



AmInvestment Bank

Sector report
07 November 2023

PROPERTY

Vibrant growth in Johor from multiple catalysts

OVERWEIGHT

(Maintained)

Khoo Zing Sheng

khoo.zing-sheng@ambankgroup.com

+603-2036 2299

Rationale for Report: Thematic Report

Investment Highlights

- **Rebound in Kuala Lumpur Property Index driven by positive news flow in Johor.** Malaysian property stocks have experienced depressed valuation in the past 3 years due to negative headwinds, including increased building material costs, labour shortages and rising interest rates. However, interest in property stocks, especially those with exposure in Johor, have been stirred by recent positive news flow, including: (i) the completion of the Singapore-Johor Bahru Rapid Transit System (RTS Link) in CY26; (ii) potential revival of Kuala Lumpur-Singapore high-speed rail (HSR); (iii) the establishment of special economic and financial zones in Iskandar Malaysia; and (iv) potential relaxation of the conditions for Malaysia My Second Home (MM2H) program.
- **Normalising valuation of property stocks.** The recent surge in Kuala Lumpur Property Index (KLPRP) appears to be a normalisation of property stock valuations. This comes after a period of depressed valuations in the property sector. KLPRP is currently still trading at an attractive price-to-book value ratio of 0.5x, 1 standard deviation below its 10-year median of 0.7x.
- **3 property hotspots in Johor.** Given the ongoing developments in Johor, we have identified several property hotspots, including (1) Johor Bahru city centre (RTS Link), (2) Forest City (special financial zone); and (3) Iskandar Puteri (special economic zone and HSR). Moving forward, we see more potential catalysts that may drive population growth in Iskandar Malaysia and boost demand for properties in Johor.
- **RTS to boost economic activities and property demand in Johor Bahru.** The introduction of RTS is set to invigorate economic activity and stimulate property demand in Johor Bahru. This city's economic vibrancy primarily hinges on the robust purchasing power of both Singaporean and Johorean commuters working in Singapore. With the forthcoming completion of RTS, we anticipate a substantial uptick in commercial and retail activities within Johor Bahru.

Furthermore, the allure of lower rental rates may prompt businesses to consider relocating offices from Singapore to Johor Bahru. Notably, the average selling prices for high-rise residential properties in Johor Bahru, especially those in proximity to the upcoming RTS station in Bukit Chagar, currently range between RM700 psf to RM1,300 psf. These price levels now stand on par with property values in Mont Kiara and Jalan Ampang in the Klang Valley.

- **Iskandar Puteri is expected to take time to fully develop.** Presently, demand for premium residential properties is largely driven by Malaysians working in Singapore, which supports high take-up rates in many residential projects in Iskandar Puteri. Even so, during our recent visit, we observed a limited population and minimal activity in the area. To foster growth in Iskandar Puteri, the development of its industrial sector, particularly in high-value industries with relatively higher wages for Malaysians, is essential. This industrial growth, supported by the recently unveiled New Industrial Master Plan (NIMP) 2030, is expected to attract talent not only from Singapore but also from other states, which will eventually lead to increased population and business activity in Iskandar Puteri.
- **We retain our OVERWEIGHT stance on property sector.** Moving forward, we expect a gradual recovery in property transaction volumes on improved market sentiments and stronger demand, aided by our economist's estimated 2024F GDP growth of 4.5% and job recoveries. Transaction activities for residential property are expected to see further improvement, in line with the government's effort to increase more affordable houses as outlined under the 12MP MTR and the MADANI Neighbourhood scheme. In addition, the implementation of NIMP, designed to raise investments into the country, is anticipated to bolster demand for industrial properties.
- **Our top BUY is Sunway (FV: RM2.40)** given its strong brand recognition established by highly successful landmark developments and expanding healthcare business, supported by substantive unbilled sales and outstanding order book. We also favour **Lagenda (FV: RM1.79)** for its focus on the underserved and affordable landed housing development in second-tier states which have a large population of B40 and M40 income groups. We also like **Mah Sing (FV: RM0.98)** for its strength in affordable housing developments at strategic locations as well as savvy execution and quick-turnaround business model.

EXHIBIT 1: VALUATION MATRIX

Companies	Call	Price (RM)	FV (RM)	Upside (%)	Mkt Cap (RM mil)	Discount to RNAV (%)	FYE	FD EPS (sen)		FD EPS growth (%)		P/E (x)		P/B (x)
								FY23F	FY24F	FY23F	FY24F	FY23/24F	FY24/25F	
Sunway	BUY	1.870	2.40	28	9,349	40	Dec	12.4	14.4	1.7	16.6	15.1	13.0	0.9
Lagenda	BUY	1.19	1.79	50	996	30	Dec	19.1	23.5	(6.2)	23.0	6.2	5.1	0.9
Mah Sing	BUY	0.835	0.98	17	2,027	45	Dec	8.3	9.3	11.8	12.6	10.1	9.0	0.6
IOIProp	BUY	1.84	1.91	4	10,131	45	Jun	13.7	16.2	17.7	18.5	13.4	11.4	0.5
UEM Sunrise	HOLD	0.82	0.60	-26	4,123	50	Dec	1.9	2.0	29.1	3.6	42.9	40.8	0.6
Sime Darby Property	BUY	0.62	0.82	33	4,183	45	Dec	4.6	5.4	5.4	17.8	13.4	11.4	0.4
SP Setia	HOLD	0.835	0.76	-9	3,407	50	Dec	5.7	6.9	21.1	22.1	14.6	12.1	0.3
Paramount	BUY	0.93	1.00	8	579	50	Dec	12.4	13.1	70.2	5.7	7.5	7.1	0.4
Glomac	BUY	0.36	0.45	25	288.0	45	Apr	4.8	5.5	22.6	14.5	7.5	6.5	0.2
Simple Average								9.2	10.7	19.3	14.9	14.5	12.9	0.5

Source: AmlInvestment Bank Bhd

VIBRANT GROWTH IN ISKANDAR MALAYSIA

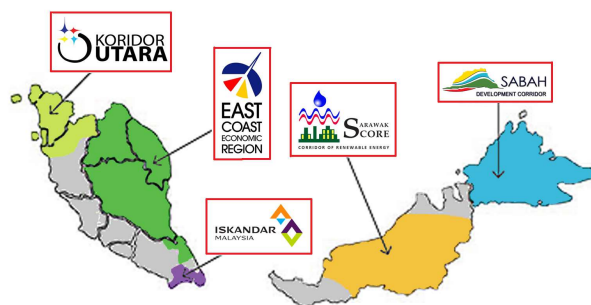
□ The birth of Iskandar Malaysia

Iskandar Malaysia is the first Economic Corridor in Malaysia that was designated in 2006. The region was identified in the Ninth Malaysia Plan (2006 to 2010) as an economic hub and driver for the growth of Malaysia's economy.

Then in June 2006, the Iskandar conurbation was established before being officially launched in November of the same year as one of the key development agendas under Malaysia's 9th Malaysia Plan (9MP).

Iskandar Malaysia represents the southern portion of Malaysia's 5 economic growth corridors (Exhibit 2).

EXHIBIT 2: CORRIDORS OF DEVELOPMENT IN MALAYSIA



Source: My Cyber Station

During the same year, South Johor Investment Corp – which was later to be renamed as Iskandar Investment Bhd (IIB) – was formed to both monitor and spearhead a specific portion of Iskandar Malaysia measuring 8,900 acres (36 sq km) that is located at the heart of the region.

IIB comes under the auspices of the Iskandar Regional Development Authority (IRDA), which was set up in 2007 via the IRDA Act (664).

IRDA's task is to execute the Comprehensive Development Plan (CDP) for Iskandar Malaysia and has a central role in its planning, promotion and development. In a nutshell, IRDA serves as the single authority for coordinating the implementation and approval of development programmes within Iskandar Malaysia.

IRDA is currently co-chaired by Prime Minister YAB Dato' Seri Anwar bin Ibrahim and YAB Datuk Onn Hafiz bin Dato' Ghazi, the chief minister of Johor.

The development region encompasses an area of 2,300km² covering Johor Bahru District, Kulai District and part of Pontian District. 5 local government authorities have jurisdiction over the covered area, including Johor Bahru City Council, Iskandar Puteri City Council, Pasir Gudang City Council, Kulai Municipal Council and Pontian Municipal Council.

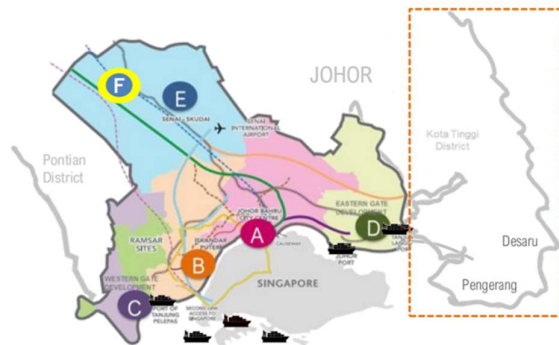
In 2021, Iskandar Malaysia has a population of 1.94mil.

□ Flagship development zones in Iskandar Malaysia

The Iskandar Malaysia township is divided into 6 flagship development zones that comprise of (Exhibit 3):

- i. Flagship A (Johor Bahru City Centre);
- ii. Flagship B (Medini Iskandar Puteri);
- iii. Flagship C (Western Gate Development);
- iv. Flagship D (Eastern Gate Development);
- v. Flagship E (Senai-Skudai); and
- vi. Flagship F (Sedenak).

EXHIBIT 3: FLAGSHIP ZONES IN ISKANDAR MALAYSIA



Source: Iskandar Regional Development Authority

Each flagship zone has been strategically planned to serve as key focal points for development within Iskandar Malaysia (Exhibit 4). These zones are intended to enhance existing economic clusters while also diversifying and nurturing specific growth sectors.

EXHIBIT 4: ECONOMIC ACTIVITIES IN FLAGSHIP ZONES

Flagship	Location	Economic activities
A	Johor Bahru City Centre	Financial services, commerce/retail, arts/culture, hospitality, urban tourism, plastic manufacturing, electrical/electronics (E&E) and food processing.
B	Medini Iskandar Puteri	Administrative centre and hub for biotechnology, creative, medical, education and high-tech manufacturing.
C	Western Gate Development	Warehousing, logistics, marine services, petrochemical, food products, high-tech manufacturing.
D	Eastern Gate Development	Heavy industries, warehousing, ports and logistics
E	Senai-Skudai	Airport services, engineering, manufacturing, education.
F	Sedenak	Agrotechnology and high-tech industries, research and development as well as low-carbon activities.

Source: Iskandar Regional Development Authority

In light of the ongoing developments in Johor, we have pinpointed several property hotspots in the region, which include:

- i. Johor Bahru (RTS Link);
- ii. Forest City (Special Financial Zone);
- iii. Iskandar Puteri (Special Economic Zone and proposed station for HSR).

These 3 regions are strategically located in Flagship A and Flagship B. Therefore, this report will offer a detailed focus on these 2 specific regions in our analysis.

FLAGSHIP A: JOHOR BAHRU CITY CENTRE

□ *Singaporeans - one of the key drivers of economy in Johor Bahru*

Johor Bahru is known as Malaysia's 'Southern Gateway' and is located just across the causeway from Singapore. Johor Bahru receives more than 60% of Malaysia's annual foreign tourists via 2 bridges: Johor- Singapore causeway and Tuas Second Link.

Johor Bahru hosts a range of vital economic activities, including financial services, commerce/retail, arts/culture, hospitality and urban tourism. These economic activities are mainly driven by the high spending power of both Singaporean and Johorean individuals who commute to work in Singapore.

Currently, the Malaysian ringgit (RM) has reached its historic low compared to the Singapore dollar (SGD), with an exchange rate of RM3.4743 as at 3 November 2023.

While this currency situation might initially appear unfavorable for Malaysia, it has had a positive economic impact on the country, especially in the state of Johor. This is evident in increased economic activity within sectors like retail, hospitality, and food/beverage.

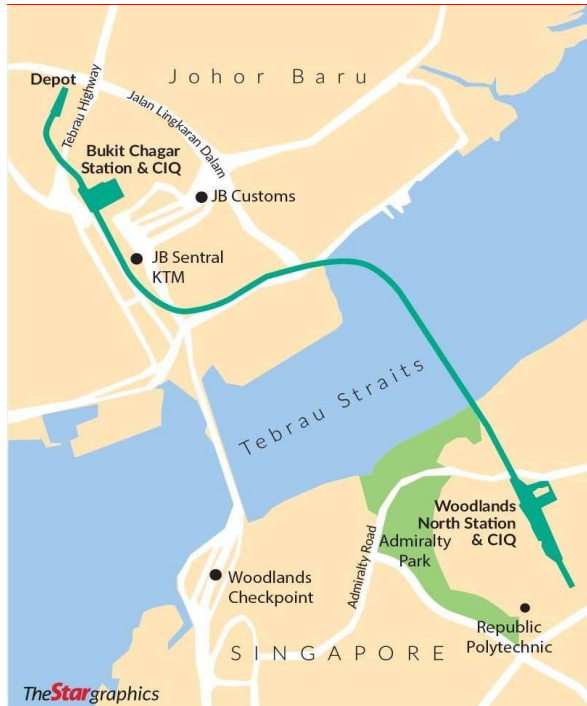
The strength of the SGD has significantly increased the purchasing power of Singaporean residents. As a result, Johor Bahru has become a prominent holiday and shopping hotspot for Singaporeans, primarily due to the relatively lower cost of goods and services compared to Singapore.

Many Singaporeans engage in day trips or visits over the weekends to Johor Bahru for various purposes, including grocery shopping, dining, entertainment and personal well-being.

□ *RTS link poised to be a game changer*

The RTS Link is a 4km-railway shuttle link that connects the Singapore terminal at Woodlands North with the Malaysian counterpart at Bukit Chagar near Johor Bahru Sentral (Exhibit 5).

EXHIBIT 5: ALIGNMENT OF RTS LINK



Source: The Star

The link will be capable of accommodating 10,000 passengers per hour in each direction, with an anticipated daily ridership of 40,000 passengers upon its launch. It is expected to attract 35% of the 350,000 people who daily cross the Causeway currently.

As at October 2023, the RTS Link was 52% completed and is on track for full completion by the end of 2026 (Exhibit 6). Mass Rapid Transit Corporation (MRT Corp) CEO Zarif Hashim indicated that the construction progress of the project is expected to reach peak level by June 2024.

EXHIBIT 6: PROGRESS OF RTS



Source: paultan.org

We view RTS as a significant game changer for the economic development and property market of the southern corridor.

Currently, Malaysians travelling to Singapore using public transport have to take 2 rounds of bus, one from JBS to Singapore Customs, and another from Singapore Customs to Woodlands Mass Rapid Transit (MRT) station.

However, with the completion of the RTS Link, we anticipate a substantial reduction in travel time, with commuting

between Malaysia and Singapore taking only 5 minutes from the current 30-40 minutes journey during non-peak hours.

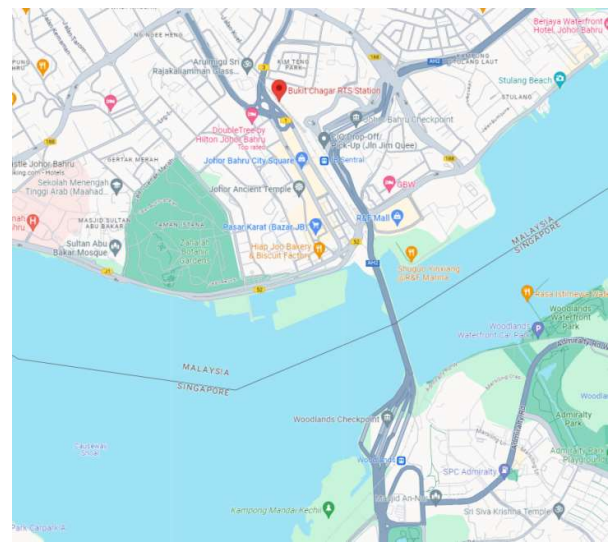
Enhanced connectivity is expected to lure a greater number of Singaporean shoppers to Johor, particularly in Johor Bahru, owing to cheaper prices of goods and services. This could revitalise retail and commercial activities in Johor Bahru.

RTS link boost to property market in Johor Bahru

The RTS is anticipated to generate interest among Malaysians working in Singapore who are contemplating property investments in Johor, resulting in increased sales of both commercial and residential properties in Johor, with a particular focus on Johor Bahru.

As compared to other region in Johor, we have observed a more immediate effect on the appreciation of house prices in Johor Bahru due to heightened demand in anticipation of the completion of RTS.

EXHIBIT 7: MAP LOCATION OF BUKIT CHAGAR STATION



Source: Google Map

We gather that the average selling price for high rise residences in Johor Bahru, especially those closer to the upcoming RTS station in Bukit Chagar (Exhibit 7), currently ranges between RM700 psf to RM 1,300 psf (Exhibit 8), which is on par with property prices in Mont Kiara and Japan Ampang in the Klang Valley.

Nevertheless, we believe it is difficult to surpass RM1,500 psf in the short term given the price of a Housing Development Board (HDB) apartment units in the outskirts areas of Singapore is selling at SGD500 psf or RM1,737 psf.

EXHIBIT 8: HOUSE PRICES NEAR RTS STATION

Project	Distance to Bukit Chagar	Completion Year	Price (RM psf)
TriTower Residence	0.55km	2018	960
Twin Tower Residence	0.95km	N/A	1,199
Bukit Chagar Luxurious Apartment	0.95km	N/A	1,296
SKS Pavilion	1.5km	2017	822
Paragon Suites	1.7km	2018	727
Skysuites @ Meldrum Hills	2.6km	2015	877
V @ SummerPlace	2.7km	2016	677
Sky Habitat Apartment	2.9km	2018	580
Meldrum Heights	2.9km	2024	849

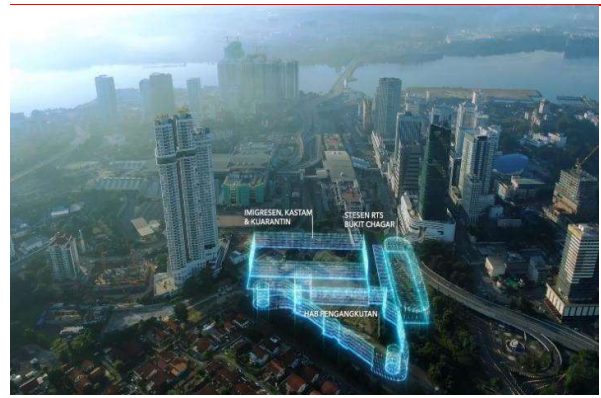
Source: PropertyGuru

Among the developers we cover, not many of them hold substantial land holdings in the city centre of Johor Bahru. Ekovest (non-rated) is set to benefit from the vibrant Johor Bahru property market following an ongoing corporate exercise, thanks to its substantial landbank (4,300 acres) held by Iskandar Waterfront Holding in Danga Bay, Tanjung Puteri, Danga Heights and Tebrau Bay (Exhibit 9).

EXHIBIT 9: ISKANDAR WATERFRONT'S LANDBANKS

Source: Iskandar Waterfront

Additionally, Ekovest has recently proposed to acquire 16 acres of land situated along the RTS Bukit Chagar alignment. This acquisition is intended for a potential transit-oriented development (TOD) with an estimated gross development value (GDV) of RM5bil.

EXHIBIT 10: BUKIT CHAGAR RTS STATION

Source: paultan.org

FLAGSHIP B: MEDINI ISKANDAR PUTERI

The current key economic activities in Flagship B or Medini Iskandar Puteri encompass an administrative centre and hub for biotechnology, creative, medical, education, high-tech manufacturing.

We anticipate that Iskandar Puteri will experience property price appreciation and rising housing demand due to improved accessibility following the completion of the RTS and High-Speed Rail (HSR).

□ Relying on Malaysians working in Singapore for properties priced above affordability

The present demand for residential properties, particularly in the premium segment, is primarily bolstered by Malaysians employed in Singapore.

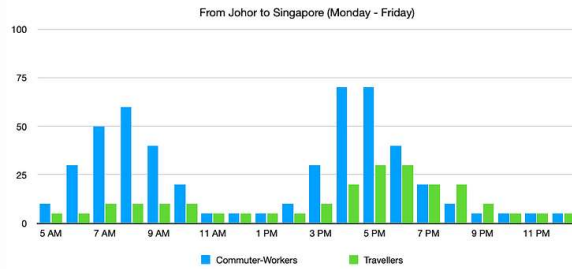
According to the Malaysian Employers Federation (MEF) in June 2023, close to 900,000 of Malaysians have secured full-time employment opportunities in Singapore, with a third of them (300,000) commuting daily via the Johor–Singapore Causeway for work and school in Singapore.

Consequently, the growth of residential property in Iskandar Puteri may be capped if it relies solely on these 300,000 Malaysians working in Singapore to drive property demand and retail activities in the region.

□ Population needed to boost retail and commercial activities

According to data from iPackTravel, Malaysian workers will start to cross the Causeway to Singapore as early as 5am, especially those on the first shift who are required to report to work by 7am or 8am, followed by office staff at 9am and retail staff at 10am (Exhibit 11).

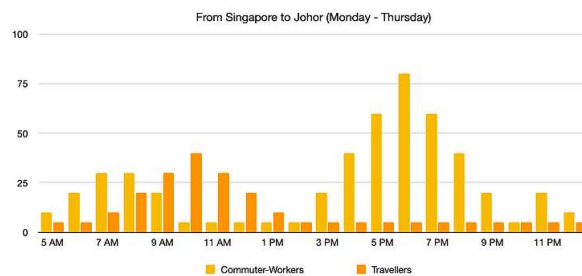
EXHIBIT 11: PROBABILITY OF CONGESTION IN CAUSEWAY (FROM JOHOR TO SINGAPORE)



Source: iPackTravel

After 5pm, a significant number of Malaysian workers on regular working schedules will be present at the causeway (Exhibit 12). This frequently results in congestion at the immigration checkpoints, causing delays of 1-3 hours to cross the bridge. Meanwhile, the majority of their daily activities take place in Singapore.

EXHIBIT 12: PROBABILITY OF CONGESTION IN CAUSEWAY (FROM SINGAPORE TO JOHOR)



Source: iPackTravel

This explains why many residential projects in Iskandar Puteri exhibit high take-up rates, yet during our visit, we observed limited population and minimal activity in the area.

❑ High value industrial development - the key for Iskandar Puteri

In the context of Iskandar Puteri, the key factor is the development of its industrial sector, especially in high-value industries that offer relatively higher wages for Malaysians.

These high-value industries encompass sectors outlined in Malaysia's New Industrial Master Plan 2030, such as aerospace, pharmaceuticals, medical devices, machinery and equipment (M&E), semiconductors, electric vehicles (EV) and chemicals.

This industrial growth is expected to attract Malaysian talent, not only from Singapore but also from other states, which will ultimately boost the population and business activities in Iskandar Puteri.

Nevertheless, it may take 5-10 years to identify and attract investors to invest in Iskandar Puteri, set up their factories, and begin operations. Therefore, it might require a longer period for residential property prices in Iskandar Puteri to

experience significant appreciation compared to Johor Bahru, before the actual demand starts to surge.

❑ JSSEZ boost to Iskandar Puteri

The establishment of Johor-Singapore Special Economic Zone (JSSEZ) plays a crucial part in boosting the industrial development of Iskandar Puteri.

In the recent 10th Malaysia-Singapore Leaders' Retreat on 30th October 2023, Malaysia and Singapore governments have agreed to jointly develop JSSEZ.

The JSSEZ is set to be situated within the Iskandar Malaysia region, of which Malaysia is actively promoting as a prime investment destination, particularly for industries such as electronics, healthcare, financial and business-related services.

A feasibility study is currently in progress, being conducted by the Joint Ministerial Committee for Iskandar Malaysia (JMCIM), with the aim of determining specific areas of focus for JSSEZ. This study will consider the interests of potential investors and market demand.

An agreement between Singapore and Malaysia is expected to be formalised in the form of a Memorandum of Understanding by January 11, 2024.

While the specifics of the JSSEZ are not finalised, we anticipate special tax arrangements and visa liberalisation measures will be introduced. These measures aim to simplify and encourage the movement of foreign investors and goods between the 2 countries within the zone, fostering an environment conducive to economic growth and collaboration.

❑ Focus on supporting industries for Singapore, especially in renewable energy

The main focus of JSSEZ is expected to be supporting Singapore's industrial sector, with a particular emphasis on renewable energy.

This focus is aimed at developing industries that can enhance Singapore's existing capabilities and promote the growth of renewable energy, in line with Singapore's Green Plan 2030.

These are the key highlights outlined under the Green Plan:

- i. Electric buses to make up half of the public bus fleet by 2030. Existing diesel buses will be replaced with cleaner energy buses by 2040;
- ii. The International Civil Aviation Organisation's long-term aspirational goal (LTAG) for international aviation to reach net zero carbon emissions by 2050;
- iii. The International Maritime Organisation's target to reduce greenhouse gas (GHG) emissions from international shipping by at least 50% by 2050 compared to 2008 levels, and to phase out such GHG emissions by this century;

- iv. 1.5 GWP of solar energy deployment, which can meet 2% of Singapore's projected electricity demands in 2025 and 3% in 2030;
- v. All HDB towns to be electric vehicle (EV)-ready with chargers at all apartment carparks by 2025;
- vi. All new car and taxi registrations to be of cleaner-energy models from 2030; and
- vii. All vehicles to run on cleaner energy by 2040.

As such, Johor has the potential to establish itself as a hub for EVs and become a source of green energy to support Singapore's Green Plan 2030. This move aligns with Singapore's ambitions to adopt environmentally-friendly technologies and practices.

Moreover, in October 2023, Malaysia and Singapore agreed to collaborate on joint developments in renewable energy and cross-border trading of electricity. This collaboration stems from both countries' shared commitment to pursuing sustainable energy sources as part of their efforts to combat climate change.

This development can lead to the creation of more job opportunities through investments from Singapore. Consequently, this could drive demand for residential, commercial and industrial properties in Iskandar Puteri.

❑ *Special Financial Zone in Forest City*

Forest City is currently home to 9,000 residents, which is significantly lower than its target of hosting 700,000 people across its 4 reclaimed islands by 2035 (Exhibit 13).

Forest City may appear relatively empty as a significant number of Chinese buyers have not taken possession of their properties. This situation is primarily linked to the pandemic, as many of these buyers were unable to travel to Malaysia and occupy their properties due to travel restrictions and other Covid19-related issues.

Nevertheless, we anticipate increasing interest in properties within Forest City due to its close proximity to Iskandar Puteri, the establishment of a special financial zone and rising rental charges in Singapore.

Considering that 40% of Forest City is owned by Esplanade Danga 88, a private Malaysian company under the ownership of a Johor government agency, Kumpulan Prasarana Kerajaan Johor, it is likely that the Johor state and federal governments may exert more effort to revitalise Forest City.

To boost interest among potential investors on Forest City, the Malaysian government has unveiled plans to establish a special financial zone in Forest City back in August this year.

EXHIBIT 13: LOCATION OF FOREST CITY



Source: Forest City

In October 2023, several plans were proposed to transform Forest City into Johor's optimal financial hub with an improved ecosystem. These involve:

- i. construction of a direct route from the Second Link Expressway to Forest City;
- ii. create more than 10,000 new job opportunities within a 10-year time frame;
- iii. establish multiple-entry visa and fast immigration lanes; and
- iv. special tax packages and incentives.

Furthermore, there are 6 financial sectors being refined, namely: banking & finance, capital markets, fintech & innovation, Islamic finance, wealth management and insurance & risk management. Although specific details have not been disclosed, we expect more positive developments and news related to Forest City to emerge over the coming months.

❑ *Potential deferment in Forest City launches*

We are of the opinion that the recent debt crisis encountered by Country Garden might have potential implications for Forest City, particularly with regard to the scope and timing of upcoming launches.

In August 2023, both Country Garden's companies in Singapore and Malaysia released a statement reaffirming their commitment to stability and security for their Malaysian operations. The Country Garden Malaysia-Singapore Region assured the public of its ample net assets and land reserves, which shows the group's commitment and confidence in the Forest City project.

Nevertheless, we believe that the schedule and scale of forthcoming launches could be contingent on Country Garden's success in restructuring and rescheduling its impending loan obligations.

If Country Garden encounters difficulties in delivering new projects in Forest City due to capital issues, we believe they

may explore several options, including selling part of their stake in Forest City, seeking new partners or disposing of land and investment properties.

□ *HSR - a game changer for Iskandar Puteri, but a 7-year journey ahead*

Malaysian government is now seeking to revive the HSR project following the termination of the project in 2021. The government-owned MyHSR Corporation has invited private firms to submit concept proposals for the project. The closing date for the submission is on 15 November 2023.

Although there is no indication of any realignment of the station, we anticipate that the proposed station location within Iskandar Puteri could be unchanged given its close proximity to Jurong East station in Singapore (Exhibit 14).

Recall that in 2015, the Singaporean government acquired land parcels in Jurong East for the HSR station and mixed-use development. Given the significant costs associated with any changes, it is unlikely for the Singaporean government to alter its previously proposed station location in Jurong East.

If there are no alterations to the HSR station's location in Iskandar Puteri, we anticipate a transformation to the township's landscape. Rather than traditional landed properties, we foresee developers with land adjacent to the HSR station launching transit-oriented development (TOD) projects with a significantly higher GDV to leverage the growing population following the completion of the railway.

EXHIBIT 14: PREVIOUSLY PROPOSED KUALA LUMPUR-SINGAPORE HIGH-SPEED RAIL (HSR) ROUTE



Source: MyHSR Corp

This improved connectivity between Iskandar Puteri and Singapore is expected to drive economic growth in both regions, and thus enhance the appeal for Malaysians and foreigners to reside in Iskandar Puteri given that house prices here are more affordable than Singapore.

Hence, developers with significant land exposure in Iskandar Puteri, including UEMS and Sunway will have the opportunity to launch higher margin luxury houses with prices of >RM1mil in the future, capitalising on the potential

increase in interest from foreigners in the Johor property market.

Although the revival of the HSR holds significant potential for Iskandar Puteri, we recognise that the construction of the HSR line will extend beyond the 7-year mark from now. As such, sales and earnings from these developments are unlikely to appear in the developers' financial statements until at least 5 years from now.

PUBLIC TRANSPORT NETWORK IN ISKANDAR MALAYSIA

□ *Further efforts are required to enhance the public transport network in Iskandar Malaysia*

Iskandar Malaysia was initially designated for the growth of high-tech industries, but the absence of reliable public transportation has hindered its development, notably in the Iskandar Puteri area.

Accessing Iskandar Puteri from other regions, such as Johor Bahru, can be challenging without a personal vehicle due to the unpredictability of public transport, particularly bus schedules. Therefore, there is an immediate need to enhance public transportation to complement the RTS link.

□ *Proposed LRT a new catalyst?*

In 2022, Johor public works, transportation and infrastructure exco Mohamad Fazli Mohamad Salleh proposed to develop an LRT system in Johor to alleviate traffic congestion in the state.

Subsequently, in December 2022, Nylex Malaysia signed a letter of intent with CRRC Changchun Railway Vehicles from China to explore the construction of an LRT system in Johor Bahru, which would be integrated with the RTS Link.

Currently, the project is subject to an ongoing feasibility study being completed and the grant of the concession award by the Johor state government.

However, LRT systems tend to be expensive to build, have fixed routes and may require solutions for the first and last mile of a passenger's journey.

Hence, this raises the questions about the suitability and cost-effectiveness of this project, given Johor Bahru's smaller population compared to Kuala Lumpur, with Johor Bahru's 1mil residents representing only 12% of Kuala Lumpur's population of 8.6mil.

□ *More cost-efficient with IRT*

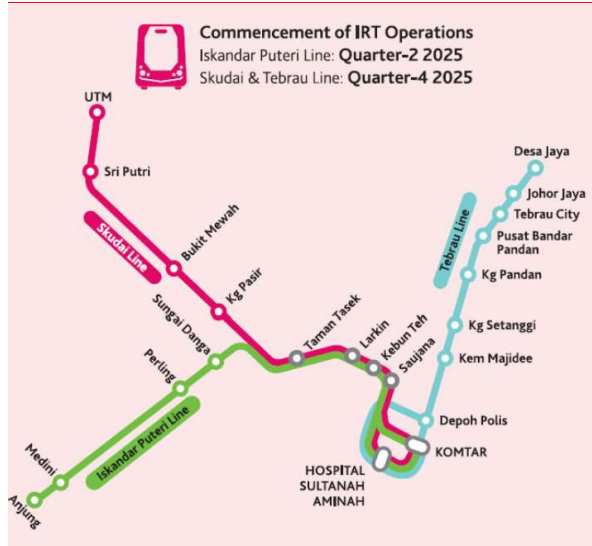
Launched in 2017, Iskandar Rapid Transit (IRT) is a proposed bus rapid transit system to be developed in and around Iskandar Malaysia. It is designed to consist of trunk, direct, and feeder bus rapid transit corridors.

For the first phase, the IRT will include a 55km high-capacity dedicated bus lane with 3 lines: Iskandar Puteri (15km), Skudai (18km) and Tebrau (22km). The IRT is targeted for stage-one operation rollout by 2026 (Exhibit 15).

The IRT aims to achieve 90% penetration, up from the current level of 39%, with the goal of serving a population of 2.25mil by 2030 and beyond.

IRDA forecasted that the IRT network will have a daily ridership of 302,824 passengers by 2030 and is considered more cost-effective than constructing and operating light rail transit (LRT) lines in the Klang Valley region.

EXHIBIT 15: MAIN ALIGNMENT OF IRT



Source: Iskandar Regional Development Authority

OTHER DEVELOPMENTS

Property cooling measures in Singapore

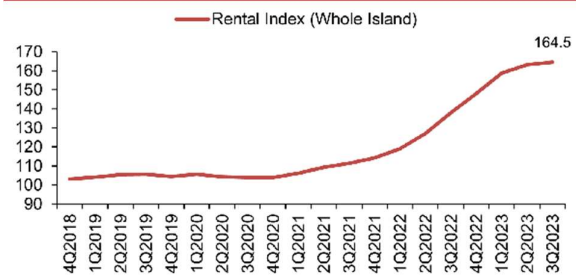
In the latest round of property cooling measures, Singapore has doubled additional buyer’s stamp duties (ABSD) rate for foreign buyers to 60%, up from the previous 30% (Exhibit 16). Additionally, rental rates in Singapore have surged to their highest level in 2023 (Exhibit 17).

EXHIBIT 16: NEW PROPERTY COOLING MEASURES IN SINGAPORE: ADJUSTMENTS TO ADDITIONAL BUYER’S STAMP DUTY

	Additional Buyer’s Stamp Duty	Rates from Dec 16, 2021 to Apr 26, 2023	New rates on or after Apr 27, 2023
Singapore citizens	1st residential property	0%	0% (no change)
	2nd residential property	17%	20%
	3rd & subsequent residential property	25%	30%
Permanent Residents	1st residential property	5%	5% (no change)
	2nd residential property	25%	30%
	3rd & subsequent residential property	30%	35%
Foreigners	Any residential property	30%	60%

Source: Channel New Asia

EXHIBIT 17: RENTAL INDEX OF PRIVATE RESIDENTIAL PROPERTIES IN SINGAPORE



Source: Urban Redevelopment Authority

These factors may make property purchases in Johor more appealing compared to Singapore, potentially leading some expatriates to contemplate relocating from Singapore.

A survey conducted by the European Chamber of Commerce in Singapore (EuroCham) revealed that out of the 268 business companies surveyed, 97% indicated that their employees were experiencing visible anxiety and psychological distress due to rising rents in Singapore.

If business costs remain high and the government does not intervene, there is a concern that Singapore might lose its appeal to foreign companies, prompting them to relocate to neighboring countries. This marks the first instance over the past decade where companies have expressed a willingness to consider leaving Singapore due to rising rental prices.

The potential consequences of this situation could result in Singapore missing out on valuable global talent, particularly those who are highly cost-sensitive. The surge in rental costs has prompted observations of expatriates departing from Singapore, along with a decline in the interest among international talent considering the country as a destination.

These factors may make property purchases in Johor more appealing compared to Singapore, potentially leading some expatriates to contemplate relocating from Singapore. Some of the business may relocate their staff out of the city state if there is no relief from rising operating costs.

We believe that the timing of establishing special economic and financial zones in Iskandar Malaysia is opportune for Malaysia to attract global investors and skilled professionals to establish roots in the country. With its comparatively affordable property prices and rentals in contrast to Singapore, along with reduced operating costs and tax rates, Iskandar Malaysia presents an appealing alternative destination for eligible companies and individuals seeking to relocate from Singapore to Malaysia.

Renewable energy industrial park in Johor

Khazanah Nasional’s wholly-owned UEM Group has tied up with local and foreign investors to develop a 1 Gigawatt (GW) hybrid solar photovoltaic power plant which will be integrated to a renewable energy (RE) industrial park in Johor, Malaysia.

The RE industrial park aims to attract foreign manufacturers and suppliers across the RE and electric vehicle (EV) value

chains, as well as other high-tech companies setting up operations and research and development facilities in the park.

While the precise location and details of the industrial park have yet to be disclosed, we previously were speculating that the site might be situated within Iskandar Puteri given that UEMS' 70%-owned subsidiary holds substantial land banks in that region.

However, according to IRDA representatives, it is unlikely that the upcoming 1 GW hybrid solar project will be situated in Iskandar Puteri due to the high cost of land. Also, they require 4,000 acres of land to develop a 1GW solar farm, making it more practical to place it in a larger area with more available land. Notably, the Sultan Johor has mentioned that Pengerang and Pontian are the best locations to develop solar industry.

If Pengerang is ultimately chosen as the site for the renewable energy industrial park, Mah Sing is well-positioned to benefit from this development. Their major township in Johor, Meridin East (accounting for 15% of its remaining gross development value), is the nearest township with amenities to Pengerang.

□ *Spillover effect for projects outside Johor Bahru*

We believe residential property outside of Johor Bahru, including Skudai, Pulai, Pasir Gudang and Kulai may enjoy spillover effect from rising property prices in Johor Bahru.

These areas which offer more affordable homes could attract locals working in the state amid rising Johor Bahru property price post-RTS.

Furthermore, improved connectivity of RTS will help to propel development in less matured areas and unlock values. This is mainly because a better transportation system will help disperse the population to more affordable housing areas away from the city, increasing demand in suburban areas.

The potential beneficiaries are Scientex (Pulai), Lagenda (Kulai) and Mah Sing (Pasir Gudang).

□ *Relaxation of conditions for Malaysia My Second Home (MM2H)*

In the recent Budget 2024, The government has agreed to relax conditions for Malaysia My Second Home (MM2H) applications to increase the arrival of foreign tourists and investors to Malaysia.

The relaxation of conditions for MM2H is expected to attract a larger number of foreign property purchasers and address overhang issues in Malaysia, particularly in Kuala Lumpur, Johor and Penang. These are popular destinations for foreigners seeking to reside in the country.

We believe that key beneficiaries from the relaxation of MM2H conditions are developers that focus on premium pricing houses. These include UEM Sunrise, Sunway, IOI Properties Group and Sime Darby Property.

RECOMMENDATION

□ *Normalising valuations*

Since the beginning of 2023, KLPRP has outperformed KLCI with a gain of 36% vs. KLCI's loss of 4% (Exhibit 18).

KLPRP is currently trading at an attractive price-to-book value ratio of 0.5x, 1 standard deviation below its 10-year median of 0.7x (Exhibit 19).

The recent surge in KLPRP appears to be a normalisation of property stock valuations. This comes after a period of depressed valuations in the property sector due to negative headwinds, including increased building material costs, labour shortages and rising interest rates over the past 2 years.

□ *Remain OVERWEIGHT on recovery of housing demand and more upcoming catalysts*

We remain our **OVERWEIGHT** stance on property sector. Moving forward, we see more potential catalysts that may drive higher demand for properties in Malaysia, especially Johor, including:

- i. the completion of the Singapore-Johor Bahru Rapid Transit System (RTS Link) in FY26;
- ii. the potential revival of Kuala Lumpur-Singapore HSR;
- iii. the establishment of special economic and financial zones in Iskandar Malaysia; and
- iv. the potential relaxation of the conditions for Malaysia My Second Home (MM2H) programme.

Moving forward, we expect a gradual recovery in property transaction volumes on improved market sentiments and stronger demand, aided by our economist's estimated 2024F GDP growth of 4.5% and job recoveries.

Transaction activities for residential property are expected to see further improvement, in line with the government's effort to increase more affordable houses as outlined under the 12MP MTR and the MADANI Neighbourhood scheme.

In addition, the implementation of the NIMP 2030, designed to raise investments into the country, is anticipated to bolster demand for industrial properties.

We like property developers with strong reputations together with strategic land banks in prime locations such as in city centres and matured towns within Klang Valley and Johor. Meanwhile, we also hold a favorable view of developers with substantial exposure to the sought-after affordable housing segment, particularly when these projects are launched in strategic locations.

Our top BUY is **Sunway (FV: RM2.40)** given its strong brand recognition established by highly successful landmark developments and expanding healthcare business, supported by substantive unbilled sales and outstanding order book.

We also favour **Lagenda (FV: RM1.79)** for its focus on the underserved and affordable landed housing development in

second-tier states which have a large population of B40 and M40 income groups.

We also like **Mah Sing (FV: RM0.98)** for its strength in affordable housing developments at strategic locations as well as savvy execution and quick-turnaround business model.

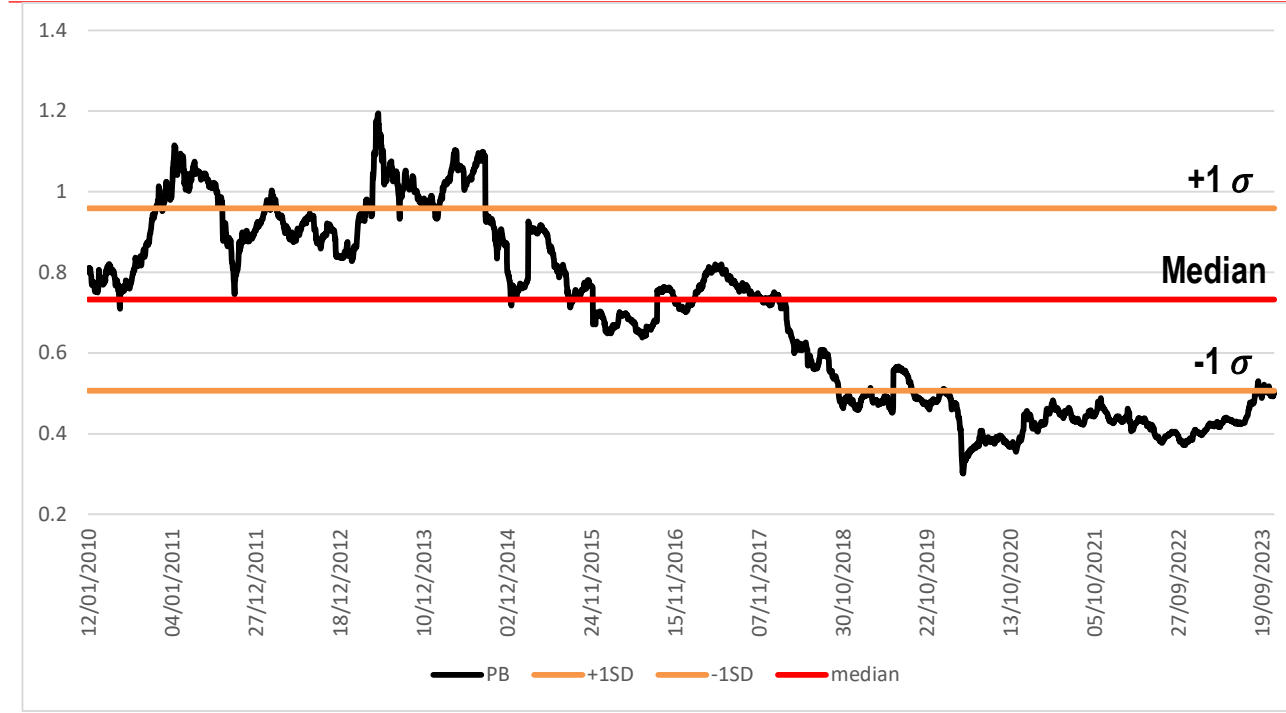
EXHIBIT 18: KUALA LUMPUR PROPERTIES INDEX VS. FBMKLCI INDEX



Legend:
Candlestick: Kuala Lumpur Properties Index
Orange line: FBMKLCI Index

Source: TradingView

EXHIBIT 19: PRICE-TO-BOOK VALUE OF KUALA LUMPUR PROPERTY INDEX (KLPRP)



Source: AmInvestment Bank, Bloomberg



AmInvestment Bank

Company Report

SUNWAY

(SWB MK EQUITY, SWAY.KL)

07 November 2023

Poised to benefit from development of Iskandar Puteri

BUY

(Maintained)

Khoo Zing Sheng

khoo.zing-sheng@ambankgroup.com

+603-2036 2299

Rationale for Report: Company Update

Price	RM1.89
Fair Value	RM2.40
52-week High/Low	RM2.07/RM1.45

Key Changes

Fair value	↕
EPS	↕

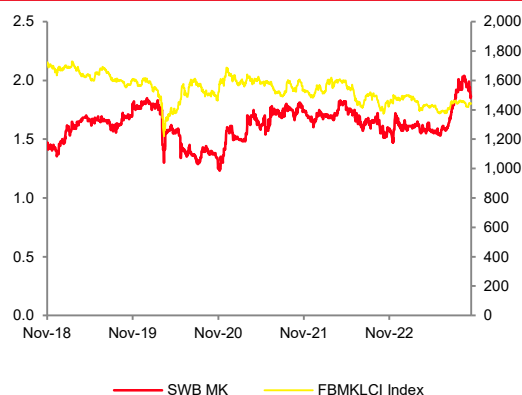
YE to Dec	FY22	FY23F	FY24F	FY25F
Revenue (RM mil)	5,194.9	5,593.6	5,787.8	6,023.6
Core net profit (RM mil)	600.0	610.3	711.7	752.5
FD Core EPS (sen)	12.2	12.4	14.4	15.3
FD Core EPS growth (%)	53.9	1.7	16.6	5.7
Consensus Net Profit (RM mil)	-	682.5	739.8	792.7
DPS (sen)	5.5	6.2	7.3	7.7
PE (x)	15.5	15.3	13.1	12.4
EV/EBITDA (x)	27.3	21.5	20.2	19.3
Div yield (%)	1.6	2.6	3.8	4.0
ROE (%)	4.9	4.8	5.4	5.6
Net Gearing (%)	52.5	53.3	53.9	54.3

Stock and Financial Data

Shares Outstanding (million)	5,005.0
Market Cap (RM mil)	9,459.4
Book Value (RM/Share)	2.54
P/BV (x)	0.7
ROE (%)	4.9
Net Gearing (%)	52.5

Major Shareholders	Sungei Way (57.9%) EPF (5.6%) Active Equity (3.4%)
Free Float	33.2
Avg Daily Value (RM mil)	17.1

Price performance	3mth	6mth	12mth
Absolute (%)	11.3	14.0	22.2
Relative (%)	9.1	12.4	22.6



Investment Highlights

- We maintain BUY on Sunway with an unchanged SOP-based fair value (FV) of RM2.40/share. Our FV also reflects a 3% premium for our 4-star ESG rating (Exhibits 2, 3).
- The FV implies an FY24F PE of 17x, 1 standard deviation above its 3-year median of 12x.
- As at 21 September 2023, Johor constitutes 1,632 acres or 49% of Sunway's total land bank, carrying a remaining GDV of RM29bil or 55% of Sunway's total.
- Sunway has 3 projects in Johor, namely Pendas, Medini and Bukit Lenang. Most of its remaining GDV in Johor comes from Pendas (61%) and Medini (36%). Both projects are situated in Iskandar Puteri, near the Malaysia-Singapore Second Link (Exhibit 1).
- While the development is already underway in Medini, Pendas is currently largely undeveloped. Presently, Sunway is working on infrastructure as well as catalytic projects such as Horse X Park near Pendas to attract residents and businesses.
- Based on our discussion with management, it is expected that the residential component in Pendas will become available by the end of 2024.
- Iskandar Puteri is likely to become a focal point for industrial development under the Johor-Singapore Special Economic Zone (JSSEZ).
- As such, we believe Sunway's lands in Pendas and Medini have the potential to benefit from the growth in industrial development as well as influx of population post-completion of the high-speed rail (HSR).
- Beyond the potential growth from its property development segment in Johor, Sunway's valuation is also supported by consistent earnings from property investment, construction, building material as well as the upcoming listing of Sunway Healthcare in 2027.
- The stock currently trades at a compelling FY24F PE of 13x vs. its 5-year peak of over 20x.

EXHIBIT 1: SUNWAY'S LANDBANK IN JOHOR



Source: Google map, AmInvestment Bank Bhd

EXHIBIT 2: RNAV CALCULATIONS

DEVELOPMENT PROPERTIES	Outstanding GDV (RMmil)	NPV @8% (RMmil)	Stake (%)
Selangor/KL			
Sunway Damansara	1,953.3	96.9	60.0
Sunway South Quay	2,486.7	241.1	100.0
Sunway Monterez	38.0	2.2	60.0
Sunway Semenyih	728.6	49.7	70.0
Sunway Cheras	241.8	23.5	100.0
Sunway Duta	120.0	6.5	60.0
Sunway Resort City	660.1	59.4	100.0
Sunway Velocity	1,984.0	151.7	85.0
Sunway Velocity TWO	600.0	32.4	60.0
Sunway Velocity 3	1,200.0	64.4	60.0
Sunway Tower KL 1	240.0	21.6	100.0
Sunway Termuning	265.2	19.1	80.0
Mont Putra, Rawang	156.0	14.0	100.0
Kelana Jaya	1,450.0	130.4	100.0
Jalan Belfield	450.0	40.5	100.0
Lot One, Kajang	236.0	21.2	100.0
USJ 1, Subang Jaya	1,400.0	125.9	100.0
Sri Hartamas	220.0	19.4	70.0
Wangsa Maju-1	40.0	2.0	55.0
Bukit Jalil (Sterling Paradise)	800.0	98.0	100.0
Dengkil (Emerald Tycoon)	813.2	73.1	100.0
Jalan Cochrane	1,150.0	80.8	70.0
Kuang, Rawang	2,000.0	134.7	70.0
Perak			
Sunway City Ipoh	928.4	74.8	96.0
Penang			
Sunway Hills	849.0	70.6	100.0
Sunway Wellesley, Bukit Mertajam	710.5	59.1	100.0
Paya Terubong	1,500.0	124.3	100.0
Sunway Tunas, Balik Pulau	60.0	5.0	100.0
Sunway Betong, Balik Pulau	110.0	9.2	100.0
Johor			
Bukit Lenang	568.4	23.8	80.0
Medini	10,616.0	333.3	60.0
Pendas	18,000.0	565.2	60.0
Singapore			
Flynn Park, Pasir Panjang	2,300.0	68.0	30.0
Thiam Siam Avenue, Tanjong Katong	6,150.0	182.0	30.0
China			
Tianjin Eco-City	688.8	42.1	60.0
Unbilled sales		1,045.0	
Subtotal		4,110.9	
Property (40% discount to RNAV)		2,466.5	
Investment properties		2,443.1	
Sunway Construction (54.4% stake @ AmlInvestment Valuation)		1,297.9	
Sunway REIT (40.9% stake @ AmlInvestment Valuation)		2,464.7	
Healthcare (84% stake @30x FY24F earnings)		4,265.9	
Quarry & building materials (6x FY24F earnings)		142.8	
Trading & manufacturing (6x FY24F earnings)		325.5	
Total SOP		13,406.5	
NAV @ Property development		1,648.8	
Fair value		15,055.3	
Enlarged share base (mil shares)		6,516.6	
Fair value/share (RM/share)		2.32	
(+) 3% premium for 4-star ESG rating		0.08	
Fair value/share (RM/share)+ ESG Premium		2.40	

Source: AmlInvestment Bank Bhd

EXHIBIT 3: ESG RATING

Overall	★	★	★	★	
Eco-landscaping	★	★	★		
Progress of digitalization	★	★	★		
Employee welfare	★	★	★	★	
Corporate social responsibility	★	★	★	★	★
Strategic direction	★	★	★	★	
Gender diversity	★	★			
Earnings sustainability	★	★	★	★	
Accessibility & transparency	★	★	★		

We accord a discount/premium of -6%, -3%, 0%, +3% and +6% on fundamental fair value based on the overall ESG rating as appraised by us, from 1-star to 5-star

Source: AmInvestment Bank Bhd

EXHIBIT 4: PB BAND CHART

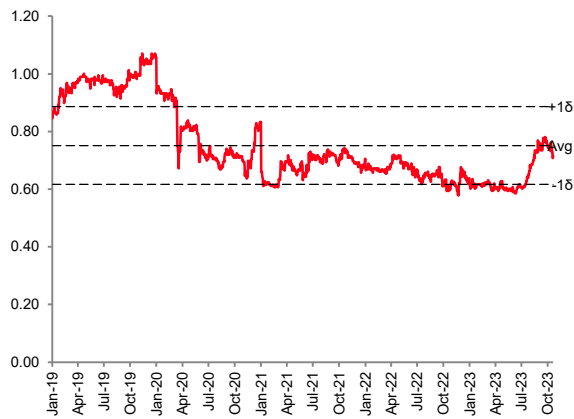


EXHIBIT 5: PE BAND CHART

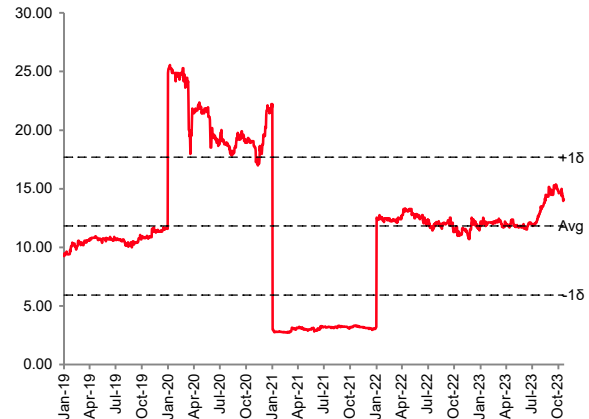


EXHIBIT 6: FINANCIAL DATA

Income Statement (RM mil, YE 31 Dec)	FY21	FY22	FY23F	FY24F	FY25F
Revenue	3,717.3	5,194.9	5,593.6	5,787.8	6,023.6
EBITDA	544.7	583.5	754.8	818.0	868.8
Depreciation/Amortisation	(216.9)	(130.2)	(87.3)	(90.4)	(94.1)
Operating income (EBIT)	327.8	583.5	667.4	727.6	774.8
Other income & associates	81.2	351.1	195.9	299.6	309.7
Net interest	54.9	(14.5)	50.0	49.7	47.1
Exceptional items	2,390.5	-	-	-	-
Pretax profit	2,854.4	920.1	913.3	1,076.9	1,131.5
Taxation	(116.2)	(167.0)	(127.6)	(161.5)	(169.7)
Minorities/pref dividends	(73.7)	(76.3)	(131.2)	(137.7)	(143.3)
Net profit	2,664.4	676.8	654.5	777.7	818.5
Core net profit	389.9	600.0	610.3	711.7	752.5
Balance Sheet (RM mil, YE 31 Dec)	FY21	FY22	FY23F	FY24F	FY25F
Fixed assets	1,262.8	1,265.1	1,576.2	1,630.9	1,697.3
Intangible assets	432.8	441.4	445.8	450.2	454.7
Other long-term assets	15,389.1	16,008.9	16,205.9	16,446.3	16,691.5
Total non-current assets	17,084.7	17,715.4	18,227.8	18,527.4	18,843.6
Cash & equivalent	2,814.0	1,958.1	2,575.8	2,663.9	2,752.7
Stock	2,423.0	3,279.5	3,085.8	3,290.2	3,720.6
Trade debtors	2,483.8	1,754.1	1,961.6	2,140.7	2,392.9
Other current assets	281.3	1,349.7	1,591.9	1,612.8	1,636.2
Total current assets	8,002.2	8,341.4	9,215.1	9,707.6	10,502.4
Trade creditors	2,470.6	2,406.5	2,430.5	2,439.8	2,623.5
Short-term borrowings	4,093.8	5,360.8	5,956.9	6,153.7	6,394.4
Other current liabilities	141.2	238.0	265.4	178.1	213.4
Total current liabilities	6,705.6	8,005.3	8,652.8	8,771.6	9,231.3
Long-term borrowings	4,114.2	3,186.2	3,488.9	3,687.4	3,833.9
Other long-term liabilities	1,143.7	1,292.7	1,303.8	1,315.0	1,326.3
Total long-term liabilities	5,257.9	4,478.9	4,792.7	5,002.4	5,160.2
Shareholders' funds	12,034.8	12,540.8	12,891.3	13,316.6	13,763.5
Minority interests	1,088.7	1,031.8	1,106.0	1,144.4	1,191.1
BV/share (RM)	2.44	2.54	2.61	2.70	2.79
Cash Flow (RM mil, YE 31 Dec)	FY21	FY22	FY23F	FY24F	FY25F
Pretax profit	2,854.4	920.1	913.3	1,076.9	1,131.5
Depreciation/Amortisation	216.9	130.2	87.3	90.4	94.1
Net change in working capital	107.4	(443.2)	(361.8)	(513.1)	(478.3)
Others	(2,199.9)	(212.1)	919.9	214.2	144.1
Cash flow from operations	978.7	394.9	1,558.8	868.4	891.4
Capital expenditure	(343.9)	(110.8)	(311.1)	(54.7)	(66.4)
Net investments & sale of fixed assets	(13.5)	(204.4)	-	-	-
Others	(922.2)	(870.5)	-	-	-
Cash flow from investing	(1,279.6)	(1,069.1)	(311.1)	(54.7)	(66.4)
Debt raised/(repaid)	1,290.4	370.6	(281.1)	(307.2)	(298.4)
Dividends paid	(152.0)	(222.5)	(241.4)	(352.4)	(371.7)
Others	(293.5)	(76.9)	(44.2)	(66.0)	(66.0)
Cash flow from financing	845.0	(160.4)	(566.6)	(725.6)	(736.2)
Net cash flow	544.1	(834.6)	681.2	88.1	88.8
Net cash/(debt) b/f	2,182.8	2,732.2	1,894.7	2,575.8	2,663.9
Net cash/(debt) c/f	2,732.2	1,894.7	2,575.8	2,663.9	2,752.7
Key Ratios (YE 31 Dec)	FY21	FY22	FY23F	FY24F	FY25F
Revenue growth (%)	15.8	39.8	7.7	3.5	4.1
EBITDA growth (%)	83.3	7.1	29.4	8.4	6.2
Pretax margin (%)	76.8	17.7	16.3	18.6	18.8
Net profit margin (%)	71.7	13.0	11.7	13.4	13.6
Interest cover (x)	nm	40.3	nm	nm	nm
Effective tax rate (%)	4.1	18.1	14.0	15.0	15.0
Dividend payout (%)	4.5	39.2	36.9	45.3	45.4
Debtors turnover (days)	244	123	128	135	145
Stock turnover (days)	222	200	208	201	212
Creditors turnover (days)	242	171	158	154	153

SOURCE: COMPANY, AMINVESTMENT BANK BHD ESTIMATES

Khoo Zing Sheng

khoo.zing-sheng@ambankgroup.com
+03-2036 2299

MAH SING GROUP

(MSGB MK EQUITY, MAHS.KL)

PROPERTY

07 Nov 2023

Affordability remains key selling point

BUY

(Maintained)

Rationale for report: Company Update

Price	RM0.865
Fair Value	RM0.98
52-week High/Low	RM0.92/RM0.49

Key Changes

Fair value	↔
EPS	↔

YE to Dec	FY22	FY23F	FY24F	FY25F
Revenue (RM mil)	2,317.2	2,486.0	2,772.4	2,965.6
Core net profit (RM mil)	179.8	201.4	226.8	245.8
FD Core EPS (sen)	7.4	8.3	9.3	10.1
FD Core EPS growth (%)	11.2	11.8	12.6	8.4
Consensus Net Profit (RM mil)	-	195.0	227.3	254.3
DPS (sen)	3.0	3.3	3.7	4.1
PE (x)	13.3	10.4	9.3	8.5
EV/EBITDA (x)	8.0	7.9	8.1	7.6
Div yield (%)	3.5	3.8	4.3	4.7
ROE (%)	4.1	5.6	6.1	6.3
Net Gearing (%)	22.0	22.0	32.5	32.9

Stock and Financial Data

Shares Outstanding (million)	2,427.7
Market Cap (RMmil)	2,099.9
Book Value (RM/Share)	1.47
P/BV (x)	0.5
ROE (%)	4.7
Net Gearing (%)	22.0
Major Shareholders	Mayang Teratai (26.9%) Amanah Saham Nasional (12.2%) Bank of Singapore (7.5%)
Free Float	53.5
Avg Daily Value (RMmil)	8.1

Price performance	3mth	6mth	12mth
Absolute (%)	19.4	31.1	58.4
Relative (%)	17.0	29.3	58.8



Investment Highlights

- We maintain BUY on Mah Sing Group (Mah Sing) with an unchanged fair value (FV) of RM0.98/share based on our SOP-based valuation and a neutral ESG rating of 3 stars (Exhibits 3 & 4).
- The FV implies a FY24F PE of 11x, at parity to the average of mid-cap property stocks currently.
- As at 30 June 2023, Johor constitutes 1,128 acres or 48% of Mah Sing's total land bank, carrying a remaining GDV of RM5bil or 21% of Mah Sing's total. A big bulk of its remaining GDV in Johor comes from its township in Pasir Gudang, namely Meridin East (Exhibit 1).
- Meridin East is strategically situated in the Eastern Gateway of Iskandar Malaysia, covering a 1,313-acre gated lake garden community with a focus on double-storey landed properties. To date, Mah Sing has successfully launched 3,237 units of house in Meridin East, achieving an impressive take-up rate of 98%.
- One of the key attractions of Meridin East is its affordability, with double-storey landed properties priced in the range of RM400K-RM600K. This affordability distinguishes it from properties in Iskandar Puteri, which are typically priced between RM700K to RM800K per unit. Meridin East is also strategically positioned to benefit from the development in Pengerang, as it is the closest township with amenities to Pengerang. Additionally, the potential development of the Johor LRT could act as another catalyst for this area.
- In addition, Mah Sing's recently launched serviced apartment in Johor Bahru, namely M Minori, has received an overwhelming response from homebuyers given the affordability of its product. The starting price per unit is attractive at RM288K, and all 252 units of international lots in Tower 1 of M Minori have been fully sold.
- According to information gathered from the sales personnel at Meridin East sales galleries, there has been a noticeable uptick in the number of potential buyers visiting these galleries since the announcement of various positive developments in Johor. Notably, most of the buyers are Malaysians who are working in Singapore.
- Looking ahead, we believe Mah Sing is well-positioned for strong property sales in Johor, driven by the affordability of its products, despite the location not being in the most vibrant areas of Johor such as Johor Bahru and Iskandar Puteri.
- The stock currently trades at a bargain FY24F PE of only 9x vs. a 4-year average of 11x and offers an attractive dividend yield of 4%.

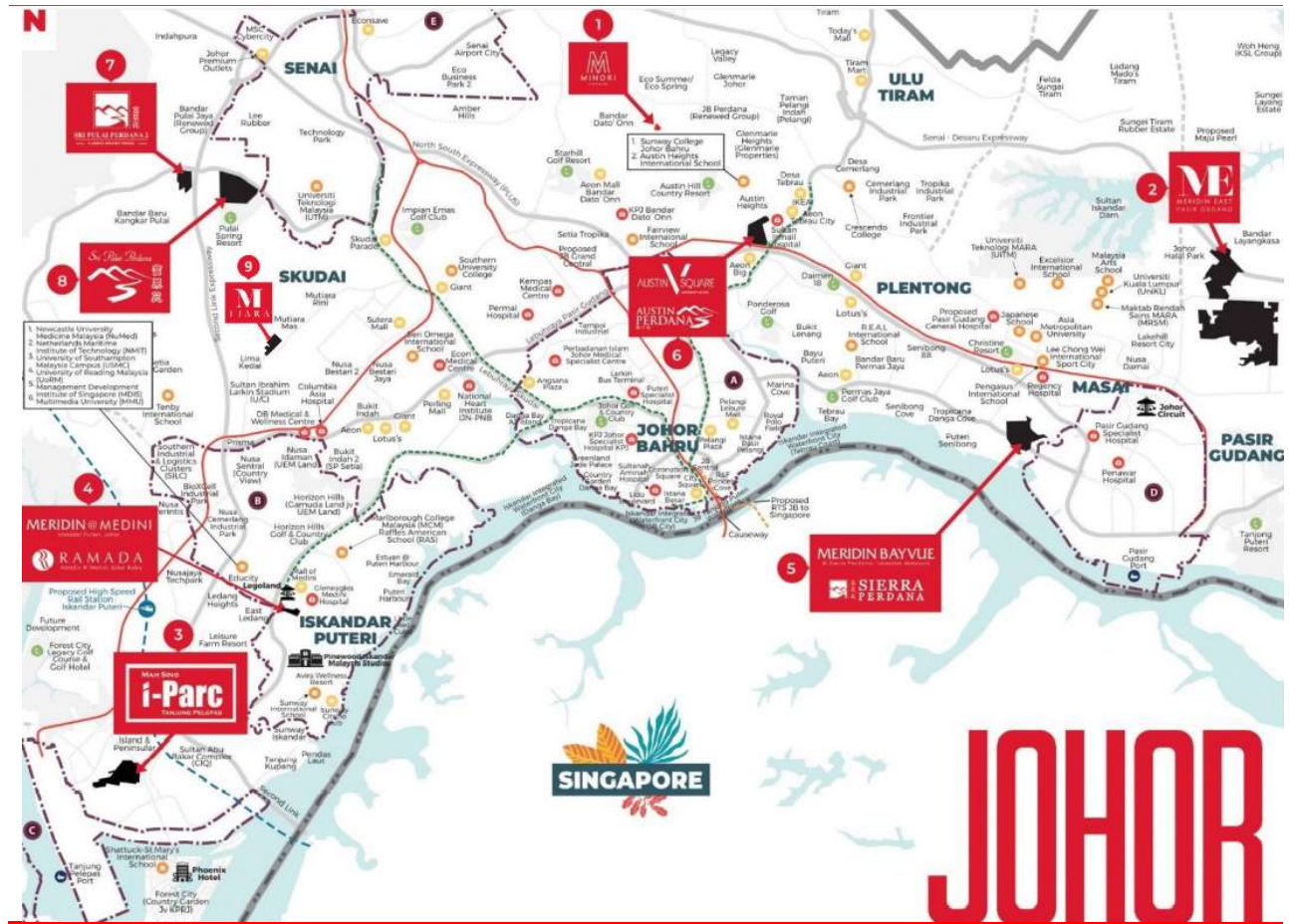
EXHIBIT 1: MAH SING'S LANDBANK IN JOHOR

Projects in Johor	Location	Acre	%	Remaining GDV (RM'mil)	%
Sierra Perdana	Masai	37	1.6	144	0.6
Meridin@Medini	Iskandar Puteri	-	-	227	0.9
Meridin East	Pasir Gudang	1,008	43.2	3,736	15.3
M Minori	Johor Bahru	7	0.3	469	1.9
M Tiara	Skudai	76	3.3	480	2.0
Remaining GDV for Johor		1,128	48.3	5,056	20.6

Total land bank 2,333 100.0 24,496 100.0

Source: Mah Sing, AmlInvestment Bank Bhd

EXHIBIT 2: MAH SING'S PROJECT IN JOHOR



Source: Mah Sing, AmlInvestment Bank Bhd

EXHIBIT 3: RNAV CALCULATIONS

DEVELOPMENT PROPERTIES	Outstanding GDV (RM mil)	NAV (RM mil)	Stake (%)	DEVELOPMENT PROPERTIES	Outstanding GDV (mil)	NAV (RMmil)	Stake (%)
GREATER KL				JOHOR			
Commercial				Residential Township & Integrated Development			
Southgate	2.0	0.1	100	M Tiara	480.0	0.5	100
Star Avenue	88.2	2.5	100	Sierra Perdana	151.0	11.9	100
Integrated Development & Residential				Meridin@Medini	227.0	9.5	100
Hijauan Residence	225.8	6.9	100	Meridin East	3,938.0	76.5	100
Aman Perdana	77.9	2.3	100	M Minori	469.0	58.4	100
Garden Residence	76.1	2.2	100	Industrial			
Perdana Residence 2	12.8	0.4	100	Mah Sing i-Parc	33.0	0.2	100
M Suites @ Jalan Ampang	6.0	0.2	100	PENANG			
Bayu Sekamat	7.2	0.2	100	Residential/Integrated			
Icon Residence Mont' Kiara	12.1	0.3	100	Ferringhi Residence	400.0	31.9	100
Garden Plaza, Cyberjaya	30.8	0.9	100	Southbay City	1,427.0	32.3	100
M City, Jalan Ampang	2.4	0.1	100	Unbilled sales		248.0	
M Residence 1 @ Rawang	331.0	9.6	100	<hr/>			
M Residence 2 @ Rawang	37.8	1.1	100	TOTAL NPV		836.6	
Southville City@KL South, Bangi	8,683.0	82.6	100	Net Tangible Assets		3,234.5	
Icon City, Petaling Jaya	1,901.0	85.7	100	RNAV		4,071.1	
D'sara Sentral	51.0	1.4	100	Less 45% discount to RNAV		(1,832.0)	
Lakeville Residence	1.2	0.0	100			2,239.1	
M Aruna @ Rawang	189.0	5.4	100	Rubber Glove (FY23F target PE of 12x)		0.0	
M Centura/M Arisa, Sentul	34.0	1.4	78	Plastics (FY23F target PE of 8x)		138.9	
M Vertica, Cheras	471.0	24.7	100	Total SOP		2,378.0	
M Oscar, Happy Garden	76.0	2.2	100	Enlarged share base		2,427.7	
M Luna, Kepong	34.0	1.0	100	SOP per share		0.98	
M Adora, Wangsa Melawati	28.0	0.8	100	(+) no adjustment for 3-star ESG rating		0.00	
M Senyum	389.0	4.9	100	Fair value/share (RM)+ ESG Neutral		0.98	
M Astra	488.0	6.7	100				
M Nova	790.0	10.7	100				
M Terra and M Hana	726.0	6.5	100				
Glengowrie Estate	3,300.0	86.1	100				
M Zenya	500.0	20.7	100				

Source: AmInvestment Bank Bhd

EXHIBIT 4: ESG RATING

Overall	★	★	★		
Eco-landscaping	★	★			
Progress of digitalisation	★	★	★		
Employee welfare	★	★	★	★	
Corporate social responsibility	★	★	★	★	★
Strategic direction	★	★	★	★	
Gender diversity	★	★	★		
Earnings sustainability	★	★	★		
Accessibility & transparency	★	★	★	★	

We accord a discount/premium of -6%, -3%, 0%, +3% and +6% on fundamental fair value based on the overall ESG rating as appraised by us, from 1-star to 5-star

Source: AmInvestment Bank

EXHIBIT 5: PB BAND CHART

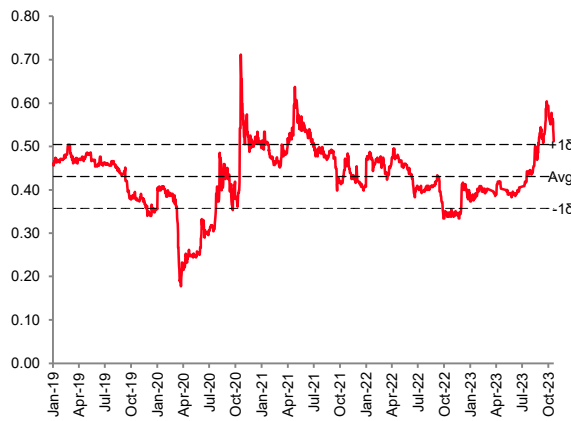


EXHIBIT 6: PE BAND CHART

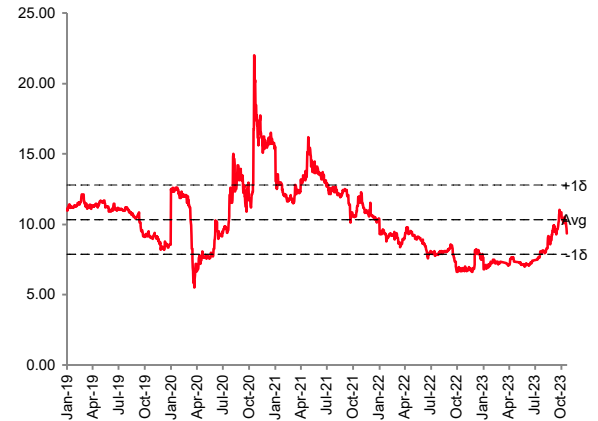


EXHIBIT 7: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY21	FY22	FY23F	FY24F	FY25F
Revenue	1,754.0	2,317.2	2,486.0	2,772.4	2,965.6
EBITDA	301.3	361.2	369.1	414.6	447.7
Depreciation/Amortisation	(38.8)	(40.7)	(43.7)	(48.7)	(52.1)
Operating income (EBIT)	262.5	320.5	325.4	365.9	395.6
Other income & associates	-	-	-	-	-
Net interest	(42.2)	(56.3)	(60.4)	(67.4)	(72.1)
Exceptional items	-	(0.2)	-	-	-
Pretax profit	220.3	263.9	264.9	298.5	323.5
Taxation	(47.0)	(77.3)	(63.6)	(71.6)	(77.6)
Minorities/pref dividends	(11.4)	(6.7)	-	-	-
Net profit	161.9	179.8	201.4	226.8	245.8
Core net profit	107.7	157.5	201.4	226.8	245.8
Balance Sheet (RMmil, YE 31 Dec)	FY21	FY22	FY23F	FY24F	FY25F
Fixed assets	378.1	392.5	412.1	432.7	454.4
Intangible assets	5.1	5.0	5.0	5.0	5.0
Other long-term assets	2,314.7	2,287.1	2,383.4	2,861.5	2,861.5
Total non-current assets	2,697.9	2,684.6	2,800.5	3,299.2	3,320.8
Cash & equivalent	1,016.0	579.6	933.5	926.6	1,030.4
Stock	729.4	674.3	836.7	915.1	990.7
Trade debtors	673.7	809.2	943.9	1,065.0	1,132.5
Other current assets	1,925.1	1,641.9	1,669.4	1,795.1	1,879.9
Total current assets	4,344.1	3,705.1	4,383.4	4,701.8	5,033.5
Trade creditors	1,175.4	1,198.1	1,521.3	1,715.6	1,828.2
Short-term borrowings	58.1	95.8	95.8	95.8	95.8
Other current liabilities	97.4	138.1	101.5	104.5	106.5
Total current liabilities	1,330.9	1,432.0	1,718.6	1,915.8	2,030.5
Long-term borrowings	1,446.8	1,255.7	1,637.4	2,112.4	2,229.3
Other long-term liabilities	127.0	114.8	119.9	128.7	103.0
Total long-term liabilities	1,573.7	1,370.5	1,757.3	2,241.1	2,332.3
Shareholders' funds	4,115.5	3,558.7	3,679.5	3,815.6	3,963.1
Minority interests	21.8	28.5	28.5	28.5	28.5
BV/share (RM)	1.70	1.47	1.52	1.57	1.63
Cash Flow (RMmil, YE 31 Dec)	FY21	FY22	FY23F	FY24F	FY25F
Pretax profit	220.3	263.9	264.9	298.5	323.5
Depreciation/Amortisation	38.8	40.7	43.7	48.7	52.1
Net change in working capital	(62.9)	436.8	(37.9)	(128.0)	(113.3)
Others	(32.5)	(25.8)	(99.2)	(121.6)	(155.4)
Cash flow from operations	163.7	715.7	171.6	97.5	106.9
Capital expenditure	(145.1)	(76.3)	(19.6)	(20.6)	(21.6)
Net investments & sale of fixed assets	(34.8)	(49.9)	-	(468.1)	-
Others	(122.3)	(82.4)	-	-	-
Cash flow from investing	(302.2)	(208.6)	(19.6)	(488.7)	(21.6)
Debt raised/(repaid)	(16.8)	(806.6)	381.7	475.0	116.9
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	(40.3)	(86.7)	(80.5)	(90.7)	(98.3)
Others	(399.4)	353.2	-	-	-
Cash flow from financing	(456.5)	(540.1)	301.1	384.3	18.5
Net cash flow	(594.9)	(33.0)	453.1	(6.9)	103.8
Net cash/(debt) b/f	1,107.0	512.1	480.4	933.5	926.6
Net cash/(debt) c/f	512.1	480.4	933.5	926.6	1,030.4
Key Ratios (YE 31 Dec)	FY21	FY22	FY23F	FY24F	FY25F
Revenue growth (%)	14.6	32.1	7.3	11.5	7.0
EBITDA growth (%)	24.8	19.9	2.2	12.3	8.0
Pretax margin (%)	12.6	11.4	10.7	10.8	10.9
Net profit margin (%)	9.2	7.8	8.1	8.2	8.3
Interest cover (x)	6.2	5.7	5.4	5.4	5.5
Effective tax rate (%)	21.3	29.3	24.0	24.0	24.0
Dividend payout (%)	39.7	40.5	40.0	40.0	40.0
Debtors turnover (days)	140	127	139	140	139
Stock turnover (days)	154	111	111	115	117
Creditors turnover (days)	244	187	200	213	218

SOURCE: COMPANY, AMINVESTMENT BANK BHD ESTIMATES



AmInvestment Bank

Company Report

LAGENDA PROPERTIES

(LAGENDA MK EQUITY, LAGE.KL)

07 November 2023

Kulai township to contribute significantly after FY25

BUY

(Maintained)

Khoo Zing Sheng

khoo.zing-sheng@ambankgroup.com

+603-2036 2299

Rationale for Report: Company Update

Price	RM1.17
Fair Value	RM1.79
52-week High/Low	RM1.35/RM1.13

Key Changes

Fair value	↔
EPS	↔

YE to Dec	FY22	FY23F	FY24F	FY25F
Revenue (RM mil)	868.1	884.5	1,089.7	1,253.2
Core net profit (RM mil)	170.7	159.9	197.4	232.9
FD Core EPS (sen)	20.4	19.1	23.6	27.8
FD Core EPS growth (%)	(10.7)	(6.3)	23.4	18.0
Consensus Net Profit (RM mil)	-	170.0	204.0	237.5
DPS (sen)	6.5	6.1	7.3	8.6
PE (x)	5.7	6.1	5.0	4.2
EV/EBITDA (x)	3.4	2.1	2.2	2.0
Div yield (%)	5.6	5.2	6.2	7.4
ROE (%)	18.0	14.1	14.2	13.7
Net Gearing (%)	nm	nm	nm	nm

Stock and Financial Data

Shares Outstanding (million)	837.3
Market Cap (RM mil)	971.3
Book Value (RM/Share)	1.21
P/BV (x)	1.0
ROE (%)	18.0
Net Gearing (%)	nm

Major Shareholders	Lagenda Land (63.9%) Etiqa Life Insurance (1.5%) Doh Properties (1.1%)
Free Float	33.4
Avg Daily Value (RM mil)	0.7

Price performance	3mth	6mth	12mth
Absolute (%)	0.9	(9.3)	(0.8)
Relative (%)	(1.2)	(10.6)	(0.6)



Investment Highlights

- We maintain BUY on Lagenda Properties (Lagenda) with an unchanged fair value (FV) of RM1.79/share. Our FV is based on a discount rate of 30% to our RNAV (Exhibit 2), and a 3% premium to reflect its 4-star ESG rating (Exhibit 3).
- The FV implies an FY24F PE of 8x, at parity to the current average of smaller cap property stocks.
- To recap, in February 2023, Lagenda acquired 2 parcels of freehold vacant land totaling 1,070 acres in Kulai, Johor for RM396mil cash from PNB's wholly-owned Seriemas Development. The acquisition marked Lagenda first venture into the Johor property market.
- The Kulai land is huge, constituting 41% of Lagenda's market capitalisation and 32% of its remaining gross development value.
- The Kulai township is scheduled to debut in FY25F. We estimate that the project could potentially contribute up to 20% of Lagenda's earnings from FY25F to FY32F.
- Although Kulai township is not in close proximity to the Bukit Chagar RTS station (>40km), we believe it may enjoy the spillover effect from rising property prices in Johor Bahru.
- Its Kulai township could attract locals working in the state amid rising Johor Bahru property prices post-completion of RTS. Lagenda's products in Kulai are considered affordable, with an average selling price of RM300K per unit.
- Furthermore, the improved connectivity of RTS is likely to spur development in less mature areas and unlock property values. A better transportation system can encourage the population to disperse in search of more affordable homes away from the city, leading to increased demand in suburban areas.
- We continue to like Lagenda due to the company's niche in underserved landed affordable housing developments in second-tier states with a large population of B40 and M40 income groups.
- The stock currently trades at a compelling FY24F PE of 5x vs. the industry average of 11x while dividend yields are attractive at 6%.

EXHIBIT 1: PROJECT TIMELINE

Existing Township	Launch Date
Bandar Baru Setia Awan Perdana (BBSAP)	2016
Lagenda Teluk Intan	2018
Lagenda Tropika (Tengah)	2022
Darulaman Lagenda, Sg. Petani	2022
Upcoming Township	Estimated Launch Date
Mersing, Johor	2023
Penor, Pahang	2024
Bernam Jaya, Selangor	2024
Kulai, Johor	2025

Source: AmInvestment Bank Bhd

EXHIBIT 2: RNAV CALCULATIONS

Developments	Outstanding GDV	NPV @ 8%
	RM (mil)	RM mil
BBSAP	636.3	150.2
Lagenda Teluk Intan	2,072.4	489.1
Lagenda Tapah -100% owned	2,134.7	512.2
Lagenda Sungai Petani (Kedah)	592.9	70.0
Lagenda Kuantan Township (Pahang)	1,260.0	297.4
Lagenda Mersing Township	985.0	152.7
Lagenda Bernam Jaya Township	500.0	67.2
Lagenda Kulai Township	4,000.0	296.6
Others	458.8	104.7
Total NPV		2,140.2
Net Cash / (Debt)		155.1
Other Assets		527.2
Total		2,822.5
No of shares		1,137.9
RNAV/share (RM)		2.48
Less 30% discount		(0.74)
Fair Value (RM)		1.74
(+) 3% premium for 4-star ESG rating		0.05
Fair Value/share (RM) + ESG Premium		1.79

Source: AmInvestment Bank Bhd

EXHIBIT 3: ESG RATING

Overall	★	★	★	★	★
Zero-carbon initiatives	★	★	★		
Work site safety	★	★	★	★	
Worker welfare	★	★	★	★	
Corporate social responsibility	★	★	★		
Pollution control	★	★	★		
Supply chain auditing	★	★	★	★	
Corruption-free pledge	★	★	★		
Accessibility & transparency	★	★	★	★	★

We accord a discount/premium of -6%, -3%, 0%, +3% and +6% on fundamental fair value based on the overall ESG rating as appraised by us, from 1-star to 5-star

Source: AmInvestment Bank

EXHIBIT 4: FINANCIAL DATA

Income Statement (RM mil, YE 31 Dec)	FY21	FY22	FY23F	FY24F	FY25F
Revenue	835.5	868.1	884.5	1,089.7	1,253.2
EBITDA	293.5	269.4	274.8	347.0	407.3
Depreciation/Amortisation	(2.4)	(3.3)	(3.5)	(4.0)	(4.5)
Operating income (EBIT)	291.1	266.1	271.3	343.0	402.8
Other income & associates	34.8	26.5	23.4	26.1	28.3
Net interest	(13.3)	(15.3)	(47.1)	(65.2)	(75.1)
Exceptional items	(17.2)	(7.0)	-	-	-
Pretax profit	277.9	250.8	224.2	277.9	327.7
Taxation	(77.4)	(73.1)	(64.2)	(80.4)	(94.7)
Minorities/pref dividends	-	-	-	-	-
Net profit	183.2	170.7	159.9	197.4	232.9
Core net profit	183.2	170.7	159.9	197.4	232.9
Balance Sheet (RM mil, YE 31 Dec)	FY21	FY22	FY23F	FY24F	FY25F
Fixed assets	12.3	17.2	19.9	74.3	128.3
Intangible assets	25.6	25.6	25.6	25.6	25.6
Other long-term assets	139.0	203.8	203.8	601.8	601.8
Total non-current assets	199.3	270.8	275.5	779.9	779.9
Cash & equivalent	191.5	383.6	711.6	814.5	737.6
Stock	462.1	488.8	470.9	522.0	659.0
Trade debtors	271.1	272.7	287.0	353.6	406.7
Other current assets	318.3	379.5	301.9	293.2	519.8
Total current assets	1,243.0	1,524.6	1,771.5	1,983.3	2,323.1
Trade creditors	182.0	178.8	206.1	274.5	343.2
Short-term borrowings	40.9	82.1	77.1	72.1	67.1
Other current liabilities	176.8	211.8	211.8	211.8	211.8
Total current liabilities	399.7	472.7	495.0	558.4	622.0
Long-term borrowings	159.1	300.9	295.9	610.9	605.9
Other long-term liabilities	3.8	6.2	6.2	6.2	6.2
Total long-term liabilities	162.9	307.1	302.1	617.1	612.1
Shareholders' funds	879.7	1,015.7	1,247.9	1,533.7	1,868.8
Minority interests	-	-	-	-	-
BV/share (RM)	1.10	1.21	1.49	1.83	2.23
Cash Flow (RM mil, YE 31 Dec)	FY21	FY22	FY23F	FY24F	FY25F
Pretax profit	277.9	250.8	224.2	277.9	327.7
Depreciation/Amortisation	2.4	3.3	3.5	4.0	4.5
Net change in working capital	(150.8)	(43.8)	71.9	(49.0)	(138.6)
Others	(94.5)	(94.3)	(117.3)	(151.5)	(175.8)
Cash flow from operations	35.0	116.0	182.3	81.3	17.9
Capital expenditure	-	-	-	-	-
Net investments & sale of fixed assets	4.7	7.8	-	(398.0)	-
Others	(44.8)	(45.8)	-	(52.0)	-
Cash flow from investing	(40.2)	(38.0)	-	(450.0)	-
Debt raised/(repaid)	(21.9)	181.9	181.9	543.5	(10.0)
Equity raised/(repaid)	97.6	18.6	-	-	-
Dividends paid	(53.4)	(63.9)	(60.1)	(71.9)	(84.8)
Others	97.6	18.6	-	-	-
Cash flow from financing	42.0	103.7	121.8	471.7	(94.8)
Net cash flow	36.8	181.7	304.2	102.9	(76.9)
Net cash/(debt) b/f	188.9	225.8	407.4	711.6	814.5
Net cash/(debt) c/f	225.8	407.4	711.6	814.5	737.6
Key Ratios (YE 31 Dec)	FY21	FY22	FY23F	FY24F	FY25F
Revenue growth (%)	20.0	3.9	1.9	23.2	15.0
EBITDA growth (%)	12.0	(8.2)	2.0	26.3	17.4
Pretax margin (%)	33.3	28.9	25.3	25.5	26.1
Net profit margin (%)	21.9	19.7	18.1	18.1	18.6
Interest cover (x)	21.9	17.4	5.8	5.3	5.4
Effective tax rate (%)	27.9	29.1	28.6	28.9	28.9
Dividend payout (%)	28.5	31.9	32.0	31.0	31.0
Debtors turnover (days)	104	114	115	107	111
Stock turnover (days)	180	200	198	166	172
Creditors turnover (days)	80	76	79	80	90

SOURCE: COMPANY, AMINVESTMENT BANK BHD ESTIMATES

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