

ASIAN GEMS CORPORATE HIGHLIGHTS

**Mah Sing Group (MSGB MK)**

Multiple Engines For Growth

Mah Sing is advancing its data centre partnerships, with ongoing talks for further partnership at Southville and data centre land sales in Johor Bahru. The plastic manufacturing business is also expanding, with plans for an IPO in the next three years. Mah Sing's glove business is improving and is targeting profitability in 2H25. The property development segment is going strong, driven by the M-series project. **Maintain BUY. Target price: RM2.29.**

WHAT'S NEW

- **Engine 1: Proxy to data centre play.** After its first collaboration agreement with Bridge Data Centre (Bridge DC) back in May 24, Mah Sing is gearing up for another data centre partnership with world-renowned data centre operators/investors in its Southville township. Bridge DC previously secured 17.55 acres (for data centre capacity up to 100MW) of the 150-acre Southville land (designated as Plot 2). We understand that Mah Sing is now in advanced discussions for both Plot 1 (90 MW) and Plot 3 (300-400MW), aiming to secure further data centre deals to attract hyperscalers and AI-driven data centre clients. A deal could potentially be announced in the coming few weeks.
- **Mah Sing is expanding its data centre footprint in Johor Bahru through its 42.52-acre Meridin East development, which could support up to 300MW of capacity.** Assuming a land sale price of RM100-140psf based on the latest market transactions, the potential proceeds from the sale could range between RM185-260m. The net profit margin for this land sale is expected to be highly attractive, as the land was originally acquired at a historical cost of approximately RM7psf. We gather that the infrastructure cost for data centre could range between RM40-50psf. Hence, we estimate minimum net profit margin for this land sale at around 40%, which will contribute at least RM74m to net profit (27% of 2025F net profit).
- **Mah Sing's 562-acre MSS Business Park in Sepang (among other landbanks) has potential for future data centre collaborations due to its proximity to the cable landing station.** However, the primary focus for the Sepang MSS Business Park will remain industrial development, featuring industrial lots and factories starting at RM2.5m, with a total gross development value (GDV) of up to RM2b. Currently, Mah Sing's management is in discussions with Chinese businesses seeking to establish a presence in Malaysia, exploring potential industrial land sales.

KEY FINANCIALS

Year to 31 Dec (RMm)	2022	2023	2024F	2025F	2026F
Net turnover	2,317	2,603	2,850	3,103	3,383
EBITDA	276	307	390	445	512
Operating profit	316	349	435	515	608
Net profit (rep./act.)	158	215	239	267	316
Net profit (adj.)	143	217	239	267	316
EPS (sen)	5.9	8.9	9.8	10.9	13.0
PE (x)	27.8	18.3	16.6	14.9	12.6
P/B (x)	1.1	1.1	1.0	1.0	1.0
EV/EBITDA (x)	18.7	16.7	13.2	11.6	10.1
Dividend yield (%)	1.8	2.5	2.7	3.0	3.6
Net margin (%)	6.8	8.3	8.4	8.6	9.3
Net debt/(cash) to equity (%)	21.7	8.0	24.2	32.2	39.0
Interest cover (x)	4.9	5.9	6.9	6.3	6.0
ROE (%)	4.1	5.9	6.4	6.8	7.8
Consensus net profit	-	-	242	268	295
UOBKH/Consensus (x)	-	-	0.99	0.99	1.07

Source: Mah Sing Group Berhad, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM1.69
Target Price	RM2.29
Upside	+35.5%

COMPANY DESCRIPTION

One of the leading property developers in Malaysia, famous with its quick turnaround strategy.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	MSGB MK
Shares issued (m):	2,560.1
Market cap (RMm):	4,173.0
Market cap (US\$m):	966.3
3-mth avg daily t'over (US\$m):	6.6

Price Performance (%)

52-week high/low	RM1.97/RM0.760			
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>
3.1	(3.4)	29.1	101.2	106.1

Major Shareholders

Mayang Teratai Sdn Bhd	32.5
PNB	13.6
Bank of Singapore	6.1

FY24 NAV/Share (RM)	1.57
FY24 Net Debt/Share (RM)	0.38

PRICE CHART



Source: Bloomberg

ANALYST(S)

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STOCK IMPACT

- Engine 2: Value unlocking on its plastic manufacturing business with potential IPO within the next three years, as the segment continues to perform well.** The company recently formed a joint venture with its long-time Indonesian partner, PT Gaya, to expand its operations in manufacturing and trading plastic pallets, containers, and related material handling and storage products in Indonesia. With operations set to commence in Oct 24, the expansion will boost current capacity by approximately 10%. Mah Sing is also eyeing further growth in other markets, including Thailand. The Indonesia expansion is expected to drive a 10% increase in revenue for the plastic segment, further unlocking value for the business.
- Engine 3: Positive outlook for glove business; targeting profitability in 2H25.** Mah Sing's glove business is showing signs of improvement, with losses narrowing and targeting profitability in 2H25. The increased US import tariffs on Chinese-made gloves are expected to benefit Malaysian glove manufacturers, including Mah Sing. Currently, the company produces nitrile gloves, with 90% of orders coming from the US market. Mah Sing currently operates 5 out of 12 production lines, with a total capacity of 4b pieces annually. Management expects to reach breakeven by 2H25 with a utilisation rate of around 80% and an ASP of US\$21/000 pcs (current utilisation rate stands at 40%, with an ASP of <US\$20/000 pcs). We believe this is an achievable target, as several larger glove companies in Malaysia have already returned to core profitability, with the exception of Top Glove. Our glove analyst expects Top Glove to achieve positive core profit by 1QFY25. Once Mah Sing's glove business breaks even, we estimate the overall plastic segment could contribute at least RM15-20m (pre-gloves trend) to net profit, representing around 6-8% of total net profit.
- Engine 4: Mah Sing's bread-and-butter property development business continues to do well.** Mah Sing achieved new property sales totalling RM1.66b over an eight-month (8M) period, representing 66% of its 2024 sales target of RM2.5b. During this period, the company launched RM2b worth of projects (2024 launch target: RM2.8b), with many of the launches occurring in August. As a result, we anticipate stronger sales in the remaining five months of the financial year, driven by the higher volume of launches. We believe the RM2.5b sales target is easily achievable, if not more. In Johor, sales have gained significant traction, with new launches almost fully sold out and a notable increase in selling prices, rising to RM400psf from RM350psf (in the Tebrau area) within a year. We remain optimistic that the M-Series products will continue to gain traction, supported by their strategic locations and affordable price points. Furthermore, as an affordable property developer, Mah Sing also stands to benefit from the proposed Budget 2025 wish list, particularly the Madani Deposit Scheme, alongside the ongoing adjustments to civil servant salaries.

EARNINGS REVISION/RISK

- We keep our forecasts unchanged.

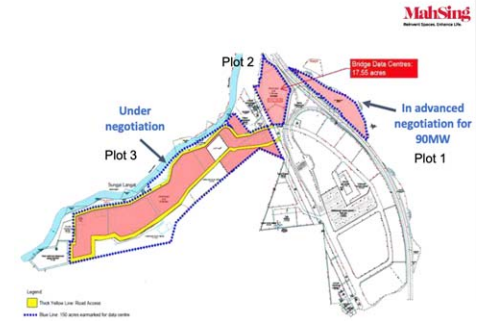
VALUATION/RECOMMENDATION

- Maintain BUY with an unchanged target price of RM2.29**, based on a 10% discount to the SOTP of RM2.55 and a 40% RNAV discount, within its five-year average discount to RNAV. Our target price implies 18-23x 2024-26F PE (peers' average: 22x). We like Mah Sing for its swift turnaround strategy, which has enabled the company to turn parcels of land into affordable housing products with appealing pricing aimed at a more resilient segment. We believe the data centre venture will not only provide immediate value unlocking for idle land in Southville City but will also bolster recurring income.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

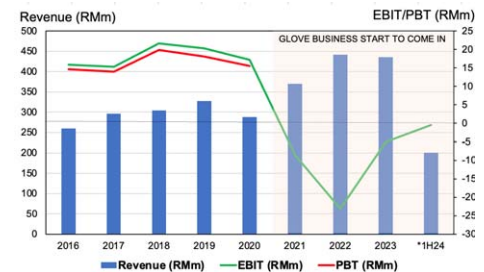
<ul style="list-style-type: none"> <li> <b>Environmental</b> <ul style="list-style-type: none"> <li>Awarded GreenRE Bronze certification for M Minori, M Panora, M Astra and others.</li> </ul> </li> <li> <b>Social</b> <ul style="list-style-type: none"> <li>M Adora completed 2,200,000 man-hours without any incidents.</li> </ul> </li> <li> <b>Governance</b> <ul style="list-style-type: none"> <li>Good company transparency along with an anti-bribery and anti-corruption policy.</li> </ul> </li> </ul>
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SOUTHVILLE DATA CENTRE



Source: Mah Sing

MANUFACTURING SEGMENT PROFITABILITY TREND



Source: Mah Sing

2024 LAUNCHES

**New Project Launches**

M Adora  
Taman Desa  
(August 2024)

Residensi Satria Madani  
Taman Desa  
(August 2024)

M Azura  
Seriaya  
(August 2024)

M Terra  
Puchong  
(August 2024)

M Tara  
Johor Bahru  
(August 2024)

M Sinar  
Southville, Bangi  
(June 2024)

M Zenya  
Kemping  
(May 2024)

**Existing Projects (New Phase Launches)**

- M Minori, JB
- M Serayu, Salak Tinggi
- M Nova, Kepong
- M Panora, Rawang
- Mendini East, JB

**Upcoming New Project**

- M Legasi

Source: Mah Sing

KEY ASSUMPTION

	2024F	2025F	2026F
Sales (RMb)	2.6	2.8	3.0
Take-up Rate	95	95	95
EBIT margin	14.8%	15.2%	15.6%

Source: UOB Kay Hian

SOTP-BASED VALUATION

	(RMm)	Remarks
Property development	5,516	
Shareholder's fund	3,701	
Property RNAV	9,217	
Property discounted RNAV	5,530	Based on 40% discount to RNAV
Manufacturing	96	Based on 8x 2024F PE
Data Centre	950	Based on 20x 2026 EV/EBITDA
Less: Holding co (debt)/cash	-296	
<b>Total SOP value</b>	<b>6,280</b>	
Share base (m)	2,468	
SOTP/share (RM)	2.55	
Discount	10%	
<b>Target price (RM)</b>	<b>2.29</b>	

Source: Mah Sing, UOB Kay Hian

### PROFIT & LOSS

Year to 31 Dec (RMm)	2023	2024F	2025F	2026F
Net turnover	2,603	2,850	3,103	3,383
EBITDA	307	390	445	512
Deprec. & amort.	(41)	(44)	(70)	(97)
EBIT	349	435	515	608
Total other non-operating income	31	31	31	31
Net interest income/(expense)	(52)	(57)	(70)	(86)
Pre-tax profit	327	364	406	479
Tax	(105)	(117)	(130)	(154)
Minorities	(7)	(8)	(8)	(9)
<b>Net profit</b>	<b>215</b>	<b>239</b>	<b>267</b>	<b>316</b>
Net profit (adj.)	217	239	267	316

### CASH FLOW

Year to 31 Dec (RMm)	2023	2024F	2025F	2026F
Operating	1,090	77	431	504
Pre-tax profit	327	364	406	479
Tax	(105)	(117)	(130)	(154)
Deprec. & amort.	41	44	70	97
Associates	n.a.	n.a.	n.a.	(23)
Working capital changes	248	(272)	16	20
Non-cash items	52	57	70	86
Other operating cashflows	527	0	0	0
Investing	(496)	(543)	(592)	(622)
Capex (growth)	(496)	(543)	(592)	(645)
Others	1	0	0	23
Financing	(298)	135	109	71
Dividend payments	(73)	(108)	(121)	(143)
Issue of shares	0	0	0	0
Proceeds from borrowings	(74)	300	300	300
Others/interest paid	(152)	(57)	(70)	(86)
<b>Net cash inflow (outflow)</b>	<b>296</b>	<b>(332)</b>	<b>(52)</b>	<b>(47)</b>
Beginning cash & cash equivalent	580	981	649	598
Ending cash & cash equivalent	981	649	598	551

### BALANCE SHEET

Year to 31 Dec (RMm)	2023	2024F	2025F	2026F
Fixed assets	2,174	2,673	3,195	3,743
Other LT assets	453	453	453	476
Cash/ST investment	981	649	598	551
Other current assets	2,808	3,940	4,143	4,367
<b>Total assets</b>	<b>6,417</b>	<b>7,716</b>	<b>8,389</b>	<b>9,138</b>
ST debt	8	308	608	908
Other current liabilities	1,287	2,147	2,366	2,609
LT debt	1,269	1,269	1,269	1,269
Other LT liabilities	116	116	116	116
Shareholders' equity	3,701	3,832	3,978	4,174
Minority interest	36	43	52	61
<b>Total liabilities &amp; equity</b>	<b>6,417</b>	<b>7,716</b>	<b>8,389</b>	<b>9,138</b>

### KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
<b>Profitability</b>				
EBITDA margin	11.8	13.7	14.3	15.1
Pre-tax margin	12.6	12.8	13.1	14.2
Net margin	8.3	8.4	8.6	9.3
ROA	3.4	3.4	3.3	3.6
ROE	5.9	6.4	6.8	7.8
<b>Growth</b>				
Turnover	12.3	9.5	8.9	9.0
EBITDA	11.4	27.0	14.1	14.9
Pre-tax profit	24.0	11.1	11.4	18.2
Net profit	36.5	11.2	11.5	18.5
Net profit (adj.)	51.9	10.2	11.5	18.5
EPS	51.9	10.2	11.5	18.5
<b>Leverage</b>				
Debt to total capital	25.5	28.9	31.8	34.0
Debt to equity	34.5	41.2	47.2	52.2
Net debt/(cash) to equity	8.0	24.2	32.2	39.0
Interest cover (x)	5.9	6.9	6.3	6.0

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