

Malaysia

ADD (no change)

Consensus ratings*: Buy 9 Hold 3 Sell 1

Current price:	RM0.64
Target price:	RM0.75
Previous target:	RM0.75
Up/downside:	17.2%
CGS-CIMB / Consensus:	-8.0%

Reuters:	MAHS.KL
Bloomberg:	MSGB MK
Market cap:	US\$355.8m
	RM1,554m
Average daily turnover:	US\$0.25m
	RM1.07m
Current shares o/s:	2,428m
Free float:	51.1%

*Source: Bloomberg

Key changes in this note

- FY22-24F EPS raised by 20-28%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-6.6	-5.2	-30.1
Relative (%)	-4.7	-2.8	-29.2

Major shareholders	% held
Tan Sri Leong Hoy Kum	35.0
Amanah Saham Nasional	12.2
Bank of Singapore	7.4

Analyst(s)



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Mah Sing Group

Better margins from cost savings

- 1QFY22 core net profit was above estimates due to higher-than-expected cost savings from completed/near-completion construction contracts.
- 1Q22 new property sales of RM450m made up 23% of its FY22F sales target of RM2bn. More aggressive new launches expected in 2Q-4Q22F.

Key results highlights

Mah Sing Group's 1QFY22 core net profit came in above expectations, at 36% of our and 30% of Bloomberg consensus' FY22F estimates on higher-than-expected margins arising from cost savings of completed/near-completion construction contracts. 1Q22 core net profit rose 3% yoy, largely driven by stronger operating profit at its property development division (+22% yoy), which offset the operating loss at its manufacturing division due to the lower absorption of overhead costs at the initial phases of the glove plant's operation.

On track to achieve FY22F new property sales target of RM2bn

1Q22 new property sales were higher at RM450m vs. RM400m in 1Q21, making up 23% of its FY22F sales target of RM2bn. We gather the group has secured RM873m bookings in the pipeline as of 29 May 22. By price point, 60% of its FY22F target new sales will likely come from properties priced below RM500,000/unit, 34% priced at RM500,000-699,999/unit, and the remaining 6% at/above RM700,000/unit. At end-Mar 22, unbilled sales stood at RM2bn vs. RM1.73bn at end-Mar 21. For FY22F, the group plans to launch new projects with a total gross development value (GDV) of RM2.4bn, including M Senyum (Sepang), M Astra (Setapak), M Nova (Kepong), and M Panorama (Rawang). In 1Q22, it launched new projects worth up to RM180m (vs. RM606m in 1Q21) while the bulk of the FY22F new launches will be rolled out in the remaining quarters of this year.

Rising building costs seem manageable for now

Management guided for a rise in construction costs of up c.10% in FY22F due to rising building material prices. However, the group is expecting minimal impact on its margins given: (i) part of the higher cost could be mitigated by product price increases at mature townships/areas, (ii) the adoption of e-model project designs for better control of construction sites/progress and sequencing of works, and (iii) better cost efficiencies through bulk purchase of building materials. Most of its projects are progressing well and are not unduly affected by the current industry labour shortage, the company said.

Reiterate Add

We raise our FY22-24F EPS estimates by 20-28% to reflect: (i) lower distribution to holders of perpetual securities following the recent redemption of RM650m perpetual securities in Apr 22, (ii) higher margins from project cost savings, and (iii) changes in project development timeline. Our SOP-based TP is unchanged at RM0.75. Reiterate Add given its strong sales momentum, additional contributions from its glove unit, and decent dividend yields of 4-5% for FY22-24F.

Financial Summary	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Net Revenues (RMm)	1,531	1,754	2,078	2,247	2,119
Operating EBITDA (RMm)	214.3	300.2	337.3	366.3	324.6
Net Profit (RMm)	21.2	106.7	145.2	188.2	159.2
Core EPS (RM)	0.024	0.044	0.060	0.078	0.066
Core EPS Growth	(58.7%)	79.4%	37.0%	29.6%	(15.4%)
FD Core P/E (x)	26.31	14.66	10.70	8.26	9.76
DPS (RM)	0.017	0.027	0.028	0.031	0.026
Dividend Yield	2.59%	4.14%	4.38%	4.84%	4.06%
EV/EBITDA (x)	14.95	11.18	8.78	7.39	7.83
P/FCFE (x)	1.45	NA	35.42	2.94	3.62
Net Gearing	20.2%	27.4%	38.8%	30.7%	25.5%
P/BV (x)	0.46	0.45	0.44	0.42	0.41
ROE	1.71%	3.08%	4.14%	5.22%	4.29%
% Change In Core EPS Estimates			28.4%	25.5%	20.3%
CGS-CIMB/Consensus EPS (x)			1.13	1.11	0.84

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 1: Results Comparison

FYE Dec 31	1Q	1Q	yoy %	4Q	qoq %	Prev. Comments
(RM m)	FY22	FY21	chg	FY21	chg	FY22F
Revenue	433	413	5%	537	-19%	2,011 Stronger yoy on higher revenue at property and manufacturing divisions
Operating costs	(356)	(339)	5%	(463)	-23%	(1,690)
EBITDA	77	75	3%	75	3%	321
EBITDA margin (%)	18	18		14		16
Deprn & amort.	(10)	(8)	25%	(10)	1%	(38)
EBIT	67	66	0%	64	4%	283
Interest expense	(14)	(12)	19%	(12)	15%	(65)
Interest & invt inc	0	1	-15%	1	-55%	7
Associates' contrib	-	-	nm	-	nm	-
Exceptionals	3	1	>100%	(0)	>100%	- Refers mainly to forex/impairment/allowance
Pretax profit	56	56	0%	53	6%	225
Tax	(12)	(12)	0%	(9)	36%	(54)
Tax rate (%)	22	22		17		24
Minority interests	(1)	(4)	-85%	(31)	-98%	(57) Include accrued distributions to perpetual securities holders
Net profit	43	40	7%	13	>100%	113
Core net profit	40	39	3%	13	>100%	113 1QFY22 core net profit made up 36% of our full-year forecast
EPS (sen)	2	2	7%	1	>100%	5
Core EPS (sen)	2	2	3%	1	>100%	5

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Key re-rating catalysts and downside risks. Potential re-rating catalysts are additional contributions from its glove unit, solid balance sheet and decent dividend yields. Downside risks are a sudden deterioration in property market sentiment and weaker property sales.

Figure 2: Earnings revision

RM m	2021A	2022F			2023F			2024F		
		Old	New	chg	Old	New	chg	Old	New	chg
Revenue	1,754	2,011	2,078	3%	2,153	2,247	4%	2,056	2,119	3%
EBITDA	300	321	337	5%	364	366	1%	331	325	-2%
Core pretax profit	218	225	231	3%	271	249	-8%	246	209	-15%
Core net profit	106	113	145	28%	150	188	26%	132	159	20%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 3: SOP valuations of Mah Sing

Asset	Methodology	RMm
Property development	1x FY21 PBV	1,871
Investment property	1x FY21 PBV	186
Plastics division	15x FY23F PE	222
Gloves division	15x FY23F PE	652
Cash/ (Debt)	FY21	(1,134)
Sum of Parts		1,797
Number of shares (m)		2,428
Target Price (RM)		0.75

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS



ESG in a nutshell

Mah Sing adopted six United Nations Sustainable Development Goals (UNSDGs) in 2020. It was included in the FTSE4Good Bursa Malaysia index in Jun 2021.

Keep your eye on

Mah Sing is committed to reducing its greenhouse gas (GHG) emissions, increasing its raw materials/resources efficiency, and improving its workers' health/safety.

Implications

We believe more developers will increase their focus on ESG issues and establish sustainability frameworks in order to ensure their businesses meet sustainability goals.

ESG highlights

Mah Sing was ranked among the top 25% in ESG ratings among public listed companies on FBM Emas that have been assessed by FTSE Russell as of Jun 2021.

Implications

There is currently no empirical evidence to show that better ESG ratings result in improved share price performance, but we believe adopting better ESG practices is positive for the long term, especially given the growing awareness of its importance in Malaysia.

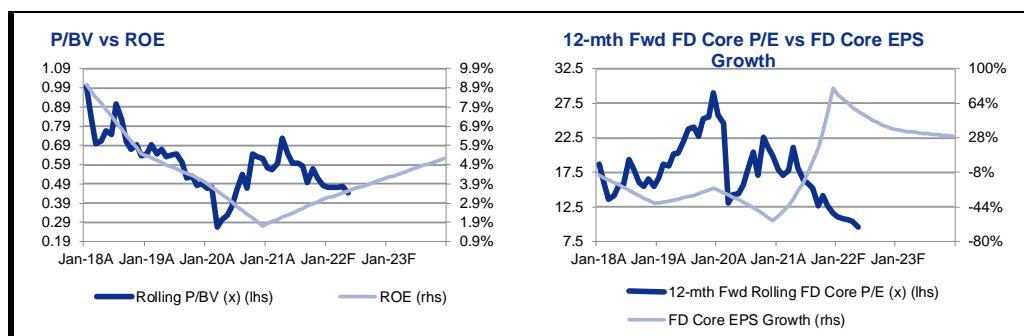
Trends

Mah Sing aims to progressively introduce more sustainable methods of construction/eco-friendly features into its projects. Its plastics division started its maiden solar PV installation to reduce electricity consumption/carbon emissions. This unit will continue to practice the use of only 100% recyclable plastics.

Implications

We expect more developers to work towards reducing their carbon footprint by monitoring and identifying significant sources of GHG emissions.

SOURCES: CGS-CIMB RESEARCH, REFINITIV, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(RMm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Net Revenues	1,531	1,754	2,078	2,247	2,119
Gross Profit	375	457	514	551	516
Operating EBITDA	214	300	337	366	325
Depreciation And Amortisation	-39	-39	-38	-37	-36
Operating EBIT	175	261	299	329	288
Financial Income/(Expense)	-28	-42	-68	-80	-79
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	147	219	231	249	209
Exceptional Items					
Pre-tax Profit	147	219	231	249	209
Taxation	-49	-47	-55	-60	-50
Exceptional Income - post-tax					
Profit After Tax	98	172	176	190	159
Minority Interests	-3	-11	-3	-1	0
Prof. & Special Div	-73	-54	-27	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	21	107	145	188	159
Recurring Net Profit	59	106	145	188	159
Fully Diluted Recurring Net Profit	59	106	145	188	159

Cash Flow

(RMm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
EBITDA	214.3	300.2	337.3	366.3	324.6
Cash Flow from Invnt. & Assoc.					
Change In Working Capital	123.8	(39.5)	(339.8)	130.9	61.3
Straight Line Adjustment					
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	33.9	(3.1)	0.0	0.0	0.0
Net Interest (Paid)/Received	8.4	(10.1)	(68.1)	(79.8)	(78.9)
Tax Paid	(77.6)	(83.8)	(55.5)	(59.9)	(50.3)
Cashflow From Operations	302.7	163.7	(126.1)	357.6	256.8
Capex	(52.3)	(145.1)	(30.0)	(29.0)	(28.0)
Disposals Of FAs/subsidiaries					
Disposals of Investment Properties					
Acq. Of Subsidiaries/Investments	(78.1)	(157.1)	0.0	0.0	0.0
Other Investing Cashflow	0.0	0.0	0.0	0.0	0.0
Cash Flow From Investing	(130.4)	(302.2)	(30.0)	(29.0)	(28.0)
Debt Raised/(repaid)	895.7	(217.0)	200.0	200.0	200.0
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(81.3)	(40.3)	(68.0)	(75.3)	(63.1)
Preferred Dividends					
Other Financing Cashflow	(613.2)	(199.2)	(672.4)	0.0	0.0
Cash Flow From Financing	201.2	(456.5)	(540.4)	124.7	136.9

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(RMm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Cash And Equivalents	1,156	1,016	319	773	1,138
Properties Under Development	1,542	1,449	1,479	1,481	1,498
Total Debtors	940	1,137	1,347	1,457	1,374
Inventories	737	729	1,085	971	886
Total Other Current Assets	11	13	13	13	13
Total Current Assets	4,385	4,344	4,244	4,694	4,909
Fixed Assets	2,027	2,249	2,241	2,233	2,224
Total Investments	186	186	186	186	186
Intangible Assets	0	0	0	0	0
Total Other Non-Current Assets	231	263	263	263	263
Total Non-current Assets	2,444	2,698	2,690	2,682	2,673
Short-term Debt	16	58	58	58	58
Current Portion of Long-Term Debt					
Total Creditors	1,249	1,249	1,506	1,633	1,543
Other Current Liabilities	24	24	24	24	24
Total Current Liabilities	1,289	1,331	1,588	1,715	1,625
Total Long-term Debt	1,201	1,447	1,647	1,847	2,047
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	75	75	75	75	75
Total Non-current Liabilities	1,275	1,522	1,722	1,922	2,122
Total Provisions	60	51	51	51	51
Total Liabilities	2,625	2,905	3,362	3,689	3,799
Shareholders' Equity	4,194	4,116	3,551	3,665	3,761
Minority Interests	10	22	22	22	22
Total Equity	4,204	4,137	3,573	3,687	3,783

Key Ratios

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue Growth	(14.5%)	14.6%	18.5%	8.1%	(5.7%)
Operating EBITDA Growth	(31.3%)	40.1%	12.4%	8.6%	(11.4%)
Operating EBITDA Margin	14.0%	17.1%	16.2%	16.3%	15.3%
Net Cash Per Share (RM)	-0.35	-0.47	-0.57	-0.47	-0.40
BVPS (RM)	1.40	1.43	1.46	1.51	1.55
Gross Interest Cover	4.18	5.65	4.15	4.05	3.23
Effective Tax Rate	33.6%	21.4%	24.0%	24.0%	24.0%
Net Dividend Payout Ratio	384%	38%	47%	40%	40%
Accounts Receivables Days	227.6	216.1	218.2	227.8	244.5
Inventory Days	237.4	206.3	211.8	221.3	212.0
Accounts Payables Days	379.7	351.6	321.5	337.8	362.7
ROIC (%)	4.12%	6.20%	6.55%	6.72%	6.06%
ROCE (%)	2.89%	4.21%	5.20%	6.03%	5.16%
Return On Average Assets	1.86%	3.09%	3.49%	3.76%	3.18%

Key Drivers

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Property revenue	1,188.6	1,342.2	1,582.5	1,598.1	1,469.0
Plastic revenue	288.2	370.3	300.0	300.0	301.0
Hotel revenue	13.3	10.0	11.0	11.0	11.0
Investment holdings revenue	40.6	31.5	31.5	31.5	31.5
Gloves revenue	-	-	153.1	306.2	306.2

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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Score Range:	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
Description:	Excellent	Very Good	Good	N/A	N/A

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Distribution of stock ratings and investment banking clients for quarter ended on 31 March 2022		
632 companies under coverage for quarter ended on 31 March 2022		
	Rating Distribution (%)	Investment Banking clients (%)
Add	70.3%	0.8%
Hold	22.0%	0.0%
Reduce	7.8%	0.2%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021

ADVANC – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a, **BH** - Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENTEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** - Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** - Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, n/a, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** - Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** - Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified, **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TOP** - Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** - Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2021 from Thai Institute of Directors Association (IOD)

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Recommendation Framework

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Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

