

Malaysia

ADD (no change)

Consensus ratings*: Buy 11 Hold 2 Sell 0

Current price:	RM0.805
Target price:	RM1.10
Previous target:	RM0.79
Up/downside:	36.6%
CGS-CIMB / Consensus:	13.3%
Reuters:	MAHS.KL
Bloomberg:	MSGB MK
Market cap:	US\$409.7m
	RM1,954m
Average daily turnover:	US\$1.67m
	RM7.79m
Current shares o/s:	2,428m
Free float:	51.1%
*Source: Bloomberg	

Key changes in this note

- Raise FY23-25F EPS by 0.3-5.8%
- Raise TP to RM1.10.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-1.8	20.1	59.4
Relative (%)	-0.8	17.3	57.5

Major shareholders	% held
Tan Sri Leong Hoy Kum	35.0
Amanah Saham Nasional	12.2
Bank of Singapore	7.5

Analyst(s)



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Mah Sing Group

Offering the right products

- Retain Add with higher TP of RM1.10, based on 10-year mean of 0.7x FY24F P/BV, to capture the valuation when HSR was first agreed on in Feb 2013.
- At our TP, Mah Sing will trade at undemanding 11.7x FY24F P/E, supported by 4.0-4.6% yields. It has the highest ROE of c.6% vs. 3.8% peer average.
- We believe sales momentum for M-series developments remains strong with several recent launches garnering take-up rates of more than 90%.

Reiterate Add with higher TP of RM1.10

We raise our FY24F/FY25F core net profit forecasts by 5.8%/0.5% on higher sales property and lower net interest expense expectations. We also raise our TP to RM1.10, now based on its 10-year mean of 0.7x FY24F P/BV (vs. 5-year mean of 0.5x) to capture pre-Covid-19 valuations. We now base our valuation on 10-year mean to capture the valuation when the Kuala Lumpur – Singapore High-Speed Rail (HSR) was formally agreed between Malaysia and Singapore in February 2013. At our TP, Mah Sing is valued at an undemanding 11.7x FY24F P/E. The stock is also supported by decent yields of 4.0-4.6% (based on minimum payout ratio assumption of 40%). Also worth highlighting is Mah Sing's highest ROE of c. 6% among the property players under our coverage, compared to industry average of 3.8%. Maintain Add on Mah Sing. Downside risks include delays in planned project completions.

Strong sales demand...

Mah Sing's latest development, M Minori in Johor Bahru, has received overwhelming demand with 100% take-up rate for its newly launched Tower A which comprises 252 units. M Minori, another development under its M-Series, is a mixed development comprising three blocks of serviced suites with a gross development value (GDV) of RM519m, based on management's guidance. The product is priced from RM288k per unit (or from RM505 psf), consistent with its strategy to provide affordable products (65% of products are below RM500k per unit price points) to capture younger and first-time buyers. YTD, the group has guided that 79% of its homebuyers are below 40 years of age and first-time buyers. This follows the success of M Panora and M Nova, launched in Jun and Aug 2023 respectively, which have secured more than 90% take-up rates to-date. Given the strong sales momentum, continued appetite for affordable homes as well as renewed demand for properties in Johor, we believe Mah Sing is on track to achieve its 2023 target property sales of RM2.2bn.

...and quick turnaround for M-Series developments

Mah Sing has been consistent with its land acquisition and has seen fast turnaround in its M-Series developments. Since 2019, land acquisitions have been attractive at land cost-to-GDV ratio of 8%-17%, which are below the industry's normal 20% threshold. The 6.9-acre land for M Minori was acquired in 2022 with an estimated land cost-to-GDV ratio of 8%, and the first phase of development was launched Oct 2023.

Financial Summary	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total Net Revenues (RMm)	1,754	2,317	2,565	2,607	2,656
Operating EBITDA (RMm)	300.2	360.9	385.5	385.5	393.0
Net Profit (RMm)	106.7	157.7	205.5	228.8	238.0
Core EPS (RM)	0.044	0.065	0.085	0.094	0.098
Core EPS Growth	79.4%	48.8%	30.4%	11.3%	4.0%
FD Core P/E (x)	18.44	12.39	9.51	8.54	8.21
DPS (RM)	0.027	0.030	0.034	0.038	0.039
Dividend Yield	3.29%	3.73%	4.22%	4.72%	4.84%
EV/EBITDA (x)	12.51	7.63	6.65	6.20	5.92
P/FCFE (x)	NA	2.78	7.14	7.35	12.38
Net Gearing	27.4%	21.5%	15.6%	10.5%	8.6%
P/BV (x)	0.56	0.55	0.53	0.51	0.49
ROE	3.08%	4.49%	5.67%	6.09%	6.10%
% Change In Core EPS Estimates			0.34%	5.82%	0.46%
EPS/Consensus EPS (x)			1.06	1.06	1.00

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Share price is up 50% YTD

YTD, Mah Sing's share price is up by 50% primarily fuelled by the improving sentiment, especially in the southern region, following the potential revival of HSR, the setting up of Singapore-Johor special economic zone as well as a spillover effect of strong S\$ against RM, in our opinion. We continue to like Mah Sing for its attractive product price points, low gearing level (0.12x as at 30 Jun 23), quick turnaround of M-Series developments, and strong sales momentum. As at Oct 23, Mah Sing has guided that its landbank stands at 2,333 acres with an estimated total GDV of RM26.8bn. Around 70% of the remaining GDV is in the Klang Valley, followed by Johor (23% of GDV), and Penang (7% of GDV).

Re-rating catalysts

Potential re-rating catalysts are timely completion of its ongoing projects (two out of six planned projects were completed ahead of schedule in 2023) and continued sales momentum for its M-Series products. M-Series developments are Mah Sing's quick turnaround, affordable products within a mature area, which mainly cater for younger and first-time home buyers, according to the company.

Downside risks

Potential downside risks include delays in planned project completions – namely M Arisa and M Luna which are slated for completion in 2024F – and wider-than-expected losses from its glove unit due to an oversupply of gloves, which could exert pressure on selling prices.

Figure 1: Currently trades at 0.51x FY24F P/BV



SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Figure 2: Still trading below its 10-year forward P/BV mean of 0.7x



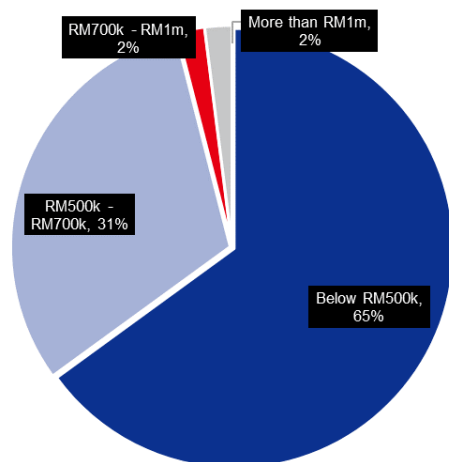
SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Figure 3: Key valuation metrics at TP of RM1.10

YE 31 Dec	20A	21A	22A	23F	24F	25F
Core PER (x)	126.2	25.0	16.9	13.0	11.7	11.2
Adj Ev/EBITDA	18.3	13.9	12.2	10.5	9.9	9.4
P/B (x)	0.8	0.8	0.8	0.8	0.7	0.7
Div yield (%)	1.5%	2.4%	2.7%	3.1%	3.5%	3.5%
FCF yield (%)	9.4%	0.7%	23.9%	10.2%	10.0%	5.9%
EV/OCF (x)	9.0	19.3	4.8	10.0	9.7	14.5
P/FCF (x)	10.7	143.6	4.2	9.8	10.0	16.9

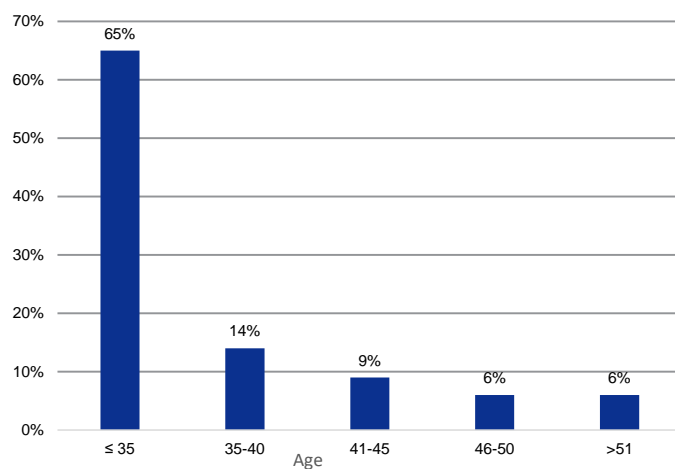
SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Figure 4: 65% of products are below RM500k, and 96% are below RM700k price points as at September 2023



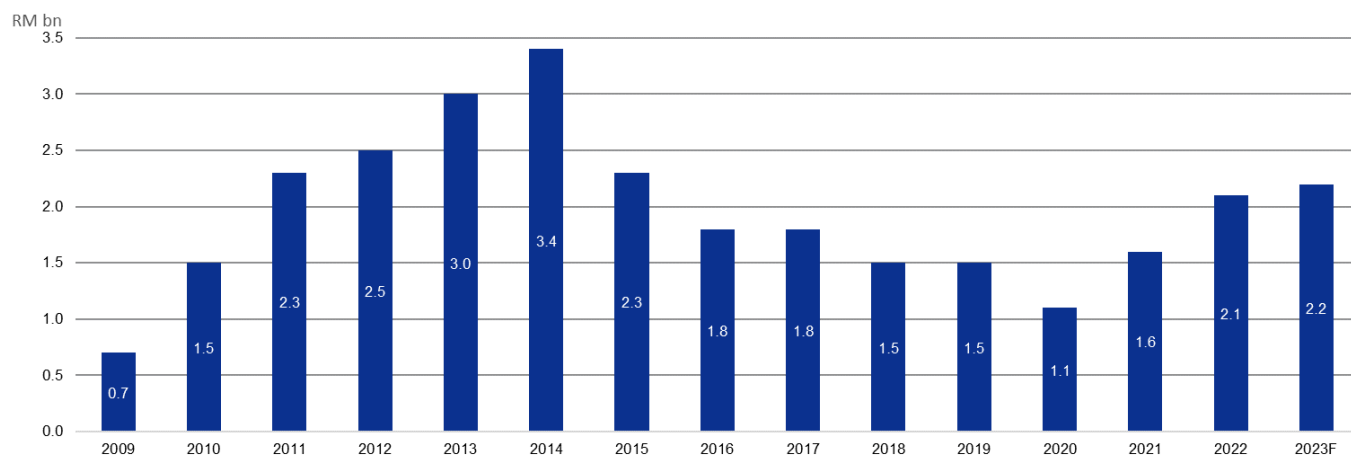
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 5: YTD, 65% of buyers are below 35 years of age and are first-time buyers



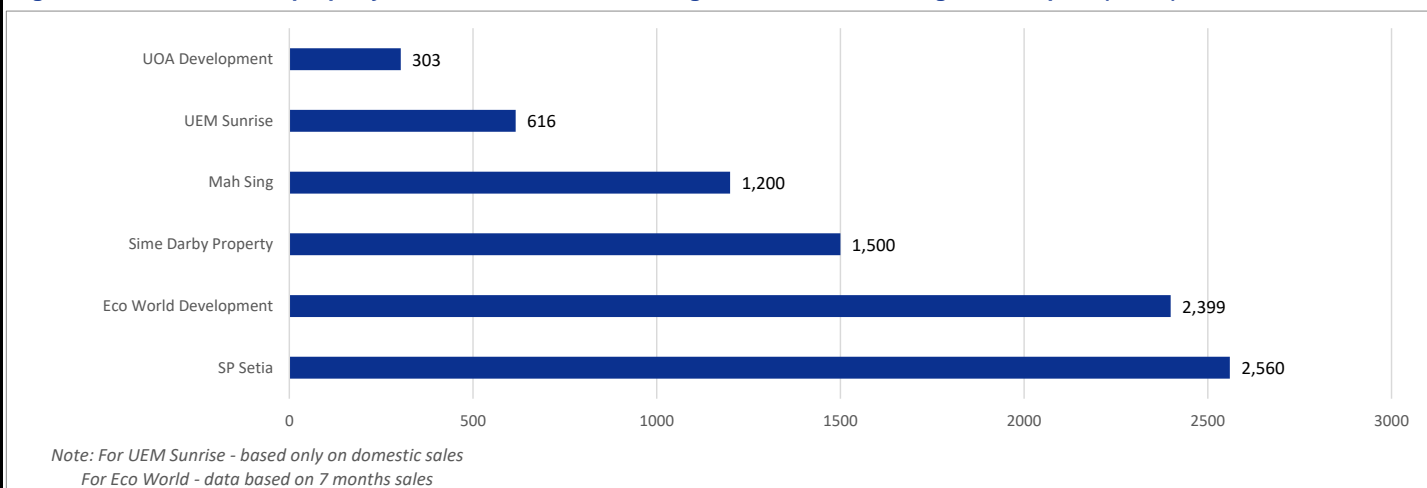
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 6: We believe Mah Sing is on track to meet its 2023F sales target guidance of RM2.2bn



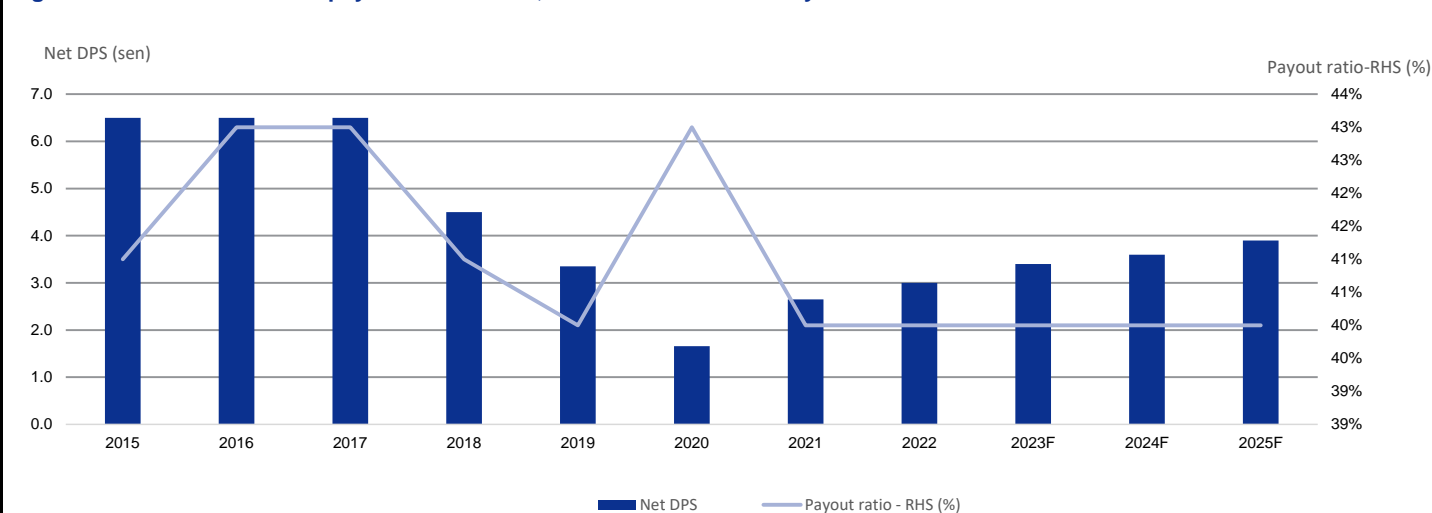
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 7: As at 1H23, new property sales reach RM1.2bn, trailing not far behind the larger developers (RM m)



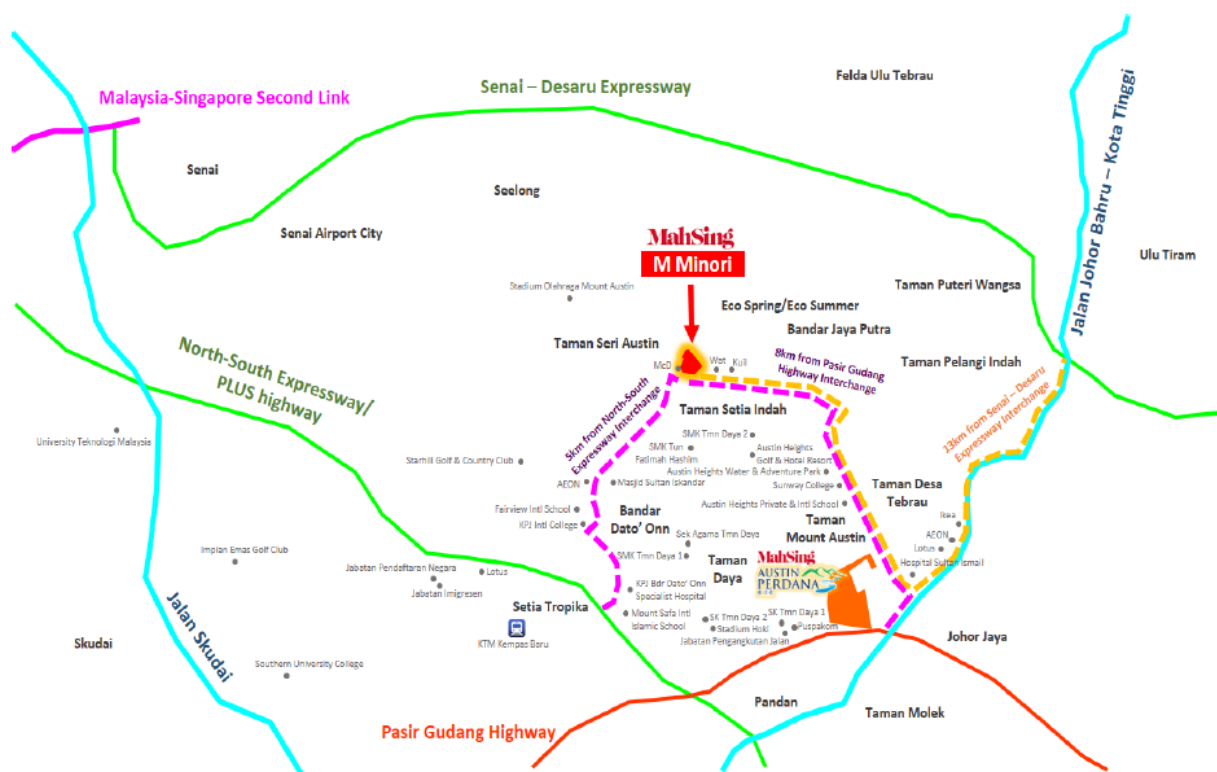
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 8: Based on minimum payout ratio of 40%, the stock offers decent yields of 4.0-4.6%



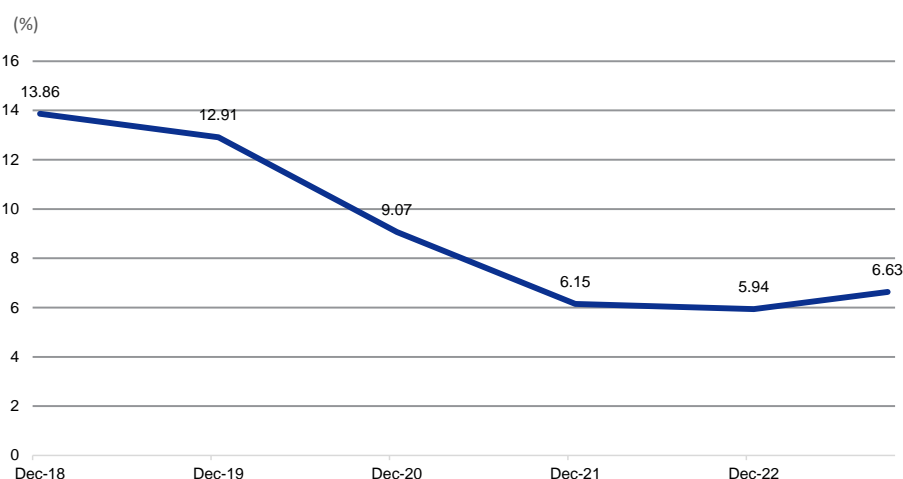
SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Figure 9: M Minori is situated c.6.5km from the mature township of Austin Perdana



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 10: Foreign shareholding improved to 6.63% as at Sep 2023, but still far below pre-pandemic levels of 13-14% in 2018/19



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 11: Earnings revision

FYE 31 December	Previous			Revised			Changes		
	FY23F	FY24F	FY25F	FY23F	FY24F	FY25F	FY23F	FY24F	FY25F
Revenue (RMm)	2,565	2,492	2,656	2,565	2,607	2,656	0.0%	4.6%	0.0%
Core profit (RMm)	205	216	237	206	229	238	0.5%	6.0%	0.4%
Net profit margin (%)	8.0	8.7	8.9	8.0	8.8	9.0	nil	nil	nil

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Figure 12: Peer comparison

Company	Bbg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	P/E (x) CY23F	P/E (x) CY24F	2-year EPS CAGR (%)	P/BV (x) CY23F	P/BV (x) CY24F	Recurring ROE (%) CY23F	Dividend Yield (%) CY23F
SP Setia	SPSB MK	Add	0.87	0.90	752	21.7	32.8	-15.8%	0.29	0.29	1.2%	0.9%
Sime Darby Property Berhad	SDPR MK	Add	0.65	0.87	920	14.7	12.5	3.3%	0.45	0.44	3.2%	2.7%
UOA Development	UOAD MK	Hold	1.73	1.67	903	20.7	20.5	-9.8%	0.76	0.76	3.7%	11.6%
Mah Sing Group	MSGB MK	Add	0.81	1.10	410	9.5	8.5	15.7%	0.53	0.51	5.9%	4.2%
MKH Berhad	MKH MK	Hold	1.41	1.31	171	9.8	8.4	3.8%	0.43	0.42	4.5%	2.5%
Eco World Development Group Bhd	ECW MK	Add	1.02	1.34	630	12.6	11.4	5.5%	0.62	0.61	4.9%	5.1%
UEM Sunrise Bhd	UEMS MK	Reduce	0.77	0.75	811	48.0	44.2	2.0%	0.56	0.56	1.2%	0.0%
Malaysia average						15.3	16.5	-0.6%	0.49	0.48	3.7%	4.4%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG, COMPANY REPORTS

DATA AS AT 19 OCT 2023

ESG in a nutshell



Refinitiv ESG Scores

B ESG Score	A+ ESG Controversies Score	B ESG Combined Score	B+ ESG Environment Pillar Score	B+ ESG Social Pillar Score	C ESG Government Pillar Score
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Mah Sing has adopted seven United Nations Sustainable Development Goals (UNSDGs) since 2020. The stock was included in the FTSE4Good Bursa Malaysia index in Jun 2021. It was ranked in top 25% in ESG ratings among public listed companies in Malaysia, as assessed by FTSE Russel as of Dec 2022.

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 that 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 Russel as of Dec 2022.

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.

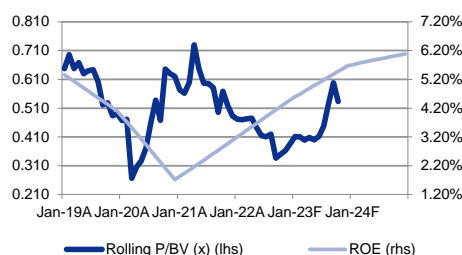
Implications

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

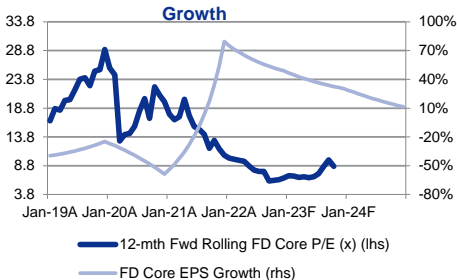
SOURCES: CGS-CIMB RESEARCH, REFINITIV

BY THE NUMBERS

P/BV vs ROE



12-mth Fwd FD Core P/E vs FD Core EPS Growth



Profit & Loss

(RMm)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total Net Revenues	1,754	2,317	2,565	2,607	2,656
Gross Profit	457	513	558	560	570
Operating EBITDA	300	361	385	386	393
Depreciation And Amortisation	-39	-40	-41	-42	-43
Operating EBIT	261	320	344	343	350
Financial Income/(Expense)	-42	-56	-41	-35	-31
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	219	264	303	308	319
Exceptional Items					
Pre-tax Profit	219	264	303	308	319
Taxation	-47	-77	-91	-74	-77
Exceptional Income - post-tax					
Profit After Tax	172	187	212	234	242
Minority Interests	-11	-7	-7	-5	-4
Pref. & Special Div	-54	-22	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	107	158	206	229	238
Recurring Net Profit	106	158	206	229	238
Fully Diluted Recurring Net Profit	106	158	206	229	238

Cash Flow

(RMm)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
EBITDA	300.2	360.9	385.5	385.5	393.0
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(39.5)	436.8	70.0	39.7	(77.2)
Straight Line Adjustment					
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(3.1)	23.3	0.0	0.0	0.0
Net Interest (Paid)/Received	(10.1)	(18.7)	(40.9)	(35.3)	(31.4)
Tax Paid	(83.8)	(86.6)	(91.0)	(73.9)	(76.5)
Cashflow From Operations	163.7	715.7	323.6	316.0	207.9
Capex	(145.1)	(76.3)	(50.0)	(50.0)	(50.0)
Disposals Of FAs/subsidiaries					
Disposals of Investment Properties					
Acq. Of Subsidiaries/investments	(157.1)	(132.3)	0.0	0.0	0.0
Other Investing Cashflow	0.0	0.0	0.0	0.0	0.0
Cash Flow From Investing	(302.2)	(208.6)	(50.0)	(50.0)	(50.0)
Debt Raised/(repaid)	(217.0)	196.6	0.0	0.0	0.0
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(40.3)	(64.3)	(82.5)	(92.3)	(94.7)
Preferred Dividends					
Other Financing Cashflow	(199.2)	(672.4)	0.0	0.0	0.0
Cash Flow From Financing	(456.5)	(540.1)	(82.5)	(92.3)	(94.7)

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(RMm)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total Cash And Equivalents	1,016	580	771	944	1,008
Properties Under Development	1,449	1,017	1,019	1,036	1,130
Total Debtors	1,137	1,377	1,525	1,549	1,579
Inventories	729	674	603	550	532
Total Other Current Assets	13	57	57	57	57
Total Current Assets	4,344	3,705	3,974	4,137	4,305
Fixed Assets	2,249	2,231	2,240	2,248	2,255
Total Investments	186	181	181	181	181
Intangible Assets	0	0	0	0	0
Total Other Non-Current Assets	263	273	273	273	273
Total Non-current Assets	2,698	2,685	2,693	2,701	2,708
Short-term Debt	58	96	96	96	96
Current Portion of Long-Term Debt					
Total Creditors	1,249	1,312	1,460	1,489	1,517
Other Current Liabilities	24	24	24	24	24
Total Current Liabilities	1,331	1,432	1,579	1,608	1,637
Total Long-term Debt	1,447	1,256	1,256	1,256	1,256
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	75	71	71	71	71
Total Non-current Liabilities	1,522	1,326	1,326	1,326	1,326
Total Provisions	51	44	44	44	44
Total Liabilities	2,905	2,803	2,950	2,979	3,007
Shareholders' Equity	4,116	3,559	3,688	3,830	3,978
Minority Interests	22	28	28	28	28
Total Equity	4,137	3,587	3,717	3,859	4,006

Key Ratios

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue Growth	14.6%	32.1%	10.7%	1.6%	1.9%
Operating EBITDA Growth	40.1%	20.2%	6.8%	0.0%	1.9%
Operating EBITDA Margin	17.1%	15.6%	15.0%	14.8%	14.8%
Net Cash Per Share (RM)	-0.47	-0.32	-0.24	-0.17	-0.14
BVPS (RM)	1.43	1.47	1.52	1.58	1.64
Gross Interest Cover	5.65	5.45	7.28	7.42	7.73
Effective Tax Rate	21.4%	29.3%	30.0%	24.0%	24.0%
Net Dividend Payout Ratio	37.8%	40.8%	40.2%	40.3%	39.8%
Accounts Receivables Days	216.1	198.0	206.5	215.8	214.9
Inventory Days	206.3	142.0	116.2	103.1	94.7
Accounts Payables Days	351.6	259.0	252.1	263.6	263.0
ROIC (%)	6.20%	7.02%	8.02%	8.12%	8.34%
ROCE (%)	4.21%	5.70%	6.95%	6.84%	6.83%
Return On Average Assets	3.09%	3.62%	3.88%	3.99%	3.95%

Key Drivers

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Property revenue	1,342.2	1,837.6	2,042.1	2,072.9	2,107.7
Plastic revenue	370.3	441.3	476.6	490.9	505.6
Hotel revenue	10.0	8.6	10.6	9.7	9.6
Investment holdings revenue	31.5	27.4	33.1	30.7	30.4

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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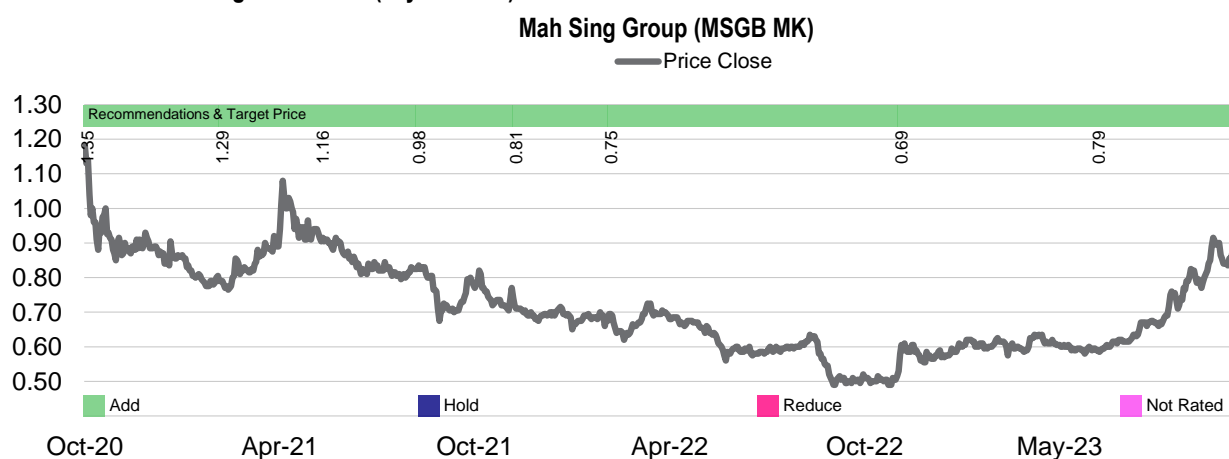
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	Rating Distribution (%)	Investment Banking clients (%)
Add	66.7%	0.9%
Hold	23.7%	0.0%
Reduce	9.6%	0.2%

Spitzer Chart for stock being researched (2 year data)



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- Add** The stock's total return is expected to exceed 10% over the next 12 months.
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