

# Mah Sing Group Berhad

(8583 | MSGB MK) Property | Property

**Maintain BUY**

## Proposed diversification into gloves manufacturing

**Revised Price: RM1.10**  
(Previously RM0.82)

### KEY INVESTMENT HIGHLIGHTS

- **Proposed diversification into gloves manufacturing**
- **Targeting total production capacity of 3.68b pieces per annum**
- **Positive on venture into gloves manufacturing**
- **FY21 earnings to be boosted by gloves manufacturing**
- **Maintain BUY with a revised TP of RM1.10**

**Proposed diversification into gloves manufacturing.** Mah Sing Group Berhad (Mah Sing) proposed to diversify into the manufacturing and trading of gloves and related healthcare products. In connection with the proposed diversification, Mah Sing Healthcare Sdn Bhd (an indirect wholly-owned subsidiary of Mah Sing) has entered into a tenancy agreement with landlord Minho Kilning (Klang) Sdn Bhd to occupy part of a land, measuring approximately 313,548 square feet, with a single-storey warehouse and double-storey office, within the Ladang Sungai Puloh Industrial Area along Jalan Kapar in Klang, Selangor. The signing of tenancy agreement will enable Mah Sing to commence its gloves business as the gloves asset will be set up, installed and commissioned in the property.

### Targeting total production capacity of 3.68b pieces per annum.

Mah Sing targets to acquire 12 new gloves production lines that are expected to yield an estimated total production 3.68b pieces of gloves per annum. Six (6) of the new gloves production lines are expected to commence production in 2Q2021 while the remaining 6 new gloves production lines are expected to commence in 3Q2021. Meanwhile, Mah Sing targets a second phase of expansion plan with another 12 new gloves production lines (production capacity of 3.68b pieces of gloves per annum) if demand outstrips its production capacity in phase one.

**Positive on venture into gloves manufacturing.** We view the diversification into gloves manufacturing positively as it will provide an additional earnings stream to Mah Sing and allow Mah Sing to ride on the rising demand for gloves due to Covid-19 pandemic. Mah Sing targets to export gloves to US, Europe and other countries by planning to obtain Food and Drug Administration certification. Meanwhile, capital expenditure for the gloves manufacturing is estimated at around RM150m which will be funded via internally generated funds and issuance of sukuk Murabahah.

### RETURN STATISTICS

Price @ 15 October 2020 (RM)	0.725
Expected share price return (%)	51.7
Expected dividend yield (%)	3.4
<b>Expected total return (%)</b>	<b>55.1</b>

### SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-4.69	-3.57
3 months	1.39	-9.51
12 months	5.17	6.41


### KEY STATISTICS

FBM KLCI	1,513.95
Syariah compliant	Yes
Issue shares (m)	5638.307
Estimated free float (%)	52.83054
Market Capitalisation (RM'm)	20,636.20
52-wk price range (RM)	RM2.7 - RM3.99
Beta vs FBM KLCI (x)	0.7926014
Monthly velocity (%)	0.611925639
Monthly volatility (%)	8.237658763
3-mth average daily volume (m)	8.71393
3-mth average daily value (RM'm)	32.8038
Top Shareholders (%)	
Employees Provident Fund Board	9.26
Wide Synergy Sdn Bhd	7.71
Azam Utama Sdn Bhd	7.64

### Analyst(s)

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**FY21 earnings to be boosted by gloves manufacturing.** The new venture into gloves manufacturing is not expected to impact FY20 as gloves production will commence in 2QFY21. Nevertheless, earnings contribution from gloves manufacturing is expected to more than double Mah Sing's earnings in FY21 as Mah Sing targets to sell gloves at spot order price which is much higher than contractual price. We estimate gloves manufacturing to contribute earnings of >RM150m for FY21 based on conservative spot order price of USD60/thousand pieces against current spot order price of USD80-USD160per thousand pieces. In a nutshell, we are raising our FY21 earnings forecast by 152% to RM266.5m after inputting earnings contribution from gloves manufacturing.

**Maintain BUY with a revised TP of RM1.10.** We revise our TP for Mah Sing to RM1.10 from RM0.82 as we change our valuation method to Sum-of-Parts from RNAV to better reflect value of Mah Sing with significant contribution from property and gloves segment. We view the venture of Mah Sing into gloves manufacturing as a strong catalyst as it will boost Mah Sing's earnings significantly going forward. Besides, we think that Mah Sing's venture into gloves manufacturing could attract investors who would like to invest in gloves companies as valuation of Mah Sing is undemanding by trading at PE ratio of 5x at FY21 EPS compared to higher valuation of bigger gloves makers. Hence, we maintain our BUY call on Mah Sing. 

## INVESTMENT STATISTICS

FYE Dec	FY17A	FY18A	FY19A	FY20F	FY21F
Revenue	2915.8	2192.9	1789.7	1396.3	2171.8
EBIT	476.5	357.7	271.4	142.6	424.3
PBT	472.3	347.6	270.2	142.7	424.6
Net Income	361.9	271.6	200.3	111.5	319.8
Core Net Income (before Perpetual Securities/Sukuk)	356.3	269.9	234.3	111.5	320.8
Core Net Income (After Perpetual Securities/Sukuk)	356.3	188.4	143.0	39.5	266.5
EPS (sen)	15.0	11.2	8.3	4.6	13.2
Core EPS (sen)	14.8	11.1	9.7	4.6	13.2
Net DPS (sen)	6.5	4.50	3.35	2.5	5.9
Net Dvd Yield	9.0%	6.2%	4.6%	3.4%	8.2%
Core PER	4.91	6.52	7.51	15.78	5.49
NTA/share (RM)	1.43	1.43	1.44	1.46	1.53
P/NTA	0.51	0.51	0.51	0.50	0.47
ROE	10.3%	7.7%	6.7%	3.1%	8.6%
ROA	5.0%	3.9%	3.4%	1.7%	4.7%

Source: Company, MIDFR

## Mah Sing Group Sum-of-Parts (SOP)

Segments	Methodology	Discount	Value (RM m)
Property	RNAV	63%	601.2
Gloves Manufacturing	13x FY21 Earnings	n/a	2,274.3
Plastics	13x FY21 Earnings	n/a	239.6
Net cash/(debt)			(262.3)
<b>Total Sum-of-Parts</b>			<b>2,852.7</b>
Fully-Diluted Number of shares			2,593.8
<b>Target Price (RM)</b>			<b>1.10</b>

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### MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

<b>BUY</b>	Total return is expected to be >10% over the next 12 months.
<b>TRADING BUY</b>	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
<b>NEUTRAL</b>	Total return is expected to be between -10% and +10% over the next 12 months.
<b>SELL</b>	Total return is expected to be <10% over the next 12 months.
<b>TRADING SELL</b>	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

#### SECTOR RECOMMENDATIONS

<b>POSITIVE</b>	The sector is expected to outperform the overall market over the next 12 months.
<b>NEUTRAL</b>	The sector is to perform in line with the overall market over the next 12 months.
<b>NEGATIVE</b>	The sector is expected to underperform the overall market over the next 12 months.