

23 November 2018 | 3QFY18 Results Review

Magna Prima Berhad

Lacklustre earnings

Downgrade to SELL
(Previously Neutral)
Revised Target Price: RM0.81
(Previously: RM1.07)


INVESTMENT HIGHLIGHTS

- **9MFY18 earnings below expectation**
- **Weaker contribution from on-going projects**
- **Earnings estimates revised downwards**
- **Downgrade to Sell with a revised TP of RM0.81**

9MFY18 earnings below expectation. Magna Prima 9MFY18 core net income of RM2.7m came in below expectation, making up 45% of our full year estimates. The negative deviation could be attributed to the slower-than-expected progress billing of its projects in Klang Valley. Comparison to consensus estimates is not available due to limited research coverage.

Weaker contribution from on-going projects. Magna Prima recorded core net income of RM0.5m in 3QFY18, declined by 66%qoq from core net income of RM1.5m in 2QFY18. That brought cumulative core net income to RM2.7m in 9MFY18, declining by 78%yoy. Note that we have excluded forex gain of RM9.5m in our core net income calculation. Core net income was weaker in 9MFY18 due to lower contribution of its on-going projects in Klang Valley and lack of new launches in FY18. 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 revised downwards. We cut our FY18/FY19 earnings forecast by 36%/57% as we assume lower progress billing from its projects in Klang Valley. We expect earnings outlook for Magna Prima to be lacklustre due to lack of new launches and weak sales momentum from The View Residences in Shah Alam.

Downgrade to Sell with a revised TP of RM0.81. We revise our TP for Magna Prima to RM0.81 from RM1.07 as we widen RNAV discount to 55% from 40%. We downgrade Magna Prima to Sell from Neutral due to the disappointing earnings in FY18. The weak new sales outlook is also expected to drag its earnings in the near-term. 

RETURN STATS

Price (22 Nov 2018)	RM0.91
Fair Value	RM0.81
Expected Share Price Return	-11.0%
Expected Dividend Yield	0.2%
Expected Total Return	-10.8%

STOCK INFO

KLCI	1,695.62	
Bursa / Bloomberg	7617 / Magna MK	
Board / Sector	Main/Properties	
Syariah Compliant	Yes	
Issued shares (m)	332.63	
Market cap. (RM'm)	302.69	
Price over NA	0.51	
52-wk price Range	RM0.84 -RM1.3	
Beta (against KLCI)	0.47	
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	-5.2	-5.1
3 months	-9.9	-28.3
12 months	-28.3	-27.3

INVESTMENT STATISTICS

FYE Dec	FY15	FY16	FY17	FY18F	FY19F
Revenue (RM'm)	795.5	142.7	101.0	74.7	65.6
Pretax Profit (RM'm)	493.7	72.1	13.9	3.0	3.0
Net Profit (RM'm)	408.5	48.0	11.4	3.8	3.3
Core Net Profit (RM'm)	401.4	4.5	14.8	3.8	3.3
EPS (sen)	122.7	14.4	4.0	1.1	1.0
EPS growth (%)	n.m.	-88%	-76%	-67%	-13%
PER (x)	0.7	6.3	26.5	80.5	92.8
Net Dividend (sen)	8.00	3.00	0.00	0.23	0.20
Dividend yield (%)	8.8%	3.3%	0.0%	0.2%	0.2%
Debt to equity ratio (x)	0.48	0.39	0.40	0.38	0.37
ROA (%)	39.1%	0.4%	1.5%	0.4%	0.3%
ROE (%)	72.3%	0.7%	2.5%	0.6%	0.5%
NTA per share (RM)	1.67	1.82	1.79	1.87	1.91
Price to NTA (x)	0.55	0.50	0.51	0.49	0.48

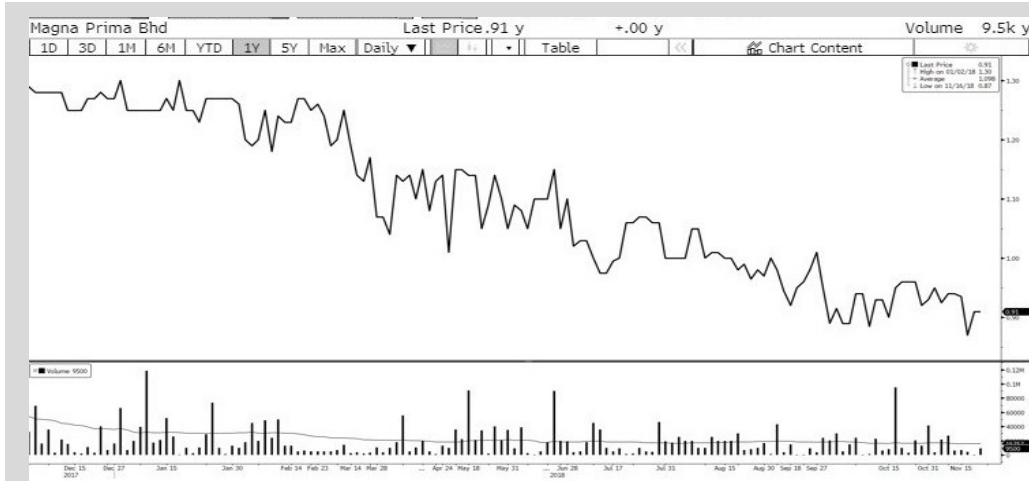
Source: Company, MIDF Research

3QFY18 Results Summary

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	3QFY18	%YoY	%QoQ	FY18	%YoY
Revenue	9.7	-81%	-62%	48.2	-47%
Operating profit	4.5	N/A	-41%	17.9	31%
Pretax profit	0.6	N/A	-86%	7.5	194%
Net profit	5.3	N/A	46%	12.2	N/A
Core net profit	0.5	-86%	-66%	2.7	-78%
EPU (sen)	1.6	N/A	46%	3.7	N/A
Core EPU (sen)	0.2	-86%	-66%	0.8	-78%
Gross DPU (sen)	0.0	0%	N/A	0.0	0%
Net Gearing (x)	0.3	-6%	2%	0.3	-6%

Source: Company

DAILY PRICE CHART



Jessica Low Jze Tieng
 jessica.low@midf.com.my
 03-2173 8391

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			55%	
Target Price (RM)				0.81

Source: MIDF Research

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (23878 - X).

(Bank Pelaburan)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (23878-X) pursuant to the Mid and Small Cap Research Scheme ("MidS") administered by Bursa Malaysia Berhad. This report has been produced independent of any influence from Bursa Malaysia Berhad or the subject company. Bursa Malaysia Berhad and its group of companies disclaim any and all liability, howsoever arising, out of or in relation to the administration of MidS and/or this report. It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This document may not be reproduced, distributed or published in any form or for any purpose.

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.