

22 November 2019

Magna Prima Berhad 9MFY19 Below Expectation

9MFY19 registered CNL of RM16.6m, missing our expectation, mainly due to weaker-than-expected sale of service apartments and shop offices in its Jalan Kuching project coupled with lower-than-expected CNP margin. No dividend was declared as expected. Moving forward, MAGNA's focus will continue to be on inventory clearing. Post results, we widened our FY19E and FY20E CNL estimates to RM22.2m and RM20.9m, respectively. Maintain UNDERPERFORM with lower TP of RM0.695 (from RM0.710).

Below expectation. After stripping out one-off loss from the deconsolidation of subsidiary amounting to RM4.3m, 9MFY19 recorded CNL of RM16.6m, missing our FY19 earnings estimate drastically. The deviation was mainly due to lower-than-expected property sales and profit margin. No dividend declared, as expected.

Results' highlight. YoY, 9MFY19 recorded higher CNL of RM16.6m compared to CNP of RM12.2m one year ago, largely due to: (i) lower property revenue contribution by 53% due to poor sale of service apartments and shop offices in its Jalan Kuching project affected by weaker market condition, (ii) loss margin widening to 25% compared to profit margin of 37% in 9MFY18, possibly due to lower property selling price from higher rebates and lower revenue, which could not cover fixed overheads. QoQ, 3QFY19 registered CNL of RM6.7m; no changes compared to 2QFY19. We see recovery in property revenue by 22% coupled with higher gross profit margin of 31% from 21% in 2QFY19, and the impact was partially offset by higher interest cost of RM4.3m (+18%).

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

Earnings estimate. Post results, we further increase the losses estimates for FY19 and FY20 to RM22.2m and RM20.9m (from RM6.3m-RM4.5m) after lowering our revenue estimation to reflect weaker property sales demand for projects in its Jalan Kuching and Desa Mentari commercial projects as well as adjusting the margin assumption, factoring in higher rebates given to customers in view of MAGNA's effort in clearing existing inventories.

Maintain UNDERPERFORM but with a lower Target Price of RM0.695 (from RM0.710). We maintain our UNDERPERFORM call with reduced TP of RM0.695 (from RM0.710) based on increased property RNAV discount of 73% (from 72%), implying a 61% discount (which is at the historical trough level) to unchanged FD SoP of RM1.79 in view of the volatile earnings in recent quarters.

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: RM0.900
Target Price: RM0.695 ↓

Expected Capital Gain: -RM0.205 -22.8%
Expected Divd. Yield: RM0.000 -0.0%
Expected Total Return: -RM0.205 -22.8%

KLCI Index 1,592.19

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)	299.4
Par value per share (RM)	0.25
52-week range (H)	1.25
52-week range (L)	0.80
Free Float	33%
Beta	0.4
3-mth avg daily vol:	28,503

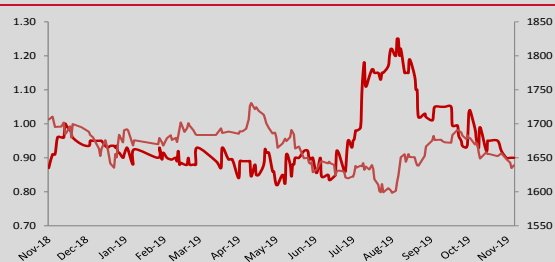
Major Shareholders

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	30.7	34.6
EBIT	5.2	-7.8	-5.6
PBT	-26.1	-28.8	-22.6
Net Profit (NP)	-53.7	-26.4	-20.9
Core NP	-36.0	-22.2	-20.9
Consensus (CNP)	N.A.	-2.8	-1.1
Earnings Revision	N.A.	252%	364%
Core EPS (sen)	(7.3)	(4.5)	(4.2)
EPS growth (%)	-437	-38	-6
DPS (sen)	0.0	0.0	0.0
NTA/Share (RM)	1.1	1.0	1.0
PBV (x)	0.8	0.9	0.9
Core PER (x)	N.A.	N.A.	N.A.
Dbt-to-Eqty ratio (x)	0.4	0.2	0.3
Return on Asset (%)	-5.8	-3.4	-2.7
Return on Eqty.(%)	-9.6	-5.3	-4.3
Dividend Yield (%)	0.0	0.0	0.0

Share Price Performance



	1 mth	3 mths	12 mths
Absolute (%)	-8.6%	-28.0%	-1.1%
Relative (%)	-10.0%	-27.8%	5.0%

Koh Huat Soon /
hskoh@kenanga.com.my
+603-2172 2625

22 November 2019

Results Highlight								
FYE Dec (RM'm)	3QFY19	2QFY19	QoQ	3QFY18	YoY	9MFY19	9MFY18	YoY
Turnover	7.2	5.7	25%	9.7	-26%	23.0	48.2	-52%
EBITDA	-2.8	-3.4	-18%	4.5	-162%	-5.5	17.9	-131%
Depreciation	0.0	-0.1	-85%	0.0	-56%	-0.1	-0.2	-23%
EBIT	-2.8	-3.6	-20%	4.5	-164%	-5.7	17.7	-132%
Interest inc/(exp)	-4.3	-3.6	18%	-3.9	11%	-12.0	-10.2	17%
Associates/JV	0.0	0.0	N.M.	0.0	N.M.	0.0	0.0	N.M.
Exceptional items	0.0	-4.3	-100%	0.0	N.M.	-4.3	0.0	N.M.
Forex gain/(loss)	0.0	0.0	N.M.	0.0	N.M.	0.0	0.0	N.M.
Pretax profit	-7.1	-11.5	-38%	0.6	-1281%	-21.9	7.5	-390%
Taxation	0.0	0.0	-100%	4.4	-100%	-0.3	3.7	-107%
Deferred tax	0.0	0.0	N.M.	0.0	N.M.	0.0	0.0	N.M.
Profit after tax	-7.1	-11.5	-38%	5.1	-241%	-22.2	11.2	-298%
Minority interest	0.4	0.5	-23%	0.3	46%	1.3	1.0	27%
PATAMI	-6.7	-11.0	-39%	5.3	-226%	-20.9	12.2	-271%
Core PATAMI	-6.7	-6.7	0%	5.3	-226%	-16.6	12.2	-236%
DPS (sen)	0.0	0.0		0.0		0.0	0.0	
EBIT margin	-40%	-63%		46%		-25%	37%	
Pretax margin	-100%	-200%		6%		-95%	16%	
NP margin	-100%	-200%		6%		-95%	16%	
CNP margin	-94%	-117%		55%		-72%	25%	
EPS (sen)	-2.0	-3.3		1.6		-6.3	3.7	
Core EPS(sen)	-2.0	-2.0		1.6		-5.0	3.7	
BV/share (RM)	1.5	1.5		1.8		1.5	1.8	
Net gearing (x)	0.4	0.4		0.3		0.4	0.3	
Effective tax	0%	0%		-736%		-1%	-48%	

Source: Company, Kenanga Research

Segmental Results								
External Revenue	3QFY19	2QFY19	QoQ	3QFY18	YoY	9MFY19	9MFY18	YoY
Property Development	6.7	5.5	22%	9.5	-29%	22.1	47.4	-53%
Construction & Engineering	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	0.4	0.2	94%	0.2	77%	0.9	0.8	14%
PBT Segmentation								
Property Development	-4.6	-9.4	-51%	17.3	-127%	-15.2	27.2	-156%
Construction & Engineering	-0.2	-0.2	-26%	-9.7	-98%	-0.6	-10.0	-94%
Trading	0.0	0.0	-50%	0.0	-60%	0.0	1.0	-101%
Others	-2.3	-1.8	29%	-7.0	-66%	-6.0	-10.7	-44%
PBT margins								
Property Development	-69%	-171%		183%		-0.7	0.6	-69%
Construction & Engineering	N.M.	N.M.		N.M.		N.M.	N.M.	N.M.
Trading	N.M.	N.M.		N.M.		N.M.	N.M.	N.M.
Others	-539%	-811%		-2842%		-6.7	-13.7	-539%

Source: Company, Kenanga Research

22 November 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)				-73%
Implied SOP discount				-61%
TP (RM)				MYR 0.695

Source: Kenanga Research

22 November 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	1.05	383.3	Y	12/2019	-22.4%	-3.1%	-75.5%	-3.8%	16.0	65.3	67.8	0.5	0.5	0.8%	0.0%	1.00	UP	
ECO WORLD DEVELOPMENT GROUP	0.625	1,840.2	Y	10/2019	-1.7%	-16.9%	3.6%	21.5%	11.1	10.6	8.8	0.5	0.5	4.6%	1.5%	0.750	OP	
HUA YANG BHD	0.335	117.9	Y	03/2020	-11.0%	-1.2%	153.2%	-11.8%	N.A.	14.4	16.3	0.2	0.2	1.4%	0.0%	0.335	UP	
IOI PROPERTIES GROUP BHD	1.17	6,442.2	Y	06/2020	1.4%	2.6%	-3.0%	8.2%	9.8	10.1	9.3	0.4	0.3	3.5%	4.3%	1.65	OP	
LBS BINA GROUP BHD	0.495	766.1	Y	12/2019	31.3%	0.9%	-22.4%	9.5%	9.1	11.7	10.7	0.5	0.5	4.8%	2.6%	0.495	MP	
MAGNA PRIMA BHD	0.900	299.4	Y	12/2019	-19.6%	13.0%	-162.4%	-105.9%	N.A.	N.A.	N.A.	0.8	0.9	-5.3%	0.0%	0.695	UP	
MAH SING GROUP BHD	0.710	1,723.7	Y	12/2019	-0.1%	10.3%	-16.4%	14.1%	10.5	12.5	11.0	0.5	0.5	4.5%	5.6%	1.00	OP	
MALAYSIAN RESOURCES CORP BHD	0.755	3,331.1	Y	12/2019	-41.9%	70.5%	-95.3%	2791.2%	43.9	938.2	32.4	0.7	0.7	1.2%	0.0%	0.700	UP	
SIME DARBY PROPERTY BHD	0.810	5,508.7	Y	12/2019	127.9%	3.9%	7861.6%	-2.3%	788.1	9.9	10.1	0.6	0.6	5.9%	4.0%	1.10	OP	
SP SETIA BHD	1.37	5,538.2	Y	12/2019	5.5%	24.3%	15.6%	57.6%	26.5	23.0	14.6	0.5	0.5	1.7%	3.1%	1.80	OP	
SUNSURIA BHD	0.645	577.9	Y	09/2019	-2.7%	7.3%	-4.0%	4.8%	4.3	4.5	4.3	0.6	0.6	14.5%	0.0%	0.760	MP	
SUNWAY BHD	1.77	8,687.9	Y	12/2019	-2.7%	12.5%	-8.5%	10.6%	14.8	16.1	14.6	1.0	1.0	6.3%	3.3%	1.60	MP	
UEM SUNRISE BHD	0.760	3,448.5	Y	12/2019	37.0%	-14.3%	5.9%	-18.1%	10.6	10.0	12.2	0.5	0.5	4.8%	2.0%	0.835	OP	
UOA DEVELOPMENT BHD	1.93	3,794.4	Y	12/2019	0.6%	-0.4%	4.4%	0.8%	10.7	10.2	10.1	0.8	0.7	7.4%	7.3%	2.15	MP	
Simple Average					7.2%	7.8%	546.9%	198.3%	79.6	87.4	17.1	0.6	0.5	4.0%	2.4%			
*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	0.360	280.3	Y	04/2020	12.9%	38.7%	12.4%	96.4%	19.0	16.9	8.6	0.3	N.M.	1.6%	2.5%	0.375	N.A	
MATRIX CONCEPTS HOLDINGS BHD	1.92	1,579.8	Y	03/2020	4.4%	18.2%	6.1%	8.5%	7.2	6.8	6.3	1.1	1.0	16.1%	6.8%	2.28	BUY	
PARAMOUNT CORP BHD	1.28	776.6	Y	12/2019	-1.4%	8.4%	2.4%	5.3%	8.5	8.3	7.8	0.7	N.M.	7.2%	5.0%	N.M.	BUY	
TAMBUN INDAH LAND BHD	0.760	329.4	Y	12/2019	-11.1%	3.8%	-21.2%	-0.1%	5.9	7.5	7.6	0.5	0.5	6.7%	5.9%	0.840	N.A	
TITIJAYA LAND BHD	0.295	372.6	Y	06/2020	8.4%	20.9%	28.3%	21.5%	11.2	8.7	7.2	0.4	0.3	2.9%	42.7%	0.280	N.A	
YONG TAI BHD	0.195	140.2	Y	06/2020	132.7%	8.3%	-3768.9%	-134.2%	N.A.	N.A.	N.A.	0.3	0.3	-1.9%	0.0%	0.230	N.A	

Source: Kenanga Research

22 November 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.