



Mah Sing Group Berhad

(8583 | MSGB MK) Main | Property

Decent Earnings Growth

KEY INVESTMENT HIGHLIGHTS

- **9MFY23 earnings within expectations**
- **Higher gross profit margin in 3QFY23**
- **Decent earnings growth in 9MFY23**
- **Strong 9MFY23 new sales of RM1.8b**
- **Earnings forecast maintained**
- **Maintain BUY with a revised TP of RM0.99**

9MFY23 earnings within expectations. Mah Sing Group (Mah Sing) 9MFY23 core net income of RM146.9m came in within expectations, making up 71% and 75% of our and consensus full year estimates respectively.

Higher gross profit margin in 3QFY23. Sequentially, 3QFY23 core net income was marginally lower at RM48.7m (-3.3%qoq) while topline was little-changed. Topline was stable due to recognition from ongoing projects. The marginally lower earnings were partly attributed to the higher administrative and other expenses (+7.8%qoq). On yearly basis, 3QFY23 core net income was higher (+22.7%yoy) despite lower topline mainly due to higher gross profit margin of 21.7% in 3QFY23 against gross profit margin of 20.8% in 3QFY22. Besides, earnings growth was also aided by lower tax rate.

Decent earnings growth in 9MFY23. Cumulatively, 9MFY23 core net income was higher at RM146.9m (+50.3%yoy). Note that we have included distribution paid to holders of perpetual securities in 9MFY22 core net income calculations. The higher earnings were contributed by revenue recognition from ongoing projects mainly in Klang Valley. That offset the impact of higher administrative and other expenses. Meanwhile, unbilled sales increased marginally to RM2.41b in 3QFY23 from RM2.34b in 2QFY23, providing one-year earnings visibility.

Strong 9MFY23 new sales of RM1.8b. Mah Sing achieved new sales of RM600m in 3QFY23 flattish against new sales of RM600m in 2QFY23. Cumulatively, Mah Sing achieved new sales of RM1.8b in 9MFY23 which we think is well on track to surpass management new sales target of RM2.2b for FY23. Looking ahead, new sales in 4QFY23 will be supported by upcoming launches namely future phases of M Senyum, Meridin East, M Residence, and M Sinar.

Maintain BUY with a revised TP of RM0.99. We maintain our earnings forecast for FY23F/24F/25F. We revise our **TP to RM0.99** from RM1.01 as we update our RNAV figures. Our TP is based on unchanged 55% discount to RNAV. We like Mah Sing for its strategy of focusing projects in affordable price range which will support new property sales momentum going forward. Besides, balance sheet remains healthy with commendable net gearing of 0.13x in 3QFY23. Hence, we maintain our **BUY** call on Mah Sing.

**Maintain BUY****Revised Target Price: RM0.99**
(Previously RM1.01)

RETURN STATISTICS

Price @ 29 th Nov 2023 (RM)	0.835
Expected share price return (%)	+18.6
Expected dividend yield (%)	4.0
Expected total return (%)	+22.6

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	0.0	-0.3
3 months	-8.3	8.5
12 months	60.2	63.6

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	4.0%	4.6%	5.2%

KEY STATISTICS

FBM KLCI	1,446.07
Issue shares (m)	2427.69
Estimated free float (%)	49.63
Market Capitalisation (RM'm)	2,027
52-wk price range	RM0.48-RM0.92
3-mth average daily volume (m)	9.53
3-mth average daily value (RM'm)	7.86
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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Mah Sing Group: 3QFY23 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	3QFY23	%YoY	%QoQ	9MFY23	%YoY
Revenue	644.3	-4.0%	0.0%	1,931.9	17.3%
EBIT	88.7	-7%	1.3%	265.1	11.4%
PBT	76.1	-5%	1.4%	226.8	15.6%
Net Income	50.0	6%	-0.9%	150.5	13.0%
Core Net Income	48.7	22.7%	-3.3%	146.9	50.3%
EPS (sen)	2.06	6%	-0.9%	6.2	13.0%
Core EPS (sen)	2.00	23%	-3.3%	6.1	53.2%
Net DPS (sen)	0.00	NA	NA	0.0	NA
NTA/share (RM)	1.50	4%	0.5%	1.5	4%
Net Gearing (x)	0.13	NA	NA	0.1	NA
EBIT Margin	13.8%	NA	NA	13.7%	NA
PBT Margin	11.8%	NA	NA	11.7%	NA

Source: Company

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%	12	10%	1
Garden Plaza, Cyberjaya	100%	31	10%	3
M City, Jalan Ampang	100%	2	10%	0
M Residence 1 @ Rawang	100%	200	10%	15
M Residence 2 @ Rawang	100%	33	10%	3
Southville City @ KL South, Bangi	100%	8535	10%	512
Icon City, PJ	100%	1901	10%	147

	Stake	Est remaining GDV (RM m)	WACC (%)	Value (RM m)
D'sara Sentral	100%	51	10%	4
Lakeville Residence	100%	1	10%	0
M Aruna Rawang	100%	171	10%	14
M Centura, M Arisa, Sentul	78%	9	10%	1
M Vertica, Cheras	100%	252	10%	20
M Oscar	100%	30	10%	2
M Luna	100%	18	10%	1
M Adora	100%	9	10%	1
M Senyum	100%	222	10%	16
M Astra	100%	19	10%	1
M Nova	100%	617	10%	46
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%	140	10%	11
Meridin @ Medini	100%	227	10%	18
Meridin East	100%	3628	10%	201
Mah Sing i-Parc	100%	19	10%	2
M Minori	100%	469	10%	35
M Tiara	100%	480	10%	36
Penang Projects				
Ferringhi Residence	100%	382	10%	31
Southbay City	100%	1418	10%	92
Unbilled sales		2418		186

	Stake	Est remaining GDV (RM m)	WACC (%)	Value (RM m)
Total				1730
Shareholder Funds				3637
Total RNAV				5366
Number of shares				2428
RNAV per share (RM)				2.21
Discount				55%
Target Price (RM)				0.99

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)	19.1	12.8	9.8	8.6	7.6
NTA/share	1.43	1.46	1.50	1.53	1.56
P/NTA	0.59	0.57	0.56	0.55	0.54

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