

18 May 2018 | 1QFY18 Results Review

## Magna Prima Berhad

*Unexciting earnings*

**Maintain NEUTRAL**

**Revised Target Price (TP): RM1.18**  
(Previously: RM1.23)


### INVESTMENT HIGHLIGHTS

- **1QFY18 earnings below expectation**
- **Lower earnings in 1QFY18**
- **Earnings estimates reduced**
- **Tepid new sales outlook**
- **Maintain Neutral with a revised TP of RM1.18**

**1QFY18 earnings below expectation.** Magna Prima 1QFY18 core net income of RM0.6m came in below expectation, making up 5% of our estimates. The negative deviation could be attributed to the slower-than-expected progress billing and lower-than-expected margin in 1QFY18. Comparison to consensus estimates is not available due to limited research coverage.

**Lower earnings in 1QFY18.** Magna Prima registered lower core net income of RM0.6m (-71%yoy) in 1QFY18 despite revenue grew 34%yoy, owing to higher cost of sales. Note that we have excluded forex gain of RM2.6m in our 1QFY18 core net income calculation. 1QFY18 earnings of Magna Prima were mainly contributed by sales of remaining completed units of residential project in Jalan Kuching and Desa Mentari commercial project.

**Earnings estimates reduced.** We reduced our earnings forecast for FY18/19 by 42%/39% to account for the slower progress billing and lower margin. New sales outlook for Magna Prima is tepid as we expect sales momentum from The View Residences (GDV: RM271m) to be slow. Meanwhile, planned launches for FY18 include Kepong 2D project with GDV of RM156m. Note that Kepong 2D is located in Metro Prima Kepong which is a 89 acres township project.

**Maintain Neutral with a revised TP of RM1.18.** We revise our TP for Magna Prima to RM1.18 from RM1.23 as we assume lower margin in our RNAV valuation. Our TP is based on unchanged 35% discount to fully-diluted RNAV. We maintain our Neutral call on Magna Prima due to its unexciting earnings outlook. 

### RETURN STATS

|                              |             |
|------------------------------|-------------|
| Price (17 May 2018)          | RM1.13      |
| Fair Value                   | RM1.18      |
| Expected Share Price Return  | 2.6%        |
| Expected Dividend Yield      | 0.4%        |
| <b>Expected Total Return</b> | <b>3.0%</b> |

### STOCK INFO

|                              |                 |                 |
|------------------------------|-----------------|-----------------|
| KLCI                         | 1,854.44        |                 |
| Bursa / Bloomberg            | 7617 / Magna MK |                 |
| Board / Sector               | Main/Properties |                 |
| Syariah Compliant            | Yes             |                 |
| Issued shares (m)            | 332.63          |                 |
| Market cap. (RM'm)           | 382.52          |                 |
| Price over NA                | 0.64            |                 |
| 52-wk price Range            | RM1.1-RM1.59    |                 |
| Beta (against KLCI)          | 0.32            |                 |
| 3-mth Avg Daily Vol          | 0.01m           |                 |
| 3-mth Avg Daily Value        | RM0.01m         |                 |
| Major Shareholders (%)       |                 |                 |
| Prisma Pelangi Sdn Bhd       | 30.93%          |                 |
| Fantastic Realty Snd Bhd     | 13.56%          |                 |
| Rahadian Bin Mohammad        | 6.43%           |                 |
| <b>Price Performance (%)</b> | <b>Absolute</b> | <b>Relative</b> |
| 1 month                      | -9.6            | -9.5            |
| 3 months                     | -11.0           | -16.7           |
| 12 months                    | -28.0           | -32.0           |

## INVESTMENT STATISTICS

| FYE Dec                  | FY15  | FY16  | FY17  | FY18F | FY19F |
|--------------------------|-------|-------|-------|-------|-------|
| Revenue (RM'm)           | 795.5 | 142.7 | 101.0 | 84.5  | 80.1  |
| Pretax Profit (RM'm)     | 493.7 | 72.1  | 13.9  | 7.1   | 9.2   |
| Net Profit (RM'm)        | 408.5 | 48.0  | 11.4  | 6.7   | 7.7   |
| Core Net Profit (RM'm)   | 401.4 | 4.5   | 14.8  | 6.7   | 7.7   |
| EPS (sen)                | 122.7 | 14.4  | 4.0   | 2.0   | 2.3   |
| EPS growth (%)           | n.m.  | -88%  | -76%  | -41%  | 15%   |
| PER (x)                  | 0.9   | 8.0   | 33.4  | 57.1  | 49.7  |
| Net Dividend (sen)       | 8.00  | 3.00  | 0.00  | 0.40  | 0.46  |
| Dividend yield (%)       | 7.0%  | 2.6%  | 0.0%  | 0.4%  | 0.4%  |
| Debt to equity ratio (x) | 0.48  | 0.39  | 0.40  | 0.38  | 0.37  |
| ROA (%)                  | 39.1% | 0.4%  | 1.5%  | 0.7%  | 0.8%  |
| ROE (%)                  | 72.3% | 0.7%  | 2.5%  | 1.1%  | 1.2%  |
| NTA per share (RM)       | 1.67  | 1.82  | 1.79  | 1.87  | 1.91  |
| Price to NTA (x)         | 0.69  | 0.63  | 0.64  | 0.61  | 0.60  |

Source: Company, MIDF Research

## 1QFY18 Results Summary

| FYE Dec (RM'm, unless otherwise stated) | Quarterly Results |      |      | Cumulative |      |
|---|-------------------|------|------|------------|------|
|   | 1QFY18            | %YoY | %QoQ | FY18       | %YoY |
| Revenue                                 | 12.9              | 34%  | 24%  | 12.9       | 34%  |
| Operating profit                        | 5.6               | -27% | -62% | 5.6        | -27% |
| Pretax profit                           | 2.5               | -40% | -78% | 2.5        | -40% |
| Net profit                              | 3.2               | 53%  | -76% | 3.2        | 53%  |
| Core net profit                         | 0.6               | -71% | -88% | 0.6        | -71% |
| EPU (sen)                               | 1.0               | 52%  | -76% | 1.0        | 52%  |
| Core EPU (sen)                          | 0.2               | -71% | -88% | 0.2        | -71% |
| Gross DPU (sen)                         | 0.0               | 0%   | 0%   | 0.0        | 0%   |
| Net Gearing (x)                         | 0.3               | -1%  | -5%  | 0.3        | -1%  |

Source: Company

## DAILY PRICE CHART



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Source: Bloomberg

Figure 1: RNAV

|   | Stake | Remaining GDV (RM m) | WACC (%) | Value (RM m)  |
|---|-------|----------------------|----------|---------------|
| <b>On-going projects</b>                |       |                      |          |               |
| Boulevard Business Park                 | 100%  | 142                  | 10.0%    | 10.17         |
| Desa Mentari                            | 100%  | 56                   | 10.0%    | 4.01          |
| <b>Future projects</b>                  |       |                      |          |               |
| The View Residence                      | 100%  | 270                  | 10.0%    | 16.89         |
| Magna Suria                             | 100%  | 1486                 | 10.0%    | 76.28         |
| Gasing Lifestyle                        | 100%  | 658                  | 10.0%    | 43.02         |
| Kepong 2D                               | 79%   | 156                  | 10.0%    | 8.43          |
| Unbilled sales                          |       | 40                   | 10.0%    | 2.86          |
| <b>Total</b>                            |       |                      |          | <b>161.65</b> |
| Shareholders funds (RM m)               |       |                      |          | 597.97        |
| Warrants proceed (RM m)                 |       |                      |          | 147.98        |
| <b>Total RNAV (RM m)</b>                |       |                      |          | <b>907.60</b> |
| Fully-diluted enlarged share base (mil) |       |                      |          | 499.13        |
| FD RNAV per share (RM)                  |       |                      |          | 1.82          |
| Discount                                |       |                      |          | 35%           |
| <b>Target Price (RM)</b>                |       |                      |          | <b>1.18</b>   |

Source: MIDF Research

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### MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

|              |  |
|--------------|--|
| BUY          | Total return is expected to be >10% over the next 12 months.   |
| TRADING BUY  | Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.  |
| NEUTRAL      | Total return is expected to be between -10% and +10% over the next 12 months.  |
| SELL         | Total return is expected to be <-10% over the next 12 months.  |
| TRADING SELL | Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow. |

#### SECTOR RECOMMENDATIONS

|          |  |
|----------|--|
| POSITIVE | The sector is expected to outperform the overall market over the next 12 months.   |
| NEUTRAL  | The sector is to perform in line with the overall market over the next 12 months.  |
| NEGATIVE | The sector is expected to underperform the overall market over the next 12 months. |