

17 August 2018 | 2QFY18 Results Review

Magna Prima Berhad

Weaker earnings

Maintain NEUTRAL

Revised Target Price (TP): RM1.07
(Previously: RM1.18)


INVESTMENT HIGHLIGHTS

- **1HFY18 earnings below estimate**
- **Weaker earnings in 1HFY18**
- **Earnings estimates revised downwards**
- **Maintain Neutral with a revised TP of RM1.07**

1HFY18 earnings below estimate. Magna Prima 1HFY18 core net income of RM2.2m came in below expectation, making up only 32% of our full year forecast. The negative deviation could be attributed to the slower-than-expected progress billing and higher-than-expected operating cost. Comparison to consensus estimate is not available due to limited research coverage.

Weaker earnings in 1HFY18. Magna Prima registered core net income of RM1.5m in 2QFY18, bringing cumulative core net income to RM2.2m in 1HFY18. Note that we have excluded unrealised forex gain of RM4.7m in our core net income calculation. 1HFY18 core net income fell 74%yoy due to lower earnings contribution from on-going projects and higher operating cost. In 1HFY18, Magna Prima derived revenue from the sales of remaining completed units of residential project in Jalan Kuching and Desa Mentari commercial project.

Earnings estimates reduced. We reduced our earnings forecasts for FY18/19 by -12%/-39% to account for the lower revenue billing from projects and higher operating cost. We continue to see tepid new sales outlook for Magna Prima as we expect sales momentum from The View Residences (GDV: RM271m) in Shah Alam to be slow.

Maintain Neutral with a revised TP of RM1.07. We revise our TP for Magna Prima to RM1.07 from RM1.18 after assuming lower margin in our RNAV valuation and applying higher RNAV discount of 40% from 35% due to weaker earnings prospect. We maintain our Neutral call on Magna Prima due to its unexciting earnings outlook. 

RETURN STATS

Price (16 Aug 2018)	RM1.00
Fair Value	RM1.07
Expected Share Price Return	7.0%
Expected Dividend Yield	0.4%
Expected Total Return	7.4%

STOCK INFO

KLCI	1,777.27	
Bursa / Bloomberg	7617 / Magna MK	
Board / Sector	Main/Properties	
Syariah Compliant	Yes	
Issued shares (m)	332.63	
Market cap. (RM'm)	332.63	
Price over NA	0.56	
52-wk price Range	RM0.96 -RM1.49	
Beta (against KLCI)	0.56	
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	13.53%	
Rahadian Bin Mohammad	6.43%	
Price Performance (%)	Absolute	Relative
1 month	0.5	-1.8
3 months	-9.1	-9.3
12 months	-31.5	-31.5

INVESTMENT STATISTICS

FYE Dec	FY15	FY16	FY17	FY18F	FY19F
Revenue (RM'm)	795.5	142.7	101.0	81.8	79.6
Pretax Profit (RM'm)	493.7	72.1	13.9	6.0	9.0
Net Profit (RM'm)	408.5	48.0	11.4	5.9	7.6
Core Net Profit (RM'm)	401.4	4.5	14.8	5.9	7.6
EPS (sen)	122.7	14.4	4.0	1.8	2.3
EPS growth (%)	n.m.	-88%	-76%	-48%	28%
PER (x)	0.8	6.9	29.1	56.4	44.2
Net Dividend (sen)	8.00	3.00	0.00	0.35	0.45
Dividend yield (%)	8.0%	3.0%	0.0%	0.4%	0.5%
Debt to equity ratio (x)	0.48	0.39	0.40	0.38	0.37
ROA (%)	39.1%	0.4%	1.5%	0.6%	0.8%
ROE (%)	72.3%	0.7%	2.5%	0.9%	1.2%
NTA per share (RM)	1.67	1.82	1.79	1.87	1.91
Price to NTA (x)	0.60	0.55	0.56	0.53	0.52

Source: Company, MIDF Research

2QFY18 Results Summary

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	2QFY18	%YoY	%QoQ	FY18	%YoY
Revenue	25.6	-18%	98%	38.5	-6%
Operating profit	7.8	-37%	39%	13.3	-33%
Pretax profit	4.5	-47%	81%	6.9	-45%
Net profit	3.7	-40%	14%	6.9	-16%
Core net profit	1.5	-74%	157%	2.2	-74%
EPU (sen)	1.1	-40%	14%	2.1	-16%
Core EPU (sen)	0.5	-74%	157%	0.6	-74%
Gross DPU (sen)	0.0	0%	N/A	0.0	0%
Net Gearing (x)	0.3	-13%	-3%	0.3	-13%

Source: Company

DAILY PRICE CHART



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Source: Bloomberg

Figure 1: RNAV

	Stake	Remaining GDV (RM m)	WACC (%)	Value (RM m)
On-going projects				
Boulevard Business Park	100%	142	10.0%	9.24
Desa Mentari	100%	56	10.0%	3.64
Future projects				
The View Residence	100%	270	10.0%	15.35
Magna Suria	100%	1486	10.0%	69.34
Gasing Lifestyle	100%	658	10.0%	39.11
Kepong 2D	79%	156	10.0%	7.66
Unbilled sales		40	10.0%	2.60
Total				146.95
Shareholders funds (RM m)				597.97
Warrants proceed (RM m)				147.98
Total RNAV (RM m)				892.90
Fully-diluted enlarged share base (mil)				499.13
FD RNAV per share (RM)				1.79
Discount				40%
Target Price (RM)				1.07

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.