



Mah Sing Group Berhad

(8583 | MSGB MK) Main | Property

JV for Industrial Real Estate Property Developments

Maintain BUY**Revised Target Price: RM0.90**
(Previously RM0.83)

KEY INVESTMENT HIGHLIGHTS

- **JV for industrial real estate property developments**
- **Growing demand for industrial property**
- **Lower risk business model**
- **Earnings forecast maintained**
- **Maintain BUY with a revised TP of RM0.90**

JV for industrial real estate property developments. Mah Sing Group (Mah Sing) announced that its wholly owned subsidiaries, Nova Legend Development Sdn Bhd ("MS1") and Jastamx Sdn Bhd ("MS2") had on 7th September 2023 entered into shareholders' agreement with The South Sea Capital Sdn Bhd ("TSSC") to jointly carry out the business relating to industrial real estate property development, land acquisition, ownership, operation, management, and leasing through a JV. The JV shall be carried through Mah Sing South Sea Industrial Development Sdn Bhd whereby TSSC will hold a 30% equity interest while MS1 and MS2 will hold 50% and 20% equity interest respectively. Collectively, Mah Sing will hold 70% equity stake in JV.

Growing demand for industrial property. The JV allows Mah Sing to ride on the growing demand for industrial property in Malaysia from buyers in China. Note that directors of TSSC are Sun Jianwei and Hooi Jia Hao while Sun Jianwei is also the Executive President of Malaysia JiangSu Entrepreneurs Business Association. Mah Sing believes that its JV partner will be able to bring value as Sun Jianwei has extensive network about JiangSu which is second richest province in China. JiangSu has diverse industrial landscape with key sectors ranging from manufacturing to technology and services. Meanwhile, the JV will help Mah Sing to expand its industrial development portfolio. Note that Mah Sing has completed five industrial parks in the past which are Mah Sing Integrated Industrial Park in Mutiara Subang, iParc in Bukit Jelutong, iPar2 in Shah Alam, iParc3 in Bukit Jelutong and Mah Sing iParc at the Port of Tanjung Pelepas.

Lower risk business model. We gather that Mah Sing will only start looking for industrial land for development after securing buyers from China. That translates into lower risk to Mah Sing. On business model, Mah Sing are considering various options including outright land sale, built-to-suit or lease on the property depending on the profile of buyers. Meanwhile, we understand that Mah Sing is under negotiation with various potential buyers from China and landbanking for the industrial development is likely to happen earliest by end of this year or next year. Hence, we do not foresee earnings impact from the JV in the near-term. Meanwhile, profit margin from industrial properties is typically higher at 20% to 30%, hence giving better earnings visibility to Mah Sing in the future.

RETURN STATISTICS

Price @ 7 th Sept 2023 (RM)	0.80
Expected share price return (%)	12.5
Expected dividend yield (%)	4.3
Expected total return (%)	16.8

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	21.1	19.7
3 months	30.9	28.6
12 months	26.8	29.3


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	4.25%	4.84%	5.50%

KEY STATISTICS

FBM KLCI	1,460.07
Issue shares (m)	2427.69
Estimated free float (%)	49.63
Market Capitalisation (RM'm)	1,942
52-wk price range	RM0.48-RM0.83
3-mth average daily volume (m)	7.19
3-mth average daily value (RM'm)	5.22
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

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Maintain BUY with a revised TP of RM0.90. We make no changes to our earnings forecast for FY23F/24F/25F. We revise our **TP** for Mah Sing to **RM0.90** from RM0.83 as we narrow RNAV discount to 60% from 63% in view of the better long-term prospect from its industrial development venture which supported by increased FDI. Overall, we remain positive on Mah Sing due to stable new sales prospect as new sales in 1HFY23 is tracked to hit management new sales target of RM2.2b for FY23. Besides, balance sheet of Mah Sing is healthy with net gearing at 0.12x in 2QFY23 which supports future landbanking. Hence, we maintain our **BUY** call on Mah Sing. 

Mah Sing Group 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
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
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				60%
Target Price				0.90

Source: MIDF Research

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)	18.3	12.3	9.4	8.3	7.3
NTA/share	1.43	1.46	1.50	1.53	1.56
P/NTA	0.56	0.55	0.53	0.52	0.51

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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Source: Bloomberg, MIDFR

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