

14 August 2020

Magna Prima Berhad Ceasing Coverage

1HFY20 CNL of RM8.7m is deemed within our estimate as we anticipate weaker quarters ahead due to lower sales, and impact from the Covid-19 pandemic. No dividend was declared as expected. We are ceasing active coverage with our previous FY20E and FY21E CNLs at RM24.6m and RM19.4 respectively. The stock is now a NOT RATED with our last TP of RM0.520.

Deemed within expectation. 1HFY20 CNL of RM8.7m is deemed within our estimate as we expect weaker quarters ahead in view of lower property sales, and impact from the Covid-19 pandemic could further drag the company. No dividend declared, as expected.

Results' highlight. YoY, 1HFY20 registered lower losses of RM8.7m compared to RM9.9m in 1HFY19, largely due to lower selling and distribution costs in line with lower property sales activity and lower administrative expenses (-51%) due to the implementation of MCO. QoQ, 2QFY20 recorded lower CNL of RM1.7m compared to RM7.0m in the preceding quarter mainly due to the same reason mentioned.

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 its gearing level.

Cease coverage. Due to a lack of investors' interests and the reshuffling of our research resources, we are ceasing active coverage for now. Should its outlook improve, we may seek to resume coverage in the future. Our previous 2020E and 2021E CNLs are RM24.6m and RM19.4m, respectively. The stock is now Not Rated (from UNDERPERFORM), with our last TP of RM0.520 implying FY21 PBV of 0.4x.

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.

Not Rated

Price: RM0.850
Target Price: RM0.520 ↔

Expected Capital Gain: -RM0.33 -38.8%
Expected Divd. Yield: RM0.00 -0%
Expected Total Return: -RM0.33 -38.8%

KLCI Index 1,576.42

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)	282.7
Par value per share (RM)	0.25
52-week range (H)	1.25
52-week range (L)	0.65
Free Float	39%
Beta	0.1
3-mth avg daily vol:	68,743

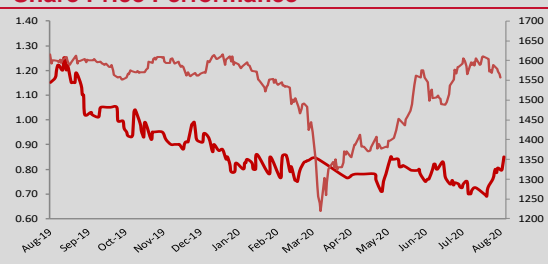
Major Shareholders

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	28.0	37.5
EBIT	-7.8	-5.9	-3.6
PBT/(LBT)	-31.5	-25.5	-21.0
Net Profit/(Loss)	-32.7	-24.6	-19.4
Core NP/(NL)	-28.5	-24.6	-19.4
Consensus (CNP)	N.A.	N.A.	N.A.
Earnings Revision	N.A.	0%	0%
Core EPS (sen)	(8.3)	(7.2)	(5.7)
EPS growth (%)	14	(14)	(21)
DPS (sen)	0.0	0.0	0.0
NTA/Share (RM)	1.4	1.4	1.3
PBV (x)	0.6	0.6	0.7
Core PER (x)	N.M.	N.M.	N.M.
Dbt-to-Eqty ratio (x)	0.4	0.3	0.4
Return on Asset (%)	-3.9	-3.1	-2.5
Return on Eqty.(%)	-6.8	-5.2	-4.3
Dividend Yield (%)	0.0	0.0	0.0

Share Price Performance



	1 mth	3 mths	12 mths
Absolute (%)	13.3%	0.0%	-26.1%
Relative (%)	15.2%	-12.8%	-23.7%

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Results Highlight

FYE Dec (RM m)	2QFY20	1QFY20	QoQ	2QFY19	YoY	1HFY20	1HFY19	YoY
Turnover	0.3	2.0	-87%	5.7	-95%	2.3	15.8	-86%
EBITDA	0.7	-1.3	N.M.	-3.4	N.M.	-0.6	-2.7	-76%
Depreciation	0.0	0.0	N.A.	-0.1	-100%	0.0	-0.1	-100%
EBIT	0.7	-1.3	N.M.	-3.6	N.M.	-0.6	-2.8	-77%
Interest inc/(exp)	-2.8	-5.7	-51%	-3.6	-22%	-8.6	-7.7	11%
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.	-4.3	-100%	0.0	-4.3	-100%
Forex gain/(loss)	0.0	0.0	N.A.	0.0	N.A.	0.0	0.0	N.A.
Pretax profit	-2.2	-7.1	-69%	-11.5	-81%	-9.2	-14.8	-38%
Taxation	0.2	-0.3	N.M.	0.0	-965%	-0.1	-0.3	-66%
Deferred tax	0.0	0.0	N.A.	0.0	N.A.	0.0	0.0	N.A.
Profit after tax	-2.0	-7.3	-73%	-11.5	-83%	-9.3	-15.0	-38%
Minority interest	0.3	0.3	-13%	0.5	-43%	0.6	0.9	-27%
PATAMI	-1.7	-7.0	-76%	-11.0	-85%	-8.7	-14.1	-39%
Core PATAMI	-1.7	-7.0	-76%	-6.7	-75%	-8.7	-9.9	-12%
DPS (sen)	0.0	0.0		0.0		0.0	0.0	
EBIT margin	253%	-66%		-63%		-28%	-18%	
Pretax margin	-809%	-355%		-200%		-409%	-93%	
NP margin	-809%	-355%		-200%		-409%	-93%	
CNP margin	-623%	-353%		-117%		-385%	-63%	
EPS (sen)	-0.5	-2.1		-3.3		-2.6	-4.3	
Core EPS(sen)	-0.5	-2.1		-2.0		-2.6	-3.0	
BV/share (RM)	1.4	1.4		1.5		1.4	1.5	
Net gearing (x)	0.4	0.4		0.4		0.4	0.4	
Effective tax	9%	-4%		0%		-1%	-2%	

Source: Company, Kenanga Research

Segmental Results

External Revenue	2QFY20	1QFY20	QoQ	2QFY19	YoY	1HFY20	1HFY19	YoY
Property Development	0.2	2.0	-89%	5.5	-96%	2.2	15.4	-86%
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	0.0	48%	0.2	-78%	0.1	0.4	-82%
PBT Segmentation								
Property Development	-1.9	-5.4	-64%	-9.4	-80%	-7.3	-10.6	-31%
Construction & Engineering	0.0	-0.2	-125%	-0.2	-124%	-0.2	-0.5	-64%
Trading	0.0	0.0	33%	0.0	0%	0.0	0.0	0%
Others	-0.3	-1.5	-81%	-1.8	-84%	-1.8	-3.7	-50%
PBT margins								
Property Development	-882%	-275%		-171%		-336%	-69%	
Construction & Engineering	N.A.	N.A.		N.A.		N.A.	N.A.	
Trading	N.A.	N.A.		N.A.		N.A.	N.A.	
Others	-592%	-4655%		-811%		-2227%	-804%	

Source: Company, Kenanga Research

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Peer Comparison

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.	1-Yr. Fwd.	Price (RM)	
PROPERTY DEVELOPERS UNDER COVERAGE																		
ECO WORLD DEVELOPMENT GROUP	0.425	1,251.4	Y	10/2020	-26.6%	2.1%	-22.0%	17.6%	6.3	8.0	6.8	0.3	0.3	3.4%	1.9%	0.440	MP	
IOI PROPERTIES GROUP BHD	0.920	5,065.7	Y	06/2020	-20.0%	18.6%	-19.1%	28.7%	7.7	9.5	7.4	0.3	0.3	2.9%	3.3%	1.29	OP	
LBS BINA GROUP BHD	0.400	624.7	Y	12/2020	-0.7%	12.7%	-38.2%	65.0%	9.2	14.9	9.1	0.5	0.5	3.1%	2.0%	0.330	UP	
MAGNA PRIMA BHD	0.850	282.7	Y	12/2020	-13.0%	33.9%	-115.9%	-126.8%	N.A.	N.A.	N.A.	0.6	0.6	-5.2%	0.0%	0.520	N.R	
MAH SING GROUP BHD	0.740	1,796.5	Y	12/2020	-20.6%	49.0%	-45.9%	108.5%	16.4	30.8	14.5	0.5	0.5	1.7%	4.1%	0.570	MP	
MALAYSIAN RESOURCES CORP BHD	0.530	2,338.4	Y	12/2020	-36.4%	42.7%	174.3%	70.8%	98.1	89.8	35.8	0.5	0.5	1.4%	0.0%	0.750	OP	
SIME DARBY PROPERTY BHD	0.635	4,318.5	Y	12/2019	-49.3%	6.6%	-42.1%	21.1%	6.1	10.5	8.7	0.5	0.4	4.3%	2.8%	0.800	OP	
SP SETIA BHD	0.790	3,204.8	Y	12/2020	-41.6%	68.4%	-66.9%	361.9%	12.6	38.1	8.2	0.3	0.3	0.6%	0.8%	0.680	UP	
SUNWAY BHD	1.32	6,469.8	Y	12/2020	-14.9%	32.5%	-34.1%	43.5%	10.2	15.4	10.8	0.7	0.7	4.4%	3.3%	1.68	OP	
UEM SUNRISE BHD	0.415	1,883.0	Y	12/2020	-39.6%	6.7%	-70.2%	25.9%	6.0	6.7	7.7	0.3	0.2	1.4%	0.0%	0.565	OP	
UOA DEVELOPMENT BHD	1.49	2,929.4	Y	12/2020	6.6%	15.7%	-9.0%	13.3%	8.1	8.3	7.3	0.6	0.6	7.0%	9.4%	1.82	MP	
Simple Average					-23.3%	26.3%	-26.3%	57.2%	18.1	23.2	11.6	0.4	0.4	2.3%	2.5%			

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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