

## MAH SING GROUP BERHAD (MSGB MK)

### Strengthening Manufacturing Business in Indonesia

- Mah Sing Plastics Industries Sdn. Bhd. (MSPI), a wholly-owned subsidiary of Mah Sing, had on 23 January 2024, entered into a master cooperation agreement (Agreement) with PT Gaya Sukses Mandiri Kaseindo (PT Gaya) to jointly carry out the business relating to manufacturing and trading of plastic pallets, containers and related material handling and storage products in Indonesia.
- We are optimistic about the new venture in Indonesia as it will open doors to enter additional ASEAN markets for plastic pallets and aligns with the company's strategy to strengthen its global market footprint.
- Maintain our HOLD recommendation on Mahsing with a TP of RM0.87, based on 65% discount to RNAV. In light of strong price rally recently, we prefer investors to accumulate the stock on dip.

### Leveraging the Local Partner's Distribution Network

PT Gaya has been an MSPI distributor partner for plastic pallets in Indonesia for over a decade. The current partnership forms a strong basis for a Joint Venture, enabling a smooth entry and leveraging the increasing demand for plastic pallets in Indonesia, while also resolving capacity limitations in Malaysian facilities to meet global demand. By utilizing the local partner's market knowledge, distribution network, and established connections, MSPI can expedite market penetration and significantly contribute to the success of its operations.

### The Joint Venture Arrangement

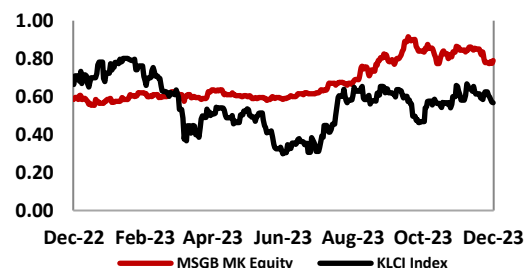
The Joint Venture will be established through a Joint Venture company (JV Company), with MSPI holding a 70% shareholding and PT Gaya holding 30%. This Agreement demonstrates the commitment of MSPI and PT Gaya to form the JV Company, with an authorized capital of Rp140bn (RM42.3mn) and an issued and paid-up share capital of Rp100bn (RM30.2mn). MSPI will allocate internal funds for the JV commitment. Currently, the manufacturing segment contributes approximately 17% to the Mah Sing group's total revenue. According to company guidance, MSPI plans to install 3 new injection machines and has the potential to add up to 15 more for plastic pallet production at PT Mahsing's Indonesian factory. This expansion would contribute an additional 10% to MSPI's total revenue. Despite the positive progress in plastic pallets, the impact on the Mahsing Group would be minimal at this juncture.

### Maintain HOLD with a TP of RM0.87

We maintain a HOLD call on Mahsing with a TP of RM0.87 based on 65% discount to RNAV. Despite the recent price rally prompting a HOLD call, our stance on the stock remains positive. This is considering its ongoing land acquisitions, which contribute to quick turnaround and provide visibility for sustainable earnings in the long term.

**HOLD** Share Price RM0.905  
Target Price RM0.87 -3.9%

Price Chart (RM)



Share Performance (%)	1m	3m	12m
Absolute	9.7	13.1	60.6
vs FBM KLCI	6.6	5.9	55.1

### Stock Data

ESG	4.1
Adj. Beta	0.9
Mkt Cap (RM mn)	2,197.1
Free float (%)	50
Issued shares (mn)	2,427.7
52w H/L (RM)	0.92 / 0.58
3m avg daily volume	5,258,525

### Major Shareholders (%)

MAYANG TERATAI SDN BHD	27%
Amanah Saham Nasional	12.2%
BANK OF SINGAPORE	7.5%

FYE Dec (RM mn)	FY21	FY22	FY23F	FY24F	FY25F
Turnover	1,531	1,754	2,771	3,096	3,440
EBITDA	214	300	367	425	489
Pretax Profit	219	264	272	326	378
<b>Core Profit</b>	<b>160</b>	<b>180</b>	<b>199</b>	<b>239</b>	<b>276</b>
Consensus NP			197	219	245
EPS (sen)	6.6	7.4	8.2	9.8	11.4
PER (x)	11.6	10.4	9.4	7.8	6.8
DPS (sen)	2.7	2.0	3.0	3.0	4.0
D. Yield (%)	3.1	2.4	3.5	3.5	4.7
P/B	0.5	0.6	0.5	0.5	0.5

### Key Ratios (%)

ROE	2.3	2.8	2.9	3.3	3.5
EBITDA margin	17.1	15.6	13.3	13.7	14.2
Pretax margin	12.5	11.4	9.8	10.5	11.0
Net margin	9.2	7.8	7.2	7.7	8.0

Source: Bloomberg, BIMB Securities

### Research Team

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Income Statement					
FYE Dec (RM mn)	2021	2022	2023F	2024F	2025F
Turnover	1,753.7	2,317.2	2,770.8	3,095.6	3,440.2
Operating cost	-1,295.6	-1,804.3	-2,157.5	-2,410.4	-2,678.8
<b>EBITDA</b>	<b>300.2</b>	<b>361.2</b>	<b>367.2</b>	<b>424.9</b>	<b>488.6</b>
Depreciation & amortisation	-38.8	-40.7	-40.9	-45.2	-49.0
<b>EBIT</b>	<b>261.4</b>	<b>320.5</b>	<b>326.3</b>	<b>379.7</b>	<b>439.6</b>
Interest income	4.1	2.5	3.3	2.9	3.1
Interest expense	-46.3	-58.8	-57.5	-56.3	-64.7
Exceptional item	0.0	0.0	0.0	0.0	0.0
<b>Pre-tax profit</b>	<b>219.2</b>	<b>264.1</b>	<b>272.0</b>	<b>326.3</b>	<b>378.0</b>
Income tax	-47.0	-77.3	-65.3	-78.3	-90.7
<b>PAT</b>	<b>172.3</b>	<b>186.8</b>	<b>206.8</b>	<b>248.0</b>	<b>287.3</b>
Minority interest	-11.4	-6.7	-7.5	-9.0	-10.4
<b>Net profit</b>	<b>160.9</b>	<b>180.1</b>	<b>199.3</b>	<b>239.0</b>	<b>276.9</b>
<b>Core net profit</b>	<b>160.9</b>	<b>180.1</b>	<b>199.3</b>	<b>239.0</b>	<b>276.9</b>
<b>Balance Sheet</b>					
FYE Dec (RM mn)	2021	2022	2023F	2024F	2025F
Non-Current Asset	2,697.9	2,684.6	2,787.0	2,870.6	2,962.5
Current Asset	4,344.1	3,705.1	4,053.0	4,445.4	4,846.6
<b>Total Asset</b>	<b>7,042.0</b>	<b>6,389.7</b>	<b>6,840.0</b>	<b>7,316.0</b>	<b>7,809.0</b>
Non-Current Liabilities	1,573.7	1,370.5	1,479.2	1,430.9	1,455.1
Current Liabilities	1,330.9	1,432.0	1,667.6	2,046.6	2,513.7
<b>Total Liabilities</b>	<b>2,904.6</b>	<b>2,802.5</b>	<b>3,146.9</b>	<b>3,477.6</b>	<b>3,968.7</b>
<b>Total Equity</b>	<b>4,137.4</b>	<b>3,587.2</b>	<b>3,693.2</b>	<b>3,838.4</b>	<b>3,840.3</b>
<b>Total liabilities &amp; equity</b>	<b>7,042.0</b>	<b>6,389.7</b>	<b>6,840.0</b>	<b>7,316.0</b>	<b>7,809.0</b>
<b>Cash Flow</b>					
FYE Dec (RM mn)	2021	2022	2023F	2024F	2025F
Cash flow from operating activities (CFO)	163.7	715.7	515.0	821.3	806.7
Cash flow from investing activities (CFI)	-302.2	-208.6	-228.0	-204.0	-216.0
Cash flow from financing activities (CFF)	-456.5	-540.1	-433.5	-462.0	-449.5
<b>Net change in cash &amp; cash equivalent</b>	<b>-594.9</b>	<b>-33.0</b>	<b>-146.5</b>	<b>155.3</b>	<b>141.1</b>

Source: Company, BIMB Securities

**DEFINITION OF RATINGS**

BIMB Securities uses the following rating system:

**STOCK RECOMMENDATION**

<b>BUY</b>	Total return (price appreciation plus dividend yield) is expected to exceed 10% in the next 12 months.
<b>TRADING BUY</b>	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain.
<b>HOLD</b>	Share price may fall within the range of +/- 10% over the next 12 months
<b>TAKE PROFIT</b>	Target price has been attained. Fundamentals remain intact. Look to accumulate at lower levels.
<b>TRADING SELL</b>	Share price may fall by more than 15% in the next 3 months.
<b>SELL</b>	Share price may fall by more than 10% over the next 12 months.
<b>NOT RATED</b>	Stock is not within regular research coverage.

**SECTOR RECOMMENDATION**

<b>OVERWEIGHT</b>	The Industry as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months
<b>NEUTRAL</b>	The Industry as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months
<b>UNDERWEIGHT</b>	The Industry as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months

**Applicability of ratings**

The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

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**Printed and published by**

**BIMB SECURITIES SDN BHD (290163-X)**

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