

01 March 2018

## Magna Prima Berhad

### Above Expectations

**FY17 CNP of RM6.7m came in above expectations, accounting for >8.0x of our full-year expectations, while exceeding consensus by 22%. No dividends declared. No changes to FY18E CNP, we introduce FY19E CNP of RM12.0m. Maintain MARKET PERFORM with unchanged Target Price of RM1.25.**

**Above expectations.** FY17 CNP of RM6.7m came in above expectations, accounting for >8.0x of our full-year expectations, while exceeding consensus by 22%. The positive variance is due to unexpected sales of inventories from its previous projects, i.e. The Istana in Melbourne, Australia. No dividend declared as expected.

**Results highlight.** FY17 CNP declined by 15% underpinned by: (i) drop in revenue (-29%), and (ii) provisioning of LAD charges due to the delays in handing over its residential project in Jalan Kuching. QoQ, it registered 4Q17 CNP of RM4.9m vis-à-vis 3Q17 CNL of RM4.4m despite revenue declining by 79%. The profitability is driven by the sales of remaining inventories from its previous projects, i.e. The Istana, Desa Mentari commercial project, Jalan Kuching residential project.

**Outlook.** Its unbilled sales stand at RM40.0m with a year's earnings visibility. We believe that longer-term earnings should be supported by its Shah Alam and Kepong projects, coupled with its existing inventory of c.RM200.0m at Boulevard Business Park, Jalan Kuching and Desa Mentari, Jalan Kelang Lama. That said, we also believe that earnings could be boosted should MAGNA is able monetize its 2.6 acres of land along Jalan Ampang valued at c.RM400m, which we have not imputed into our estimates.

**FY18E CNP unchanged.** No changes to our FY18E CNP, introduce FY19E CNP of RM12.0m.

**Maintain MARKET PERFORM, with unchanged Target Price of RM1.25.** Our FD RNAV per share of RM2.94 is driven by 11% WACC, 15% net margin for planned RM2.5b GDV, RM48.0m unbilled sales, and full warrants conversion. Our applied discount of 52% is in line with Klang Valley players' average of 50%.

**Risks to our call include:** (i) lower-than-expected margins/property sales, higher-than-expected administrative costs, negative real estate policies, and tighter lending environment.

## MARKET PERFORM ↔

**Price: RM1.26**  
**Target Price: RM1.25 ↔**

**Expected Capital Gain: -RM0.010 -0.8%**  
**Expected Divd. Yield: RM0.011 +0.9%**  
**Expected Total Return: RM0.001 +0.1%**

**KLCI Index** 1,856.20

### Stock Information

Bloomberg Ticker	MAGNA MK Equity
Bursa Code	7617
Listing Market	Main Market
Shariah Compliant	Yes
Issued shares	332.6
Market Cap (RM m)	419.1
Par value per share (RM)	0.25
52-week range (H)	1.64
52-week range (L)	1.15
Free Float	49%
Beta	0.5
3-mth avg daily vol:	17,359

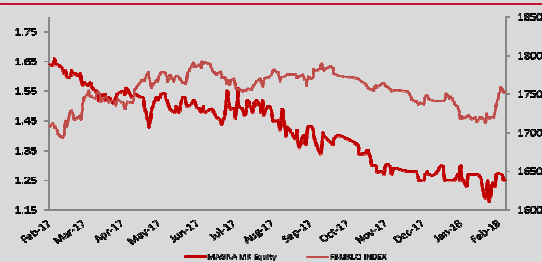
### Major Shareholders

Prisma Pelangi Sdn Bhd	30.9%
Fantastic Realty Sdn Bhd	13.6%
Datuk Wira Rahadian	6.4%

### Summary Earnings Table

FY Dec (RM m)	2017A	2018E	2019E
Turnover	101.0	139.1	139.7
EBIT	28.2	21.7	22.0
PBT	13.9	15.6	16.0
<b>Net Profit (NP)</b>	<b>11.4</b>	<b>11.7</b>	<b>12.0</b>
<b>Core NP</b>	<b>6.7</b>	<b>11.7</b>	<b>12.0</b>
Consensus (CNP)	n.a.	5.5	14.7
Earnings Revision	n.a.	0%	0%
Core EPS (sen)	1.60	2.36	2.42
EPS growth (%)	-98%	73%	3%
DPS (sen)	0.0	1.1	1.1
NTA/Share (RM)	1.22	1.25	1.27
PBV (x)	1.04	1.00	0.99
Core PER (x)	78.9	53.5	52.1
Dbt-to-Eqty ratio (x)	0.33	0.16	0.10
Return on Asset (%)	4.4%	1.2%	1.3%
Return on Eqty.(%)	7.4%	1.9%	1.9%
Dividend Yield (%)	0.0%	0.9%	0.9%

### Share Price Performance



	1 mth	3 mths	12 mths
Absolute (%)	-4.3%	-8.1%	-21.7%
Relative (%)	-7.2%	-11.9%	-31.1%

Adrian Ng Wei Gek / Voon Yee Ping, CFA  
adrian.ng@voonyp@kenanga.com.my  
+603-2172 2639 / +603-2172 2647

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<b>Results Highlights</b>								
<b>FY Dec (RM'm)</b>	<b>4Q17</b>	<b>3Q17</b>	<b>QoQ %</b>	<b>4Q16</b>	<b>YoY%</b>	<b>FY17</b>	<b>FY16</b>	<b>YoY%</b>
<b>Revenue</b>	10.4	49.8	-79%	53.2	-80%	101.0	142.7	-29%
Op Profit	14.6	-6.3	-331%	-2.4	-701%	28.2	76.7	-63%
Pretax Profit	11.3	-10.0	-213%	-5.4	-311%	13.9	66.9	-79%
Tax	1.2	1.5	-19%	-3.1	-138%	-4.1	-22.3	-82%
MI	0.8	0.4	104%	0.1	446%	1.6	0.2	672%
<b>Net Profit</b>	<b>13.3</b>	<b>-8.2</b>	<b>-263%</b>	<b>-8.4</b>	<b>-259%</b>	<b>11.4</b>	<b>44.8</b>	<b>-75%</b>
<b>Core Net Profit</b>	<b>4.9</b>	<b>-4.4</b>	<b>-211%</b>	<b>1.1</b>	<b>329%</b>	<b>6.7</b>	<b>7.9</b>	<b>-15%</b>
<b>Core EPS (sen)</b>	<b>1.2</b>	<b>-1.1</b>	<b>-210%</b>	<b>0.3</b>	<b>328%</b>	<b>1.7</b>	<b>2.0</b>	<b>-15%</b>
Net DPS (sen)	0.0	0.0	n.m.	0.0	n.m.	0.0	0.0	n.m.
EBIT %	140%	-13%		-5%		28%	54%	
PBT%	108%	-20%		-10%		14%	47%	
Tax %	-11%	15%		-58%		29%	33%	

Source: Company, Kenanga Research

<b>Breakdown</b>								
<b>FY Dec (RM'm)</b>	<b>4Q17</b>	<b>3Q17</b>	<b>QoQ %</b>	<b>4Q16</b>	<b>YoY%</b>	<b>FY17</b>	<b>FY16</b>	<b>YoY%</b>
<b>Segmental Revenue</b>								
- Property development	10.2	49.6	-79%	52.9	-1	99.9	142.0	-30%
- Construction	0.0	0.0	n.m.	0.0	n.m.	0.0	0.0	n.m.
- Trading	0.0	0.0	n.m.	0.0	n.m.	0.0	0.0	n.m.
- Others	0.2	0.2	13%	0.3	0	1.0	0.7	43%
<b>Total Group</b>	<b>10.4</b>	<b>49.8</b>	<b>-79%</b>	<b>53.2</b>	<b>-1</b>	<b>101.0</b>	<b>142.7</b>	<b>-29%</b>
<b>Segmental PBT</b>								
- Property development	3.6	-10.5	-135%	-10.1	-1	6.9	18.9	-63%
- Construction	0.2	3.7	-94%	4.6	-1	6.6	11.3	-41%
- Trading	-0.3	0.1	-590%	0.2	-2	-0.2	0.1	-372%
- Others & eliminations	3.7	-3.3	-211%	0.0	-463	-3.5	36.6	-109%
<b>Total Profit Before Tax</b>	<b>7.3</b>	<b>-10.0</b>	<b>-173%</b>	<b>-5.4</b>	<b>-2</b>	<b>9.9</b>	<b>67.0</b>	<b>-85%</b>

Source: Company, Kenanga Research

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## Peer Comparison

NAME	Price (28/2/18)	Mkt Cap	PER (x)			Est. NDiv. Yld.	Hist. ROE	Fwd ROE	P/BV	Net Profit (RMm)			FY17/18 NP Growth	FY18/19 NP Growth	Target Price	Rating
	(RM)		(RMm)	FY16/17	FY17/18					FY18/19	(%)	(%)				
<b>DEVELOPERS UNDER COVERAGE</b>																
IOI PROPERTIES GROUP BHD*	1.85	10,186	11.5	12.5	11.9	3.2%	5.1%	4.7%	0.58	938.0	859.1	903.8	-8.4%	5.2%	2.00	MARKET PERFORM
S P SETIA BHD*	3.39	12,723	15.1	19.1	16.3	3.4%	8.4%	4.8%	0.88	766.4	607.3	712.3	-20.8%	17.3%	4.10	OUTPERFORM
UEM SUNRISE BHD*	1.09	4,946	18.2	17.8	21.4	0.9%	4.0%	3.9%	0.74	272.2	278.6	230.8	2.3%	-17.2%	1.20	MARKET PERFORM
SUNWAY BHD^	1.65	8,078	14.3	14.2	13.4	3.6%	7.3%	6.7%	1.02	566.0	572.0	607.0	1.1%	6.1%	1.75	MARKET PERFORM
MAH SING GROUP BHD	1.20	2,913	11.4	11.6	12.0	5.4%	9.0%	8.2%	0.81	296.8	290.2	281.8	-2.2%	-2.9%	1.50	OUTPERFORM
ECO WORLD DEVELOPMENT GROUP BHD	1.29	3,798	33.6	20.1	14.2	0.0%	5.2%	4.3%	0.85	113.1	188.6	267.1	66.8%	41.7%	1.50	MARKET PERFORM
UOA DEVELOPMENT BHD*	2.60	4,506	11.5	11.4	11.4	5.8%	12.1%	9.3%	1.04	401.5	403.9	406.1	0.6%	0.6%	2.60	MARKET PERFORM
MALAYSIAN RESOURCES CORP BHD	1.08	4,742	51.5	31.8	27.9	1.7%	8.6%	2.4%	1.14	101.3	163.8	186.8	62%	14.0%	1.30	OUTPERFORM
SUNSURIA BERHAD	1.30	1,038	11.4	9.3	6.1	0.0%	6.9%	11.6%	1.14	90.7	111.9	169.9	23.3%	51.9%	1.40	MARKET PERFORM
CRESCENDO CORPORATION BHD*	1.40	318	13.6	9.2	8.8	4.3%	2.2%	8.0%	0.41	28.9	42.5	44.6	47.2%	4.9%	1.50	MARKET PERFORM
HUA YANG BHD	0.580	204	2.9	64.4	17.6	3.4%	21.9%	12.2%	0.34	70.0	3.0	12.0	-95.7%	300.0%	0.600	MARKET PERFORM
AMVERTON BHD	1.25	456	18.7	17.9	16.7	0.0%	3.0%	4.0%	0.69	24.3	25.7	27.5	5.8%	7.0%	2.00	OUTPERFORM
MAGNA PRIMA BHD	1.26	419	78.9	53.5	52.1	0.9%	7.4%	1.1%	1.01	6.7	11.7	12.0	74.6%	2.6%	1.25	MARKET PERFORM
<b>CONSENSUS NUMBERS</b>																
IGB CORPORATION BHD	2.97	3,984	11.7	14.9	14.1	3.4%	7.4%	5.1%	0.76	340.9	268.3	281.7	-21.3%	5.0%	n.a.	BUY
GLOMAC BHD	0.54	429	4.0	16.4	11.5	3.1%	0.7%	4.6%	n.a.	108.2	26.2	37.3	-75.8%	42.4%	0.54	SELL
PARAMOUNT CORP BHD	1.98	840	6.3	9.4	9.0	5.1%	14.6%	9.6%	0.90	133.4	89.1	93.3	-33.2%	4.8%	2.40	BUY
TAMBUN INDAH LAND BHD	0.87	375	4.5	5.0	5.0	7.6%	18.8%	11.9%	0.59	83.4	74.5	74.5	-10.6%	0.0%	1.00	NEUTRAL
LBS BINA GROUP BHD	1.02	1,582	15.3	12.3	11.3	3.3%	9.2%	10.5%	0.90	103.4	128.7	139.5	24.5%	8.4%	1.25	BUY
* Core NP and Core PER																

Source: Kenanga Research

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**Stock Ratings are defined as follows:****Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

**Sector Recommendations\*\*\***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

**\*\*\*Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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Published and printed by:

**KENANGA INVESTMENT BANK BERHAD (15678-H)**

Level 12, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia  
Telephone: (603) 2172 0880 Website: [www.kenanga.com.my](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)

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Chan Ken Yew  
Head of Research