

11 April 2019

Magna Prima Berhad

The View Residences

We visited *The View Residences*, located near Sultan Abdul Aziz Shah Golf & Country Club and felt encouraged by management's intention to offer better sales package, with a re-launching in 2H19. However, we are less convinced of their take-up target of 40% by FY19 due to the overall challenging property market and the previous poor response. No changes to FY19-20E earnings. Maintain UP with unchanged TP of RM0.785.

Poor response earlier for The View Residence. *The View Residences* is a condominium development project located near Sultan Abdul Aziz Shah Golf & Country Club, Shah Alam, on 5.25 acres of leasehold land. The project comprises 3 blocks of 15-storey high condominium, totaling 315 units of residential units and 5 units of retail shops, with a total estimated GDV of RM271m. It is considered a mid-to-high end project with selling prices of the residential units ranging from RM730k to RM960k per unit (built-up area of 980 sqft to 1,281 sqft and comes with 3 bedrooms and 2 bathrooms), implying price psf of c.RM750. While the project was made available for booking in 4Q17, no construction work has started yet as bookings were not enough to begin construction. Based on our understanding, MAGNA will only start construction once they achieve bookings of at least 30%. Currently, bookings are only at c.10%. We believe the poor response could be due to its higher selling price (c.RM750 psf) vs. surrounding similar developments such as *Emira Residence* and *Stellar Residence* at RM600-700 psf.

Repackage and re-launch. Apart from the high selling price, management has stated that another reason for the poor response was mainly due to poor marketing efforts by its previous marketing agency. The group has now engaged another marketing agency and aims to aggressively promote *The View Residences* in 2H19 by offering better sales package in hopes of encouraging better response from the market. Currently, sales package offered includes free legal fees for SPA, loan as well as disbursement, and also sales rebate of 10%. While they are still working on refining the sales package, some proposed ideas include offering higher sales rebate and providing free vouchers for interior designs.

Ambitious take-up target of 40%. Through the repackaging, the group aims to achieve 40% take-up in FY19 for *The View Residences*. After considering the potential additional sales rebates, we reckon that the net selling price may range between c.RM600-650 psf. While we are encouraged to see management taking effort to repackage the products, we believe that it may be tough to achieve 40% take-up rate target by FY19 given the overall challenging property market, especially for properties priced closer to RM1m/unit. Furthermore, re-launch of the project will only happen in 2H19 and conversion of bookings into sales may spill over to FY20.

Maintain earnings. Post visit, we make no changes to our FY19-20E earnings as we already did not factor much earnings contribution from this project for FY19.

Maintain UNDERPERFORM with Target Price of RM0.785. Our TP is based on property RNAV discount of 70%, which implies a 60% discount to its FD SoP of RM1.94. Our implied SoP discount is at the historical trough level due to volatility in its 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: RM0.895
Target Price: RM0.785 ↔

Expected Capital Gain: -RM0.110 -12.3%
Expected Divd. Yield: RM0.000 0.0%
Expected Total Return: -RM0.110 -12.3%

KLCI Index 1,639.46

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)	297.7
Par value per share (RM)	0.25
52-week range (H)	1.19
52-week range (L)	0.82
Free Float	49%
Beta	0.5
3-mth avg daily vol:	23,584

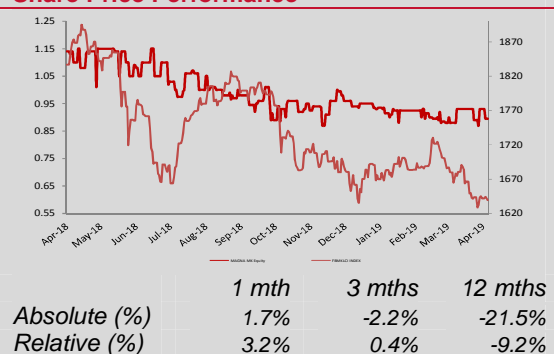
Major Shareholders

Prisma Pelang Snd 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	13.9	15.0
PBT	-26.1	2.4	3.9
Net Profit (NP)	-53.7	1.6	2.5
Core NP	-36.0	1.6	2.5
Consensus (CNP)	n.a.	n.a.	n.a.
Earnings Revision	n.a.	n.a.	n.a.
FD Core EPS (sen)	(7.3)	0.3	0.5
FD EPS growth (%)	n.m.	n.m.	60%
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)	n.m.	282.3	176.1
Dbt-to-Eqty ratio (x)	0.4	0.2	0.3
Return on Asset (%)	-5.8%	0.2%	0.3%
Return on Eqty.(%)	-9.6%	0.3%	0.5%
Dividend Yield (%)	0.0%	0.0%	0.0%

Share Price Performance



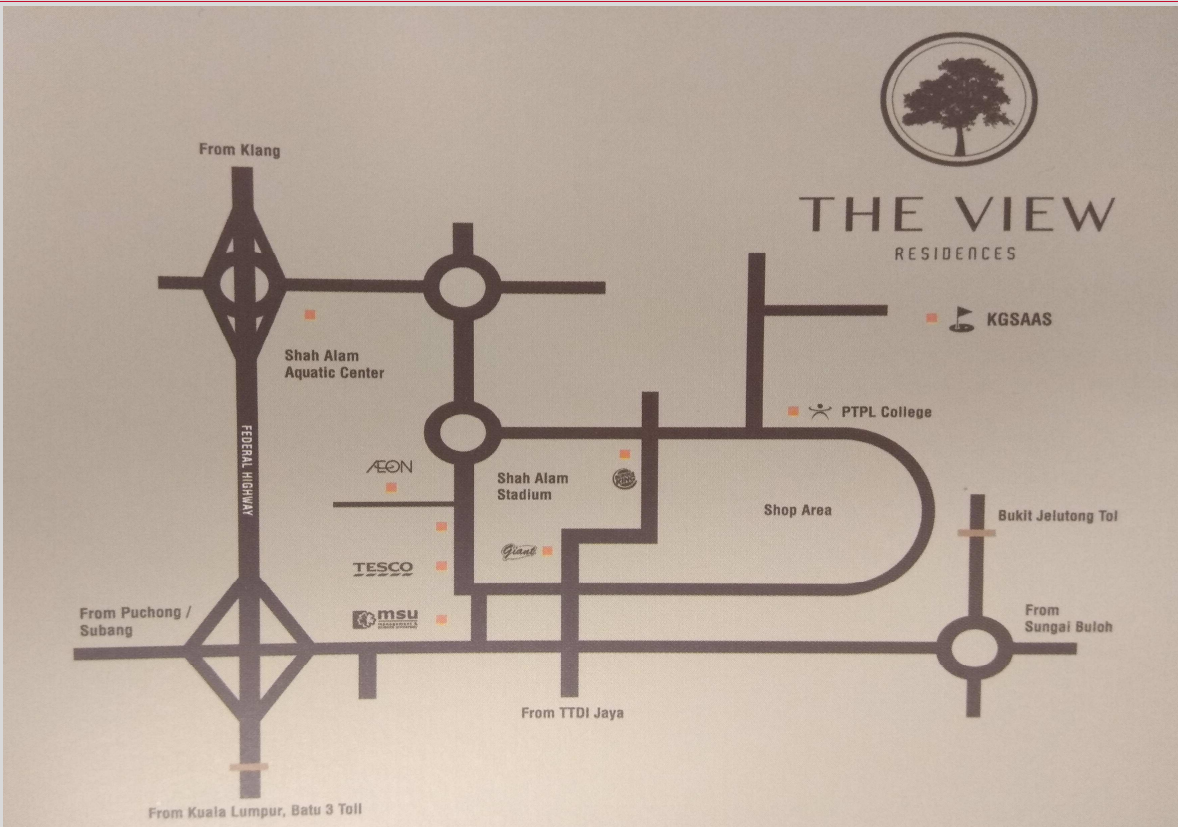
Adrian Ng Wei Gek / Loo Tungwye
adrian.ng@/lootw@kenanga.com.my
+603-2172 2639 / +603-2172 2654

The View Residences Scale Model



Source: Kenanga Research

The View Residences Location Map



Source: Kenanga Research

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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	15.0	16.0
Depreciation	-0.8	-0.7	-0.2	-1.0	-1.1
EBIT	79.7	30.1	5.2	13.9	15.0
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	2.4	3.9
Taxation	-24.3	-7.3	-29.0	-0.6	-0.9
Minority Interest	1.8	1.6	1.4	-0.3	-0.4
Net Profit	44.2	10.7	-53.7	1.6	2.5
Core Net Profit	44.2	10.7	-36.0	1.6	2.5

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	175.6	198.3
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	33.0	22.9
Total Assets	1023.5	967.2	897.8	816.9	835.5

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	526.9	529.4

Share Capital	83.2	121.0	121.0	121.0	121.0
Reserves	514.7	472.0	404.3	405.9	408.4
Shareholders' Equity	598.0	593.1	525.3	526.9	529.4

Cashflow Statement

FY Dec (RM m)	2016A	2017A	2018A	2019E	2020E
Operating CF	13.7	5.6	25.1	83.0	-4.0
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%	179%	7%
EBIT	-73%	-62%	-83%	169%	8%
Pre-tax Income	-76%	-75%	n.m.	n.m.	61%
Net Income	-78%	-76%	n.m.	n.m.	60%
Core Net Income	-15362%	-3353%	n.m.	n.m.	95%

Profitability (%)

EBITDA Margin	56.4%	31.2%	14.1%	28.0%	27.0%
EBIT Margin	55.8%	30.5%	13.5%	26.1%	25.2%
PBT Margin	46.7%	16.6%	-68.5%	4.5%	6.5%
Core Net Margin	31.0%	10.8%	-94.4%	2.9%	4.2%
Effective Tax Rate	36.4%	44.7%	-111.1%	24.0%	24.0%
ROE	9.3%	1.8%	-9.6%	0.3%	0.5%
ROA	4.8%	1.1%	-5.8%	0.2%	0.3%

DuPont Analysis

Net margin (%)	31.0%	10.8%	-140.7%	2.9%	4.2%
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%	0.3%	0.5%

Leverage

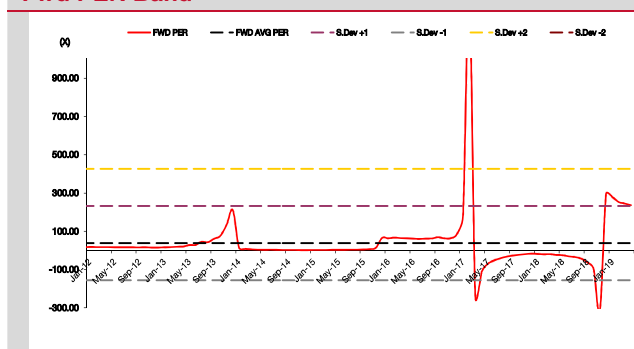
Debt/Asset (x)	0.23	0.23	0.24	0.20	0.21
Debt/Equity (x)	0.39	0.37	0.40	0.31	0.32
Net Debt/(Cash)	200.3	207.8	196.1	129.6	149.7
Net Debt/Equity (x)	0.34	0.35	0.37	0.25	0.28

Valuations

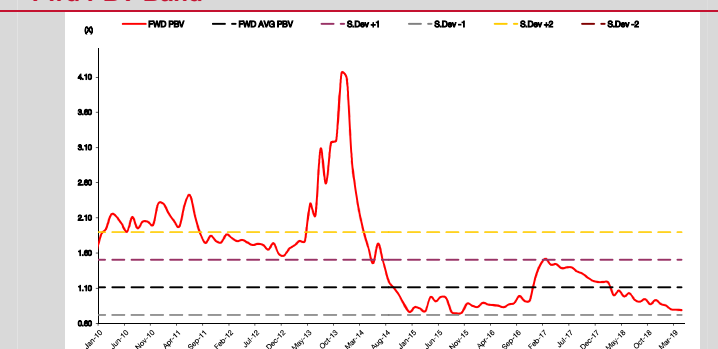
Core EPS (sen)	13.2	3.2	(10.8)	0.5	0.8
FD Core EPS (sen)	8.9	2.2	(7.3)	0.3	0.5
NDPS (sen)	0.0	0.0	0.0	0.0	0.0
BV/share (RM)	1.80	1.79	1.58	1.59	1.59
FD BV/Share (RM)	1.22	1.21	1.07	1.07	1.08
Core PER (x)	6.8	28.1	n.m.	190.6	118.9
FD Core PER (x)	10.0	41.6	n.m.	282.3	176.1
Net Div. Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%
PBV (x)	0.5	0.5	0.6	0.6	0.6
FD PBV (x)	0.7	0.7	0.8	0.8	0.8

Source: Kenanga Research

Fwd PER Band



Fwd PBV Band



Source: Bloomberg, Kenanga Research

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SoP Table				
	Remaining GDV (RM'm)	Net Margin (%)	WACC (%)	DCF Value (RM m)***
Unbilled Sales	49	9%	11%	15
Launched but not yet sold	198	9%	11%	79
<u>Projects</u>				
The View Residence	271	9%	11%	18
Kepong 2D	141	9%	11%	8
Magna Suria	1,486	9%	11%	76
Gasing Lifestyle	658	9%	11%	44
Shareholder's Funds (@ 4Q16)				614.0
RNAV				854
Dilution Impact				150
FD SOP				1,004
FD SOP/share (RM)				MYR 1.94
Property RNAV Discount (excl. warrants effect)				-70%
Implied SOP discount				-60%
TP (RM)				MYR 0.785

Source: Kenanga Research

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Peer Comparison

*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																		
Name	Last Price	Market	Shariah	Current	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div.Yld. (%)	Target	Rating	
	(RM)	Cap (RM'm)	Compliant	FYE	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.	Price (RM)		
PROPERTY DEVELOPERS UNDER COVERAGE																		
AMVERTON BHD	1.20	438.1	Y	12/2019	18.3%	-1.4%	-27.5%	2.2%	18.4	25.3	24.8	0.6	0.6	2.4%	0.0%	1.00	UP	
ECO WORLD DEVELOPMENT GROUP	0.915	2,694.1	Y	10/2019	-4.4%	-18.3%	23.4%	23.9%	16.3	13.2	10.6	0.7	0.7	4.5%	1.1%	1.15	OP	
HUA YANG BHD	0.395	139.0	Y	03/2019	9.0%	0.3%	149.1%	22.3%	31.5	12.7	10.3	0.2	0.2	1.8%	0.0%	0.410	MP	
IOI PROPERTIES GROUP BHD	1.34	7,378.2	Y	06/2019	-15.0%	-6.0%	0.8%	-3.4%	11.2	11.1	11.5	0.4	0.4	3.6%	3.7%	1.65	OP	
LBS BINA GROUP BHD	0.635	989.9	Y	12/2019	31.3%	0.9%	7.9%	3.4%	11.6	10.8	10.4	0.7	0.6	6.6%	2.8%	0.675	MP	
MAGNA PRIMA BHD	0.895	297.7	Y	12/2019	40.0%	11.1%	N.A.	60.7%	N.A.	282.3	176.1	0.8	0.8	0.3%	0.0%	0.785	UP	
MAH SING GROUP BHD	0.940	2,282.0	Y	12/2019	4.5%	7.0%	-2.5%	1.0%	13.9	14.3	14.1	0.7	0.6	5.2%	4.3%	1.05	OP	
MALAYSIAN RESOURCES CORP BHD	0.970	4,267.9	Y	12/2019	5.0%	5.0%	26.9%	19.5%	56.4	44.5	37.2	0.9	0.9	2.0%	1.8%	0.750	UP	
SIME DARBY PROPERTY BHD	1.11	7,548.9	Y	12/2018	14.6%	15.1%	7.7%	19.2%	20.6	19.1	16.0	0.8	0.8	4.0%	2.1%	1.10	MP	
SP SETIA BHD	2.25	8,912.5	Y	12/2019	7.8%	15.3%	71.3%	53.9%	41.3	24.1	15.7	0.6	0.6	2.5%	3.1%	2.45	OP	
SUNSURIA BHD	0.645	557.2	Y	09/2019	-36.0%	25.2%	-31.8%	26.6%	4.2	6.2	4.9	0.6	0.6	10.4%	0.0%	0.760	OP	
SUNWAY BHD	1.70	8,225.6	Y	12/2019	1.2%	8.6%	1.4%	15.1%	14.2	13.9	12.1	1.0	1.0	7.5%	3.8%	1.55	MP	
UEM SUNRISE BHD	0.870	3,947.6	Y	12/2019	37.0%	-14.3%	9.0%	-11.7%	12.1	11.1	12.6	0.6	0.6	4.9%	1.1%	0.850	MP	
UOA DEVELOPMENT BHD	2.15	3,964.0	Y	12/2019	0.6%	-0.4%	4.6%	0.9%	11.9	11.4	11.3	0.8	0.8	7.4%	6.5%	2.15	MP	
Simple Average					8.1%	3.4%	181.1%	16.7%	20.3	35.7	26.3	0.7	0.7	4.5%	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	0.375	292.8	Y	04/2019	-37.9%	22.4%	-81.8%	179.8%	9.4	51.4	18.4	0.3	N.A.	0.6%	1.1%	0.390	SELL	
MATRIX CONCEPTS HOLDINGS BHD	1.90	1,430.3	Y	03/2019	25.1%	12.1%	-2.3%	11.5%	6.7	6.9	6.2	1.1	1.1	16.2%	6.5%	2.31	BUY	
PARAMOUNT CORP BHD	2.09	905.7	Y	12/2019	-1.4%	8.4%	-1.0%	5.3%	9.5	9.6	9.1	0.8	N.A.	7.2%	4.3%	2.56	BUY	
TAMBUN INDAH LAND BHD	0.810	351.1	Y	12/2019	-14.3%	10.6%	-24.0%	9.5%	6.3	8.3	7.6	0.6	N.A.	7.7%	5.2%	0.933	BUY	
TITIJAYA LAND BHD	0.310	401.2	Y	06/2019	-14.3%	13.9%	-28.4%	17.1%	5.5	7.7	6.6	0.3	0.3	3.9%	1.6%	0.385	BUY	
YONG TAI BHD	0.380	184.5	Y	06/2019	33.2%	102.7%	-143.0%	42.2%	11.9	N.A.	11.7	0.5	0.5	-3.6%	0.0%	0.398	NEUTRAL	

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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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 E-mail: research@kenanga.com.my

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



Chan Ken Yew
Head of Research