

14 February 2020

## Magna Prima Berhad

### FY19 Below Expectation

FY19 registered CNL of RM28.5m, missing our/consensus expectation, mainly due to lower-than-expected property margin, and higher-than-expected interest expenses and effective tax rate. No dividend was declared as expected. Moving forward, MAGNA's focus will continue to be on inventory clearing. Post results, we maintain our FY20 estimate and introduce FY21E CNL of RM18.2m. Maintain UNDERPERFORM with lower TP of RM0.545 (based on adjusted P/BV of 0.40x) (from RM0.695).

**Below expectation.** After stripping out one-off loss from the deconsolidation of subsidiary amounting to RM4.3m, FY19 recorded CNL of RM28.5m, missing our and consensus FY19 earnings estimate drastically. The deviation was mainly due to: (i) lower-than-expected property margin, and (ii) higher-than-expected interest expenses and effective tax rate. No dividend declared, as expected.

**Results' highlight.** YoY, FY19 recorded lower CNL of RM28.5m compared to CNL of RM37.6m one year ago, largely due to lower effective tax rate in FY19 (10% vs 85% in FY18) despite the company achieving slightly lower pre-tax loss in FY19 (-3%). QoQ, 4QFY19 registered higher CNL of RM11.8m (+76%) compared to loss of RM6.7m in 4QFY18, mainly due to higher interest expenses (+74%) and effective tax rate (29% vs 0% in FY18).

**Outlook.** Moving forward, we believe MAGNA's focus will continue to be on clearing existing inventory in its Boulevard Business Park, Jalan Kuching, and Desa Mentari projects. Apart from these, management is also seeking to sell off non-strategic land in order to reduce the gearing level.

**Earnings estimate.** Post results, we maintain our FY20E forecast and introduce FY21E revenue of RM37.5m and CNL of RM18.2m.

**Maintain UNDERPERFORM but with a lower Target Price of RM0.545 (from RM0.695).** Our TP is based on P/BV of 0.40x (at minus 1.5SD of its 3- year historical band) on an adjusted BV/share of RM1.30 (after imputing a 40% discount to its latest available inventory level of completed properties). We are switching to the more conservative P/BV valuation method (from RNAV) as a gauge to ascertain the trough valuations of property stocks amid the prevailing market down cycle. Our revised TP implies 70% discount to our SoP valuation of RM1.79 per share (partial GDV and partial land bank basis).

**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:** RM0.810  
**Target Price:** RM0.545 ↓

**Expected Capital Gain:** -RM0.265 -32.7%  
**Expected Divd. Yield:** RM0.000 -0.0%  
**Expected Total Return:** -RM0.265 -32.7%

**KLCI Index** 1,539.16

### 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)	269.4
Par value per share (RM)	0.25
52-week range (H)	1.25
52-week range (L)	0.75
Free Float	33%
Beta	0.2
3-mth avg daily vol:	101,219

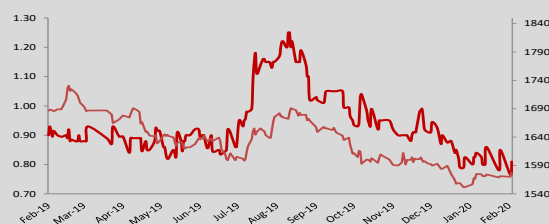
### Major Shareholders

Prisma Pelang Sdn Bhd	30.9%
Fantastic Realty Sdn Bhd	21.2%
Datuk Seri Rahadian Mahmud Bin Mohammad Khalil	6.4%

### Summary Earnings Table

FY Dec (RM m)	2019A	2020E	2021E
Turnover	32.2	34.6	37.5
EBIT	-7.8	-5.6	-3.3
PBT	-31.5	-22.6	-19.6
<b>Net Profit (NP)</b>	<b>-32.8</b>	<b>-20.9</b>	<b>-18.2</b>
<b>Core NP</b>	<b>-28.5</b>	<b>-20.9</b>	<b>-18.2</b>
Consensus (CNP)	N.A.	2.4	N.A.
Earnings Revision	N.A.	0%	N.A.
Core EPS (sen)	(7.3)	(5.8)	(4.2)
EPS growth (%)	-437	-21	-27
DPS (sen)	0.0	0.0	0.0
NTA/Share (RM)	1.1	1.0	1.0
PBV (x)	0.8	0.8	0.8
Core PER (x)	N.A.	N.A.	N.A.
Dbt-to-Eqty ratio (x)	0.4	0.3	0.3
Return on Asset (%)	-5.8	-4.3	-2.8
Return on Eqty.(%)	-9.6	-6.7	-4.3
Dividend Yield (%)	0.0	0.0	0.0

### Share Price Performance



	1 mth	3 mths	12 mths
Absolute (%)	-1.8%	-10.0%	-10.0%
Relative (%)	0.8%	-6.6%	-1.3%

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Results Highlight								
FYE Dec (RM m)	4QFY19	3QFY19	QoQ	4QFY18	YoY	FY19	FY18	YoY
<b>Turnover</b>	<b>9.3</b>	<b>7.2</b>	<b>29%</b>	<b>-15.1</b>	<b>-162%</b>	<b>32.2</b>	<b>33.1</b>	<b>-3%</b>
EBITDA	-2.0	-2.8	-28%	-17.1	-88%	-7.6	0.8	-1023%
Depreciation	-0.1	0.0	367%	0.0	109%	-0.2	-0.2	8%
<b>EBIT</b>	<b>-2.1</b>	<b>-2.8</b>	<b>-25%</b>	<b>-17.1</b>	<b>-88%</b>	<b>-7.8</b>	<b>0.6</b>	<b>-1352%</b>
Interest inc/(exp)	-7.5	-4.3	74%	-3.5	116%	-19.5	-13.7	42%
Associates/JV	0.0	0.0	N.A.	0.0	N.A.	0.0	0.0	N.A.
Exceptional items	0.0	0.0	N.A.	-17.7	-100%	-4.3	-17.7	-76%
Forex gain/(loss)	0.0	0.0	N.A.	0.0	N.A.	0.0	0.0	N.A.
<b>Pretax profit</b>	<b>-9.6</b>	<b>-7.1</b>	<b>35%</b>	<b>-38.2</b>	<b>-75%</b>	<b>-31.5</b>	<b>-30.7</b>	<b>3%</b>
Taxation	-2.8	0.0	N.A.	-29.7	-91%	-3.0	-26.0	-88%
Deferred tax	0.0	0.0	N.A.	0.0	N.A.	0.0	0.0	N.A.
<b>Profit after tax</b>	<b>-12.4</b>	<b>-7.1</b>	<b>73%</b>	<b>-67.9</b>	<b>-82%</b>	<b>-34.5</b>	<b>-56.7</b>	<b>-39%</b>
Minority interest	0.5	0.4	29%	0.4	17%	1.8	1.5	24%
<b>PATAMI</b>	<b>-11.8</b>	<b>-6.7</b>	<b>76%</b>	<b>-67.5</b>	<b>-82%</b>	<b>-32.7</b>	<b>-55.3</b>	<b>-41%</b>
<b>Core PATAMI</b>	<b>-11.8</b>	<b>-6.7</b>	<b>76%</b>	<b>-49.8</b>	<b>-76%</b>	<b>-28.5</b>	<b>-37.6</b>	<b>-24%</b>
DPS (sen)	0.0	0.0		0.0		0.0	0.0	
EBIT margin	-23%	-40%		114%		-24%	2%	
Pretax margin	-104%	-100%		254%		-98%	-93%	
NP margin	-104%	-100%		254%		-98%	-93%	
CNP margin	-128%	-94%		331%		-88%	-114%	
EPS (sen)	-3.6	-2.0		-20.3		-9.8	-16.6	
Core EPS(sen)	-3.6	-2.0		-15.0		-8.6	-11.3	
BV/share (RM)	1.5	1.5		1.6		1.5	1.6	
Net gearing (x)	0.4	0.4		0.4		0.4	0.4	
Effective tax	-29%	0%		-78%		-10%	-85%	

Source: Company, Kenanga Research

Segmental Results								
External Revenue	4QFY19	3QFY19	QoQ	4QFY18	YoY	FY19	FY18	YoY
Property Development	9.2	6.7	36%	-15.3	-160%	31.3	32.1	-3%
Construction & Engineering	0.0	0.0	N.A.	0.0	N.A.	0.0	0.0	N.A.
Trading	0.0	0.0	N.A.	0.0	N.A.	0.0	0.0	N.A.
Others	0.1	0.4	-79%	0.2	-63%	1.0	1.0	-5%
<b>PBT Segmentation</b>								
Property Development	-4.3	-4.6	-7%	-34.9	-88%	-19.5	-7.6	156%
Construction & Engineering	-1.3	-0.2	685%	-1.7	-23%	-2.0	-11.7	-83%
Trading	0.0	0.0	100%	-1.0	-100%	0.0	0.0	N.A.
Others	-4.0	-2.3	69%	-0.6	560%	-10.0	-11.3	-12%
<b>PBT margins</b>								
Property Development	-47%	-69%		228%		-0.6	-0.2	
Construction & Engineering	N.A.	N.A.		N.A.		N.A.	N.A.	
Trading	N.A.	N.A.		N.A.		N.A.	N.A.	
Others	-4356%	-539%		-243%		-10.2	-11.0	

Source: Company, Kenanga Research

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## 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.		
<b>PROPERTY DEVELOPERS UNDER COVERAGE</b>																		
AMVERTON BHD	1.20	438.1	Y	12/2019	-34.7%	1.3%	-83.6%	30.5%	18.3	111.8	85.7	0.6	0.6	0.5%	0.0%	0.890	UP	
ECO WORLD DEVELOPMENT GROUP	0.680	2,002.2	Y	10/2020	-19.2%	25.6%	8.0%	7.8%	10.0	9.2	8.5	0.5	0.4	4.8%	1.6%	0.750	MP	
HUA YANG BHD	0.345	121.4	Y	03/2020	-11.0%	-1.2%	153.2%	-11.8%	N.A.	14.8	16.8	0.2	0.2	1.4%	0.0%	0.330	UP	
IOI PROPERTIES GROUP BHD	1.15	6,332.1	Y	06/2020	1.4%	2.6%	-3.0%	8.2%	9.6	9.9	9.1	0.3	0.3	3.5%	4.3%	1.55	OP	
LBS BINA GROUP BHD	0.470	719.4	Y	12/2019	34.1%	1.5%	-18.1%	10.6%	8.6	10.5	9.5	0.5	0.5	5.1%	2.2%	0.520	MP	
MAGNA PRIMA BHD	0.810	269.4	Y	12/2020	7.7%	8.4%	-136.3%	-115.2%	N.A.	N.A.	N.A.	0.8	0.8	-4.3%	0.0%	0.545	UP	
MAH SING GROUP BHD	0.685	1,663.0	Y	12/2019	-17.5%	6.5%	-36.9%	7.0%	10.1	16.1	15.0	0.5	0.5	3.4%	5.8%	0.750	MP	
MALAYSIAN RESOURCES CORP BHD	0.690	3,044.3	Y	12/2019	-41.9%	70.5%	-95.3%	2791.2%	40.1	857.4	29.7	0.6	0.6	1.2%	0.0%	0.700	UP	
SIME DARBY PROPERTY BHD	0.805	5,474.7	Y	12/2019	129.2%	11.0%	9700.0%	-4.4%	805.0	8.0	8.4	0.6	0.6	7.3%	5.0%	1.00	OP	
SP SETIA BHD	1.33	5,376.5	Y	12/2019	5.5%	24.3%	15.6%	57.6%	25.8	22.3	14.1	0.4	0.4	1.7%	3.2%	1.80	OP	
SUNSURIA BHD	0.590	528.6	Y	09/2020	-2.7%	7.3%	-4.0%	4.8%	4.0	4.1	3.9	0.6	0.6	14.5%	0.0%	0.585	MP	
SUNWAY BHD	1.79	8,775.8	Y	12/2019	-2.7%	12.5%	-8.5%	10.6%	14.9	16.3	14.8	1.0	1.0	6.3%	3.3%	1.60	UP	
UEM SUNRISE BHD	0.650	2,949.3	Y	12/2019	37.0%	-14.3%	5.9%	-18.1%	9.0	8.5	10.4	0.5	0.4	4.8%	2.4%	0.850	OP	
UOA DEVELOPMENT BHD	1.95	3,833.7	Y	12/2019	-0.5%	-6.4%	9.2%	-8.7%	10.8	9.9	10.8	0.8	0.8	7.7%	7.2%	2.15	OP	
<b>Simple Average</b>					<b>6.0%</b>	<b>10.7%</b>	<b>679.0%</b>	<b>197.9%</b>	<b>80.5</b>	<b>84.5</b>	<b>18.2</b>	<b>0.5</b>	<b>0.5</b>	<b>4.1%</b>	<b>2.5%</b>			
*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																		
<b>CONSENSUS NUMBERS</b>																		
GLOMAC BHD	0.340	264.4	Y	04/2020	11.9%	40.2%	22.6%	85.9%	18.0	14.6	7.9	0.2	N.A.	1.7%	2.6%	0.385	N.A.	
MATRIX CONCEPTS HOLDINGS BHD	1.93	1,588.0	Y	03/2020	4.4%	18.2%	6.1%	8.5%	7.3	6.9	6.3	1.0	1.0	15.7%	6.6%	2.29	BUY	
PARAMOUNT CORP BHD	1.30	788.7	Y	12/2019	N.A.	N.A.	N.A.	N.A.	8.6	N.A.	N.A.	0.7	N.A.	N.A.	N.A.	N.A.	BUY	
TAMBUN INDAH LAND BHD	0.660	286.1	Y	12/2019	-11.3%	4.0%	-21.2%	-0.1%	5.2	6.6	6.6	0.5	0.5	6.6%	6.1%	0.840	N.A.	
TITIJAYA LAND BHD	0.285	360.4	Y	06/2020	-21.3%	8.5%	-35.0%	15.7%	10.8	16.6	14.4	0.3	0.3	1.7%	44.2%	0.305	N.A.	
YONG TAI BHD	0.115	109.3	Y	06/2020	128.4%	8.6%	-3718.7%	-130.6%	N.A.	N.A.	N.A.	0.2	0.2	-0.6%	0.0%	0.183	N.A.	

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%

**\*\* 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.**

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