



Mah Sing Group Berhad

To Chart a Steady 1H

TP: RM3.35 (+39.6%)

Last Traded: RM2.40

BUY

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Result Preview

Mah Sing will release its 2Q13 results on 27 Aug 2013. We expect the group to report net profit of RM70-80mn for the quarter, bringing its 1H13 net profit to RM139-149mn (48-52% of our full-year estimate). This represents a decent YoY growth of 16-25% driven mainly by higher progress billing.

Maiden contribution from M Residence 2

We expect to see maiden sales contribution from M Residence 2 @ Rawang in 2Q13. The group previewed Phase A1, featuring 145 units of 2 storey Link Homes (land area: 20 x 65, built up: 1,885 sqft) on 23-24 Mar 2013. These units, which were priced from RM439k/unit to RM459k/unit, had achieved 96% take up rate to date. Tapping on the strong demand, the group rolled out Phase A2, comprising 174 units of 2 storey Link Homes with almost similar specifications of Phase A1 two weeks after launching Phase A1. Despite selling prices were RM10-20k/unit higher than Phase A1, take up rate for Phase A2 remains encouraging with 79% of the units being booked.

Meridin @ Medini garnered strong interest

Meridin @ Medini should have also started contributing to Mah Sing's 2Q13 sales. To recap, the preview of the first two towers of Meridin Suites @ Medini in May-13 received strong responses with more than 5k registrants. A balloting exercise was conducted on 11 May 13 and 75% of 595 units with an ASP of RM650-750psf were booked within a day. We understand that the project is currently 87% taken up.

In view of the overwhelming responses, the group recently launched the third tower comprising 161 units of two-to-three bedroom suites with an indicative price from RM757k/unit in July. Note that these three towers will complete the Phase 1 of Meridin @ Medini development (indicative GDV of RM500mn). Phase 2, comprising SoVo units, Hotel Suites and retail units, which will collectively yield RM600mn in GDV, is targeted for progressive launch over the next few quarters.

Changes in New Launches Timeline

Southville City @ Bangi will be launched in 4Q13 instead of 3Q13 pending final approval from the authority. Management indicated that it has obtained the approval for building a new interchange from the development to North-South Highway recently. We gathered that the buying interest for the 3 bedroom units (956 sq ft) remains strong. These units, which are priced from RM280k/unit onwards, (or RM287psf) have already secured more than 16,500 registrants for the 3,000 units offered (up from 13,000 registrant a quarter ago).

Share Information

Bloomberg Code	MSGB MK
Stock Code	8583
Listing	Main Market
Share Cap (mn)	1357.5
Market Cap (RMmn)	3763.6
Par Value	3257.9
52-wk Hi/Lo (RM)	2.82/1.50
12-mth Avg Daily Vol ('000 shrs)	2331.1
Estimated Free Float (%)	41.5
Beta	1.8

Major Shareholders (%)

Mayang Teratai Sdn Bhd	35.0
EPF	9.2
Landsbanki Securities UK LTD	9.2
Kooperasi Permodalan Felda	7.0
KWAP	5.1

Forecast Revision

	FY13	FY14
Forecast Revision (%)	0.0	0.0
Net profit (RMmn)	289.7	396.3
Consensus	288.6	366.0
TA's / Consensus (%)	100.4	108.3
Previous Rating	Buy (Maintained)	

Financial Indicators

	FY13	FY14
Net Debt/Equity (%)	14.4	8.0
CFPS (sen)	(39.6)	16.1
Price/CFPS (x)	(6.1)	14.9
ROE (%)	18.8	20.0
NTA/Share (RM)	1.4	1.6
Price/NTA (x)	1.8	1.5

Share Performance (%)

Price Change	Mah Sing	FBM KLCI
1 mth	(3.2)	0.6
3 mth	25.2	5.2
6 mth	39.1	9.1
12 mth	31.7	9.0

(12-Mth) Share Price relative to the FBM KLCI



Source: Bloomberg

To replace the original launch date of Southville City, Mah Sing has brought forward Phase 1 of D'sara Sentral @ Sungai Buloh (Total GDV: RM800mn) 3 months earlier to 4Q13. Phase 1 will feature SoVo and retail units, with indicative selling price of RM650psf for SoVos unit and RM3.8mn for a retail units. The project is located diagonally opposite the upcoming MRT station (next to the Rubber Research Institute of Malaysia (RRIM) land) and expected to have covered pedestrian link bridge to the station. We understand that the SoVo alone has recorded 2,845 registrants within a month.

On track to meet RM3bn sales

The group raked in RM750mn new sales in 1Q13, which accounted for 25% of the new sales target. According to management, the group is on track to meet its new sales target of RM3bn and therefore, we expect 2Q13 new sales to be in the range of RM750-800mn. Assuming 60% realisation of the estimated RM500mn booking so far from M Residence 2 and Meridin Suites @ Meridin, the projects are expected to collectively rake in new sales of RM300mn. The balance of RM450-500mn new sales are expected to come from existing development (i.e: Kinrara Residence, Garden Residence and Garden Plaza @ Cyberjaya, Icon City, M-City, Ferringhi Residence, SouthBay City).

Impact

Although there are some changes to the timeline of Southville City launch, we believe the impact on Mah Sing's new sales is minimal given the delay will be replaced by D'sara Sentral. We continue to project the group to record new sales of RM3.1-3.5bn for FY13-15. We also maintain our FY13-15 earnings forecasts at this juncture.

Valuation

We continue to like Mah Sing as earnings growth will be driven by a balanced portfolio, consisting mid-to-high-end properties across 4 key developing regions in Malaysia. The group's earnings visibility remains intact, underpinned by hefty unbilled sales of RM3.6bn as at 1Q13, which represents 2.0x our projected FY13 property revenue. We maintain our Buy recommendation on Mah Sing with an unchanged target price of RM3.35, at parity to its fully diluted RNAV/share.

Earnings Summary (RMmn)

FYE Dec 31	FY11	FY12	FY13F	FY14F	FY15F
Revenue	1,570.7	1,775.3	2,023.1	2,732.3	3,165.3
EBITDA	244.7	319.2	434.5	579.9	707.5
EBITDA margin (%)	15.6	18.0	21.5	21.2	22.4
Pretax profit	238.6	315.5	421.6	567.4	696.5
Net profit	168.6	230.6	289.7	396.3	509.6
Core net profit	180.4	230.6	289.7	396.3	509.6
EPS (sen)	20.3	27.6	21.6	29.5	37.9
Adj EPS (sen)	18.1	23.0	21.6	29.5	37.9
EPS growth (%)	52.7	27.3	(6.3)	36.8	28.3
PER (x)	13.3	10.4	11.1	8.1	6.3
GDPS (sen)	9.2	6.3	9.0	12.0	14.0
Div yield (%)	3.8	2.6	3.8	5.0	5.8
Core ROE (%)	16.9	19.9	18.8	20.0	22.1

RNAV Table (RMmn)

Project	Remaining GDV	NPV
Hijuan Residence, Cheras	226	26.8
Aman Perdana, Meru Shah Alam	98	12.4
Garden Residence, Cyberjaya	236	30.3
Star Residence, Subang	155	17.2
Perdana Residence 2	15	0.0
Sri Pulai Perdana, Skudai	56	6.6
Sri Pulai Perdana 2, Skudai	55	5.7
Austin Perdana, Terbau	135	18.3
Sierra Perdana, Tebrau-plentong	207	24.8
Legenda@Southbay, Penang	161	36.7
M Suites	21	0.2
Garden Plaza, Cyberjaya	165	25.9
Southbay Plaza, Penang	1861	206.8
Kinrara JV	4	0.0
Kinrara Residence	224	14.0
iParc3 @ Bkt Jelutong	27	2.5
Star Avenue	90	30.2
Icon City, PJ	2,471.0	314.5
Icon Residence, Penang	280.0	39.7
The Icon Residence, Mont Kiara	240.0	45.2
One Legenda, Cheras	25.0	5.4
Batu Sekamat	10.0	0.0
Feringgi residence	758.0	118.3
M-City, Ampang	649.0	115.8
Mah Sing iPac, Johor	512.0	80.0
M-Residence@Rawang	682.0	81.5
M Residence 2	650.0	81.1
Southville City, Bangi	5,130.0	455.8
Sutera Avenue, KK	290.0	35.8
Meridin@medini	1,100.0	120.0
D'sara Sentral	800.0	92.4
The Meridin @ Medini	4,349.0	386.9
Lakeville Residence @ Kepong	1,150.0	118.6
Kota Kinabalu Convention City	1,400.0	62.1
Current unbilled sales	3,551.0	585.9
Total	27,783.0	3,197.6
Total shareholders' funds		1,714.8
RNAV		4,912.5
Current Share Base (mn)		1,357.5
RNAV/share (RM)		3.6
Conversion of warrants		400.0
Convertible bond proceeds		325.0
Enlarged RNAV		5,637.5
Fully Diluted Share Base (mn)		1,684.6
Fully Diluted RNAV/Share (RM)		3.35

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