



## Mah Sing Group Berhad

(8583 | MSGB MK) Main | Property

### Industrial Land Acquisition in Sepang

#### KEY INVESTMENT HIGHLIGHTS

- **Industrial land acquisition in Sepang**
- **Growing presence in industrial property development**
- **Marginal impact on balance sheet**
- **Earnings forecast maintained**
- **Maintain BUY with a revised TP of RM1.05**

**Industrial land acquisition in Sepang.** Mah Sing Group (Mah Sing) announced that its subsidiary had entered into a conditional sale and purchase agreement (SPA) with Premier Land Resources Sdn Bhd ("PLRSB") involving a total of approximately 561.65 acres of land in Sepang. The initial parcel measuring 185 acres is to be acquired for a total purchase consideration of RM100.7m. The proposed acquisition comes with an option for a further 376.7 acres of adjacent land which may be acquired within 4 years from the date of the SPA. The proposed acquisition is expected to complete by 2HFY24. Meanwhile, the vendor will subscribe to 20% of Mah Sing's subsidiary which is the purchaser. Eventually, Mah Sing will own 56% equity stake in the development of the land.

**Growing presence in industrial property development.** We view the land acquisition positively as Mah Sing continues to grow its presence in industrial property development. Recall that Mah Sing established a JV for industrial property developments in September 2023 mainly due to growing demand for industrial property in Malaysia from buyers in China. Meanwhile, Mah Sing plans to develop land in Sepang into a business park, to be named "Mah Sing Business Park" for development of industrial property. The estimated GDV for the 185 acres land is at RM728m while the estimated GDV for the entire 561.7 acres of land is at RM2b. The acquisition translates into land cost to GDV ratio of 13.8% which is similar to recent industrial land deal such as Eco World Development Group's industrial land acquisition in Johor in September 2023.

**Marginal impact on balance sheet.** Mah Sing intends to fund the land acquisition via a combination of internally generated funds and bank borrowings. We estimate balance sheet of Mah Sing to remain healthy post land acquisition with net gearing expected to inch up marginally to 0.15x from 0.13x in 3QFY23. Meanwhile, the development on the land will also be aligned with Mah Sing's quick turnaround strategy as proposed development is expected to commence in 2HFY24 and to be developed over a span of 3-4 years.

**Maintain BUY**

**Revised Target Price: RM1.05**  
(Previously RM1.04)

#### RETURN STATISTICS

Price @ 31 <sup>st</sup> Jan 2024 (RM)	0.94
Expected share price return (%)	+11.7
Expected dividend yield (%)	+3.6
<b>Expected total return (%)</b>	<b>+15.3</b>

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	13.3	8.9
3 months	13.3	9.3
12 months	55.4	52.5

#### 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	3.6%	4.1%	4.7%

#### KEY STATISTICS

FBM KLCI	1,512.98
Issue shares (m)	2427.69
Estimated free float (%)	49.63
Market Capitalisation (RM'm)	2,282
52-wk price range	RM0.57-RM0.95
3-mth average daily volume (m)	5.73
3-mth average daily value (RM'm)	4.92
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 RM1.05.** We make no changes to our earnings forecast for FY23F/24F/25F. Nevertheless, we revise our **TP** for Mah Sing to **RM1.05** from RM1.04 after factoring in RNAV contribution from the new land. Our **TP** is based on unchanged 53% discount to RNAV. While we like Mah Sing’s exposure to affordable residential segment, its growing presence in industrial properties segment will further drive earnings growth going forward. Meanwhile, balance sheet of Mah Sing remains healthy which will give Mah Sing financial flexibility for future landbanking exercise. Hence, we maintain our **BUY** call on Mah Sing.

**Figure 1: Location of land in Sepang**



Source: Company

**Mah Sing Group RNAV**

	Stake	Est remaining GDV (RM m)	WACC (%)	Value (RM m)
<b>Greater KL Projects</b>				
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

	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%	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
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
Mah Sing Businss Park	56%	728	10%	32
<b>Johor Projects</b>				
Sierra Perdana	100%	140	10%	11
Meridin @ Medini	100%	227	10%	18

	Stake	Est remaining GDV (RM m)	WACC (%)	Value (RM m)
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
<b>Penang Projects</b>				
Ferringhi Residence	100%	382	10%	31
Southbay City	100%	1418	10%	92
Unbilled sales		2418		186
<b>Total</b>				<b>1761</b>
Shareholder Funds				3637
Total RNAV				5398
Number of shares				2428
RNAV per share (RM)				2.22
Discount				53%
<b>Target Price (RM)</b>				<b>1.05</b>

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)	21.5	14.5	11.1	9.7	8.5
NTA/share	1.43	1.46	1.50	1.53	1.56
P/NTA	0.66	0.64	0.63	0.61	0.60

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
<b>Total Assets</b>	<b>7042</b>	<b>6390</b>	<b>6621</b>	<b>6933</b>	<b>7188</b>
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
<b>Equity + Liability</b>	<b>7042</b>	<b>6390</b>	<b>6621</b>	<b>6933</b>	<b>7188</b>

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