receive or read this report. You should therefore independently evaluate the information contained in this report and seek financial, legal and other advice regarding the appropriateness of any transaction in securities, investments or financial instruments mentioned or the strategies discussed or recommended in this report.

The Representatives may have interest in any of the securities, investments or financial instruments and may provide services or products to any company and affiliates of such companies mentioned herein and may benefit from the information herein.

This document may not be reproduced, copied, distributed or republished in whole or in part in any form or for any purpose without MIDF Investment's prior written consent. This report is not directed or intended for distribution to or use by any person or entity where such distribution or use would be contrary to any applicable law or regulation in any jurisdiction concerning the person or entity.

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