

12 July 2019

Magna Prima Berhad Bidding for Mega Projects?

Positive on its MOU with PowerChina Construction in forming a consortium to bid for projects from PNB, as this could be a source of diversified income for MAGNA, away from solely relying on property development which has been lacklustre. No changes to FY19-20E earnings. Maintain UP with unchanged TP of RM0.740.

News. Yesterday, MAGNA announced that they have signed an MOU with PowerChina Construction to establish a consortium between to collaborate and bid for Engineering, Procurement and Construction work for one of PNB's projects known as Phase 3 development.

A positive MOU. While there are limited details on the consortium and the above-mentioned Phase 3 development project, we believe MAGNA would control up to 51% of the consortium while PowerChina Construction holds the remaining 49%. As for the project, we reckon that it could be part of the development of Merdeka 118 as there are not many projects from PNB that have 3 phases of development. Hence, we believe that if it is part of Merdeka 118, and the potential contract value from this Phase 3 Development could range between RM0.5b to RM1.0b as the previous contract from Merdeka 118 was worth c.RM680.0m, namely the shopping mall component that was awarded to WCT-TSRCAP. We are positive on the MOU as it could help MAGNA to diversify from its property development business which has been lackluster due to tough property market conditions.

Outlook. MAGNA's focus will continue to be on clearing its existing inventory of RM254.4m at cost in Boulevard Business Park, Jalan Kuching, Desa Mentari projects. As for *The View Residence* at Shah Alam, the group aims to re-open booking for the project in 2H19 by offering better sales package in hopes of encouraging better response. Apart from the projects, we believe that earnings could be boosted if MAGNA successfully monetize its 2.6 acres of land along Jalan Ampang, valued at c.RM400m, of which we have not imputed into our estimates.

Earnings review. No changes to our FY19-20E earnings as we did not factor in any contract replenishments.

Maintain UNDERPERFORM with an unchanged Target Price of RM0.740. Our TP is based on property RNAV discount of 70%, which implies a 59% discount (at historical trough level) to FD SoP of RM1.79 due to the volatility in earnings as shown in recent quarterly results.

Risks to our call include: higher-than-expected margins/property sales, lower-than-expected administrative costs, changes in real estate policies, and changes in lending environment.

UNDERPERFORM ↔

Price: RM0.860
Target Price: RM0.740 ↔

Expected Capital Gain: -RM0.120 -14.0%
Expected Divd. Yield: RM0.000 -0.0%
Expected Total Return: -RM0.120 -14.0%

KLCI Index 1,679.26

Stock Information

Bloomberg Ticker	MAGNA MK Equity
Bursa Code	7617
Listing Market	Main Market
Shariah Compliant	Yes
Shares Outstanding	332.6
Market Cap (RM m)	286.1
Par value per share (RM)	0.25
52-week range (H)	1.07
52-week range (L)	0.80
Free Float	49%
Beta	0.4
3-mth avg daily vol:	31,566

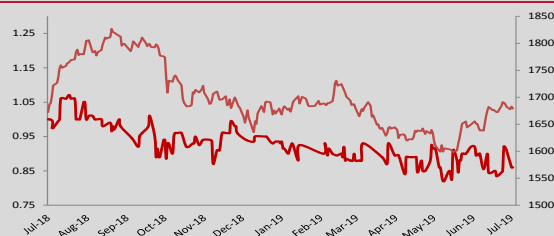
Major Shareholders

Prisma Pelang Sdn Bhd	30.9%
Fantastic Realty Sdn Bhd	13.5%
Bin Mohammad Khalil Rahadian Mahmud	6.4%

Summary Earnings Table

FY Dec (RM m)	2018A	2019E	2020E
Turnover	38.1	53.4	59.3
EBIT	5.2	12.3	13.8
PBT	-26.1	0.8	2.7
Net Profit (NP)	-53.7	0.4	1.6
Core NP	-36.0	0.4	1.6
Consensus (CNP)	N.A.	0.6	2.0
Earnings Revision	N.A.	0%	0%
FD Core EPS (sen)	-7.3	0.1	0.3
FD EPS growth (%)	-437	-101	339
NDPS (sen)	0.0	0.0	0.0
FD BVPS (RM)	1.1	1.1	1.1
FD PBV (x)	0.8	0.8	0.8
FD Core PER (x)	-11.8	1141.7	260.1
Dbt-to-Eqty ratio (x)	0.4	0.3	0.3
Return on Asset (%)	-5.8	0.0	0.2
Return on Eqty.(%)	-9.6	0.1	0.3
Dividend Yield (%)	0.0	0.0	0.0

Share Price Performance



	1 mth	3 mths	12 mths
Absolute (%)	-3.9%	-3.9%	-14.0%
Relative (%)	-5.6%	-7.3%	-13.5%

Adrian Ng Wei Gek

adrian.ng@kenanga.com.my

+603-2172 2639

12 July 2019

Income Statement

FY Dec (RM m)	2016A	2017A	2018A	2019E	2020E
Revenue	142.7	98.9	38.1	53.4	59.3
EBITDA	80.5	30.8	5.4	13.4	14.8
Depreciation	-0.8	-0.7	-0.2	-1.0	-1.1
EBIT	79.7	30.1	5.2	12.3	13.8
Net Interest expense	-13.0	-13.7	-13.6	-11.5	-11.1
Exceptionals	0.0	0.0	-17.7	0.0	0.0
PBT	66.7	16.4	-26.1	0.8	2.7
Taxation	-24.3	-7.3	-29.0	-0.2	-0.6
Minority Interest	1.8	1.6	1.4	-0.2	-0.4
Net Profit	44.2	10.7	-53.7	0.4	1.6
Core Net Profit	44.2	10.7	-36.0	0.4	1.6

Balance Sheet

FY Dec (RM m)	2016A	2017A	2018A	2019E	2020E
Fixed Assets	599.7	599.1	581.3	585.2	589.1
Other FA	17.9	16.9	4.5	4.5	4.5
Inventories	304.4	295.6	263.3	184.3	204.8
Receivables	63.3	38.7	31.9	18.3	20.3
Other CA	3.0	3.7	0.3	0.3	0.3
Cash	35.3	13.2	16.5	23.0	14.3
Total Assets	1023.5	967.2	897.8	815.6	833.4

Payables	112.1	93.6	83.9	51.2	56.9
ST Borrowings	92.4	96.9	79.2	54.2	64.2
Other ST Liability	52.6	36.0	44.7	44.7	44.7
LT Borrowings	143.3	124.1	133.4	108.4	108.4
Other LT Liability	20.5	18.0	27.1	27.1	27.1
MI	4.6	5.5	4.1	4.3	4.7
Net Assets	598.0	593.1	525.3	525.7	527.4

Share Capital	83.2	121.0	121.0	121.0	121.0
Reserves	514.7	472.0	404.3	404.7	406.3
Shareholders' Equity	598.0	593.1	525.3	525.7	527.4

Cashflow Statement

FY Dec (RM m)	2016A	2017A	2018A	2019E	2020E
Operating CF	13.7	5.6	25.1	73.0	-2.7
Investing CF	-48.3	-0.1	0.0	-5.0	-5.0
Financing CF	-59.8	-16.5	4.7	-61.5	-1.1

Financial Data & Ratios

FY Dec (RM m)	2016A	2017A	2018A	2019E	2020E
Growth (%)					
Revenue	-82%	-31%	-61%	40%	11%
EBITDA	-73%	-62%	-83%	149%	11%
EBIT	-73%	-62%	-83%	138%	12%
Pre-tax Income	-76%	-75%	-259%	-103%	236%
Net Income	-78%	-76%	-602%	-101%	339%
Core Net Income	-78%	-76%	-437%	-101%	339%

Profitability (%)

EBITDA Margin	56.4%	31.2%	14.1%	25.0%	25.0%
EBIT Margin	55.8%	30.5%	13.5%	23.1%	23.2%
PBT Margin	46.7%	16.6%	-68.5%	1.5%	4.5%
Core Net Margin	31.0%	10.8%	-94.4%	0.7%	2.8%
Effective Tax Rate	36.4%	44.7%	-111.1%	24.0%	24.0%
ROE	9.3%	1.8%	-9.6%	0.1%	0.3%
ROA	4.8%	1.1%	-5.8%	0.0%	0.2%

DuPont Analysis

Net margin (%)	31.0%	10.8%	-140.7%	0.7%	2.8%
Assets Turnover (x)	0.2	0.1	0.0	0.1	0.1
Leverage Factor (x)	1.9	1.7	1.7	1.6	1.6
ROE (%)	9.3%	1.8%	-9.6%	0.1%	0.3%

Leverage

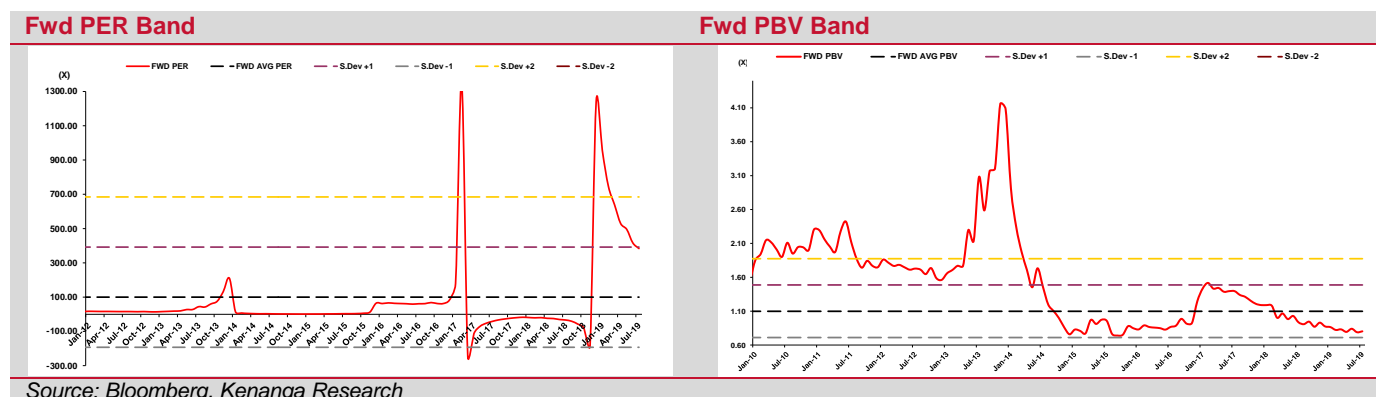
Debt/Asset (x)	0.23	0.23	0.24	0.20	0.21
Debt/Equity (x)	0.39	0.37	0.40	0.31	0.32
Net Debt/(Cash)	200.3	207.8	196.1	139.6	158.3
Net Debt/Equity (x)	0.34	0.35	0.37	0.27	0.30

Valuations

Core EPS (sen)	13.2	3.2	-10.8	0.1	0.5
FD Core EPS (sen)	8.9	2.2	-7.3	0.1	0.3
NDPS (sen)	0.0	0.0	0.0	0.0	0.0
BV/share (RM)	1.80	1.79	1.58	1.58	1.59
FD BV/Share (RM)	1.22	1.21	1.07	1.07	1.07
Core PER (x)	6.5	27.0	-8.0	770.9	175.6
FD Core PER (x)	9.6	9.6	39.9	-11.8	1141.7
Net Div. Yield (%)	0%	0%	0%	0%	0%
PBV (x)	0.5	0.5	0.5	0.5	0.5
FD PBV (x)	0.7	0.7	0.8	0.8	0.8

Source: Kenanga Research

12 July 2019



SoP Table

	Remaining GDV (RM'm)	Net Margin (%)	WACC (%)	DCF Value (RM m)**
Unbilled Sales	49	6%	11%	10
Launched but not yet sold	198	6%	11%	53
Projects				
The View Residence	271	6%	11%	13
Kepong 2D	141	6%	11%	5
Magna Suria	1,486	6%	11%	53
Gasing Lifestyle	658	6%	11%	31
Shareholder's Funds (@ 4Q16)				614.0
RNAV				778
Dilution Impact				150
FD SOP				928
FD SOP/share (RM)				MYR 1.79
Property RNAV Discount (excl. warrants effect)				-70%
Implied SOP discount				-59%
TP (RM)				MYR 0.740

Source: Kenanga Research

12 July 2019

Peer Comparison

Name	Last Price	Market Cap (RM'm)	Shariah Compliant	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)		Net Div. Yld. (%)	Target Price (RM)	Rating
	(RM)				1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.		
PROPERTY DEVELOPERS UNDER COVERAGE																		
AMVERTON BHD	1.09	397.9	Y	12/2019	-0.7%	3.4%	-58.8%	7.3%	16.6	40.4	37.6	0.6	0.5	1.4%	0.0%	1.00	UP	
ECO WORLD DEVELOPMENT GROUP	0.805	2,370.2	Y	10/2019	-4.4%	-18.3%	9.5%	18.8%	14.3	13.1	11.0	0.5	0.5	4.8%	1.1%	1.15	OP	
HUA YANG BHD	0.435	153.1	Y	03/2020	-11.0%	-1.2%	153.2%	-11.8%	N.A.	18.6	21.1	0.3	0.3	1.4%	0.0%	0.335	UP	
IOI PROPERTIES GROUP BHD	1.36	7,488.4	Y	06/2019	-15.0%	-6.0%	2.2%	-5.3%	11.3	11.1	11.7	0.4	0.4	3.6%	3.7%	1.65	OP	
LBS BINA GROUP BHD	0.545	850.9	Y	12/2019	31.3%	0.9%	7.9%	-7.2%	10.0	9.3	10.0	0.6	0.6	6.6%	3.2%	0.495	MP	
MAGNA PRIMA BHD	0.860	286.1	Y	12/2019	40.0%	11.1%	9637.5%	338.9%	N.A.	1,141.7	260.1	0.8	0.8	0.1%	0.0%	0.740	UP	
MAH SING GROUP BHD	0.910	2,209.2	Y	12/2019	4.5%	7.0%	-4.3%	-0.3%	13.5	14.1	14.1	0.6	0.6	5.2%	4.4%	1.05	OP	
MALAYSIAN RESOURCES CORP BHD	0.950	4,191.4	Y	12/2019	-37.3%	58.2%	0.6%	34.5%	55.3	54.9	40.8	0.9	0.9	1.6%	1.5%	0.750	UP	
SIME DARBY PROPERTY BHD	0.995	6,766.8	Y	12/2019	13.6%	12.5%	1.5%	9.7%	18.4	18.2	16.6	0.7	0.7	3.9%	2.2%	1.10	MP	
SP SETIA BHD	2.08	8,408.4	Y	12/2019	7.8%	29.7%	63.2%	39.5%	38.2	23.4	16.8	0.6	0.6	2.4%	3.4%	2.45	OP	
SUNSURIA BHD	0.780	694.1	Y	09/2019	-18.5%	7.4%	-19.3%	4.4%	5.2	6.5	6.2	0.7	0.7	12.2%	0.0%	0.760	OP	
SUNWAY BHD	1.67	8,137.4	Y	12/2019	-2.7%	12.5%	-8.5%	10.6%	13.9	15.2	13.8	1.0	0.9	6.3%	3.5%	1.60	MP	
UEM SUNRISE BHD	0.805	3,652.6	Y	12/2019	37.0%	-14.3%	5.9%	-18.1%	11.2	10.6	12.9	0.6	0.5	4.8%	1.2%	0.835	MP	
UOA DEVELOPMENT BHD	2.19	4,037.8	Y	12/2019	0.6%	-0.4%	4.4%	0.8%	12.1	11.6	11.5	0.9	0.8	7.4%	6.4%	2.15	MP	
Simple Average					3.2%	7.3%	699.6%	30.1%	18.3	99.2	34.6	0.6	0.6	4.4%	2.2%			
*SIMEPROP change of FY-end from 30-Jun to 31-Dec. Our historical numbers are based on FY18A while 1-Yr and 2-Yr Fwd are based on FY19E and FY20E figures																		
CONSENSUS NUMBERS																		
GLOMAC BHD	0.390	304.0	Y	04/2020	12.9%	38.7%	23.9%	92.9%	22.3	18.0	9.4	0.3	N.A.	1.6%	2.3%	0.405	N.A	
MATRIX CONCEPTS HOLDINGS BHD	1.92	1,510.7	Y	03/2020	3.0%	9.6%	3.8%	9.3%	6.9	6.7	6.1	1.1	1.1	16.3%	6.8%	2.36	BUY	
PARAMOUNT CORP BHD	2.33	1,009.7	Y	12/2019	-1.4%	8.4%	2.4%	5.3%	11.0	10.7	10.2	0.9	N.A.	7.2%	3.9%	2.56	BUY	
TAMBUN INDAH LAND BHD	0.780	338.1	Y	12/2019	-14.3%	10.6%	-22.4%	10.1%	6.1	7.9	7.1	0.5	N.A.	7.1%	5.5%	0.897	BUY	
TITIJAYA LAND BHD	0.300	381.1	Y	06/2019	-14.3%	13.9%	-36.3%	19.5%	5.3	8.2	6.9	0.3	0.3	3.5%	42.7%	0.310	BUY	
YONG TAI BHD	0.320	170.9	Y	06/2019	28.1%	108.6%	-238.6%	281.2%	11.0	N.A.	22.4	0.4	0.5	-4.5%	0.0%	0.343	N.A	

Source: Kenanga Research

12 July 2019

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%

**** The Expected Total Return might contain rounding discrepancy.**

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

This report has been prepared by Kenanga Investment Bank Berhad pursuant to the Mid and Small Cap Research Scheme ("MidS") administered by Bursa Malaysia Berhad. This report has been produced independent of any influence from Bursa Malaysia Berhad or the subject company. Bursa Malaysia Berhad and its group of companies disclaim any and all liability, howsoever arising, out of or in relation to the administration of MidS and/or this report.

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies.

Published and printed by:

KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my

This report is accessible at www.bursamids.com too.