

PP14767/09/2012(030761)

## Mah Sing Group Bhd

## “Encouraging Entry”

## Results Review

- Actual vs. expectations.** Mah Sing Group Berhad (Mah Sing) 1Q15 earnings were in-line with our estimates, making up 26% of our full year net profit forecast. Net profit advanced by 18% y-o-y to RM98.9 million on the back of 22% jump in revenue to RM784.1 million, mainly driven by higher recognition of sales and profit from projects in Greater KL, Klang Valley and Penang. On a q-o-q basis, earnings grew by 17% (NP) and 14% (PBT) respectively to RM98.9 million and RM130.4 million on the back of 7% decrease in revenue, implying stable margin of 12.6% (NP) and 16.6% (PBT) in 1Q15 against 10.0% (NP) and 13.5% (PBT) respectively in 4Q14. Of note, revenue from plastics segment grew 1.7% to RM61.7 million (1Q14: RM60.6 million) in 1Q15 although operating profit slumped by 8.7% to RM3.59 million from RM3.94 million in 1Q14, indicating the segment still maintained its positive contribution to the revenue and operating profit of the group during the quarter.
- Dividend.** No dividend was declared during the quarter.
- Bonus Issue.** Mah Sing on the 27 May 2015 has announced a 1 for 4 Bonus Issue that will be listed and quoted on 11 June 2015, being one day after the entitlement date.
- Property sales.** Revenue from property development expanded by 24% to RM706.7 million compared to RM569.4 million in 1Q14, due to higher work progress and sales from the Group's on-going development such as the Icon City in PJ, M City in Jalan Ampang, M Residence1&2 in Rawang, Southville City in Bangi and Southbay City in Penang. As such, operating profit increased 18.2% to RM124.4 million in 1Q15 from

Friday, May 29, 2015

HOLD (TP: RM2.17)

Current Price (RM)	RM2.14
New Target Price (RM)	RM2.17
Previous Target Price (RM)	RM 2.17
Previous Recommendation	HOLD
Upside to the Fair Value	1.5%
Dividend Yield (FY15F)	3.9%

## Stock Code

Bloomberg	MSGB MK
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## Stock &amp; Market Data

Listing	MAIN MARKET
Sector	Property
Shariah Compliance	Yes
Issued Shares	1,920.5mn
Market Cap	4,109.8mn
YTD Chg In Share Price	3.5%
Beta (x)	0.76
52-week Hi/Lo (RM)	2.38 1.85
3M Average Volume (shares)	1,192.1mn
Estimated Free Float	46.5%

## Major Shareholders

Mayang Teratai	34.7%
Employees Provident Fund	8.2%
Landbanki Securities	6.4%

RM105.2 million in 1Q14. Mah Sing managed to rake-in RM560.5 million in property sales in 1Q15 (YTD 22 April 2015 sales: RM761.0 million); accounting for 16% of Mah Sing's internal target of RM3.4 billion for FY15, on the back of RM638.4 million in property launches. As of YTD 22<sup>nd</sup> April 2015, property sales made up 22% of Mah Sing's internal target of RM3.4 billion for FY15; 36% increase in 22 days from the closing quarter March 2015. The bulk of sales came from Southville City (28%), D'sara Sentral (19%), other Klang Valley (13%), Lakeville Residence (10%), M City (10%) and Icon City (8%) that cumulatively accounted approximately RM669.7 million or 88% of its sales while RM83.7 million or 11% from Johor and RM7.6 million or 1% from Sabah.

- Unbilled sales.** The increase in sales have lifted Mah Sing's total unbilled sales to RM5.12 billion, 2x of FY14 property revenue of RM2.6 billion, with the remaining GDV from their projects stood at RM59.59 billion (inclusive MOU for additional land in Puchong). We are of the view that the figure could grow further as Mah Sing has enjoyed strong take-up for its Southville City in Bangi and Lakeville project in Taman Wahyu, Kuala Lumpur. The remaining undeveloped landbank of 3,766 acres or equivalent to GDV of RM59.6 billion can sustain the company and keep them busy until the next decade. On the other hand, the RM5.12 billion unbilled sales can lock-in at least 2 year of Mah Sing full year revenue. Currently, Mah Sing has 48 on-going projects of which 11 are completed projects. Of note, Mah Sing is currently in the net cash position with cash and bank balances as at 31 March 2015 of RM1.59 billion, giving them strong foothold to continue growing and expanding plan.
- Outlook.** Despite unfavorable property market environment, Mah Sing's management confident that they may be able to rake in a minimum of RM3.43 billion in property sales in 2015. In-line with that, we remain confident on Mah Sing given management capabilities to deliver their KPI, judging by the strategies their pursue in offering diversified range of attractive price properties at various growth locations; being a good concentration on affordable housing segments targeting buyers mainly in the Klang Valley that focus in mass market with 84% of planned residential new launches will be priced below RM1 million. Of note, 75% of the remaining landbank are in Klang Valley/ Greater Kuala Lumpur. Greater KL and Klang Valley are expected to contribute 67% of 2015 sales with Johor expected to contribute 20% followed by Penang at 11% and Sabah at 2% sales. To be added with the Malaysia Vision Valley new growth corridor mentioned in the 11<sup>th</sup> MP, should benefit Mah Sing's new Seremban Land measuring 930 acres bought last year. We foresee that developer owning land in good connectivity will play a pivotal role in stirring response to the projects especially to a young generation and first time buyers which prefer hustle-free traffic.
- Maintain forecast for now.** Despite an unexciting market sentiments and lack of new catalyst to spur the property market in 2015, we are positive on Mah Sing given its potential in offering the right product at the right location such as mass-market with affordable prices that may continue to be strong. In fact, the absent of significant buying activities in the 1Q15 as a result of "look and see" attitude towards the implementation of GST in April 2015 are seen to be temporary. The cautious buying attitude may not be long and expected to be easing in the next couple of months preferably in another 3 or 6 months on the road. We maintain our FY15 and FY16

earnings forecast of RM381 million and RM407 million respectively that will be supported by i) overwhelming reception on its project; and ii) enormous GDV and unbilled sales that could spice up and sustain its financial performance in the next few years.

- **Valuation.** We maintain Mah Sing with a **HOLD** and TP of RM2.17 based on 20% discount on its RNAV of RM2.72, offering share price upside of 1.5%.

Table 1: Results Analysis

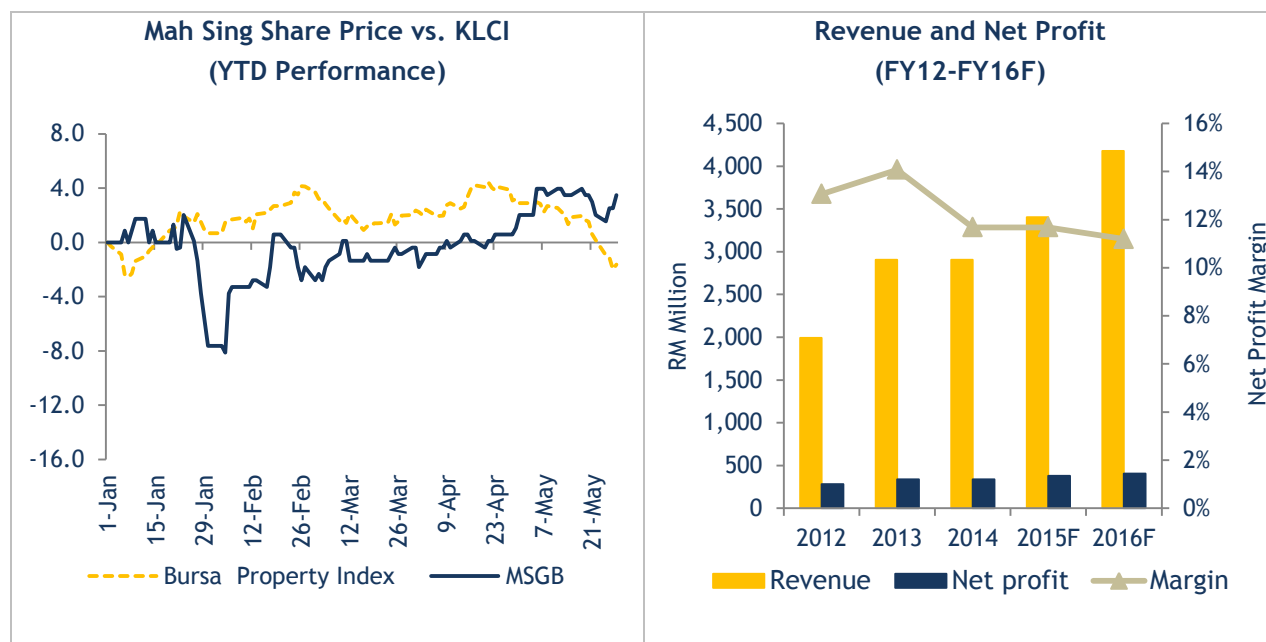
FYE 31 Dec (RM' M)	1Q14	4Q14	1Q15	q-o-q	y-o-y
Revenue	642.2	844.0	784.1	-7.1%	22.1%
EBIT	111.4	113.9	130.0	14.2%	16.7%
Pretax profit	111.6	114.1	130.4	14.3%	16.9%
Taxation	-27.7	-30.7	-32.6	6.1%	17.7%
Net Profit	84.0	84.5	98.9	17.0%	17.7%
EPS (sen)	5.43	5.24	5.15	-1.7%	-5.2%
Net gearing (x)	0.26	0.37	N. Cash	NM	NM
EBIT margin (%)	17.3	13.5	16.6		
PBT margin (%)	17.4	13.5	16.6		
Net margin (%)	13.1	10.0	12.6		

Source: Bloomberg, M&A Securities

Table 2: Sales Achievement

(RM million)	1Q FY2015	
	Sales	Launches
Greater KL	489.2	571.2
Penang	-	-
Johor	69.7	67.2
Sabah	1.5	-
<b>Group Total</b>	<b>560.4</b>	<b>638.4</b>

Source: Company, M&A Securities



Source: Bloomberg, M&A Securities

Table 3: Mah Sing's RNAV

Name	Stake	Land Size (acre)	Land Size (sqft)	Price (RM)	Market Value (RM mil)
<b>Integrated Development &amp; Residential</b>					
<b>Greater KL &amp; Fringes:</b>					
Hijauan Residence, Cheras	100%	25	1,089,000	50.00	54.5
Aman Perdana, Bukit Raja	100%	54	2,352,240	25.00	58.8
Garden Residence, Cyberjaya	100%	13	566,280	60.00	34.0
Perdana Residence 2, Selayang	100%	4	174,240	50.00	8.7
Bayu Sekamat, Kajang	100%	3	130,680	80.00	10.5
Kinrara Residence	100%	14	609,840	60.00	36.6
M-Residence 1 @ Rawang	100%	142	6,185,520	25.00	154.6
M-Residence 2 @ Rawang	100%	53	2,308,680	25.00	57.7
Southville City @ KL South, Bangi	100%	386	16,814,160	60.00	1,008.8
Star Residence, Subang	100%	3	130,680	200.00	26.1
Icon City, Petaling Jaya	100%	10	435,600	1,000.00	435.6
D'sara Sentral, Sg Buluh	100%	4	174,240	500.00	87.1
Lakeville Residence	100%	11	479,160	350.00	167.7
M-Residence 3 @ Rawang	100%	97	4,225,320	25.00	105.6
SSASS Golf Course	100%	85	3,702,600	88.00	325.8
Seremban Land	100%	960	41,817,600	16.00	669.1
Puchong Land	100%	89	3,876,840	310.00	1,201.8
<b>Johor:</b>					
Sri Pulai Perdana	100%	53	2,308,680	22.00	50.8
Austin Perdana	100%	28	1,219,680	22.00	26.8
Sierra Perdana	100%	82	3,571,920	22.00	78.6
Sri Pulai Perdana 2	100%	11	479,160	22.00	10.5
Bandar Meridin East, Plentong	100%	1,352	58,893,120	20.00	1,177.9
Mah Sing i-Parc [Industrial]	100%	86	3,746,160	22.00	82.4
<b>Penang:</b>					
Legenda @ Southbay	100%	7	304,920	300.00	91.5
Icon Residence, Georgetown	100%	3	130,680	300.00	39.2
Ferringhi Residence	100%	47	2,047,320	150.00	307.1
Southbay City	100%	26	1,132,560	400.00	453.0
<b>KK Sabah:</b>					
Sutera Avenue	100%	2	87,120	300.00	26.1
KK Convention Centre	51%	9	406,415	300.00	62.2
Plastic segment	100%	RM11.3 (PBT)	11x PE		124.3
<b>Revised Asset Value</b>					6,973.6
Net Debt (FY13)					-1,756.8
Enlarged number of shares (mil)					1,920.2
<b>RNAV / Share</b>					2.72
Discount to RNAV					20%
<b>Fair Value</b>					2.17

Source: M&amp;A Securities, Bursa Malaysia

Table 4: Financial Summary

YE: Dec (RM million)	2012	2013	2014	2015F	2016F
Revenue	1,994	2,905	2,905	3,402	4,178
EBIT	448	457	453	604	705
PBT	372	455	455	511	542
Net profit	281	339	339	381	407
EPS (sen)	14.6	17.7	17.7	19.8	21.2
Pre-tax margin	19%	16%	16%	15%	13%
Net profit margin	14%	12%	12%	11%	10%
PER (x)	14.6	12.1	12.1	10.8	10.1
P/BV (x)	1.7	1.5	1.9	1.6	1.5
ROE	18%	16%	13%	17%	16%
ROA	7%	7%	7%	9%	8%
Dividend (RM)	0.07	0.06	0.08	0.08	0.09
Dividend Yield	3.4	2.8	3.7	3.9	4.3

Source: Bursa Malaysia, M&amp;A Securities

Table 5: Peers Comparison

Company	FYE	Price (RM)	EPS (RM)		P/E (x)		P/B (x)		ROE (%)	Div Yield (%)	FV	Call
			FY1	FY2	FY1	FY2	FY1	FY2				
SP Setia	Oct	3.38	0.24	0.30	14.1	11.3	1.4	NA	7.0	3.4	NR	NR
Mah Sing	Dec	2.14	19.80	21.20	10.8	10.1	1.6	1.5	13.0	3.9	2.17	hold
UEM Sunrise	Dec	1.06	0.09	0.10	11.5	10.8	0.8	NA	7.6	2.8	NR	NR
Eco World	Oct	1.60	0.03	0.06	53.3	26.2	1.5	1.4	2.5	NA	NR	NR
Glomac	Apr	0.95	0.10	0.13	9.7	7.2	0.8	0.7	8.8	5.2	NR	NR
Crescendo	Jan	2.26	0.22	0.27	10.3	8.4	0.6	0.7	15.3	5.3	NR	NR
IOI Properties	Jun	2.00	0.14	0.18	14.8	10.9	0.6	0.6	8.3	3.9	NR	NR
MKH	Dec	2.45	0.32	0.45	7.7	5.4	1.0	0.9	11.7	3.3	NR	NR
Tropican Corp.	Dec	1.05	0.09	0.11	11.4	9.5	0.5	0.5	11.8	3.8	NR	NR
LBS Bina	Dec	1.65	0.16	0.15	10.3	11.0	0.7	NA	7.5	2.0	NR	NR
E&O	Mar	1.81	0.12	0.14	14.9	12.6	1.5	1.3	7.0	1.5	NR	NR
Average			1.79	1.94	14.5	10.7	1.0	0.9	9.9	3.4		

Notes: FY1 is the current FY estimate

Source: Bloomberg, M&amp;A Securities

# M&A Securities

## STOCK RECOMMENDATIONS

<b>BUY</b>	Share price is expected to be $\geq +10\%$ over the next 12 months.
<b>TRADING BUY</b>	Share price is expected to be $\geq +10\%$ within 3-months due to positive newsflow.
<b>HOLD</b>	Share price is expected to be between $-10\%$ and $+10\%$ over the next 12 months.
<b>SELL</b>	Share price is expected to be $\geq -10\%$ over the next 12 months.

## SECTOR RECOMMENDATIONS

<b>OVERWEIGHT</b>	The sector is expected to outperform the FBM KLCI over the next 12 months.
<b>NEUTRAL</b>	The sector is expected to perform in line with the FBM KLCI over the next 12 months.
<b>UNDERWEIGHT</b>	The sector is expected to underperform the FBM KLCI over the next 12 months.

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