

01 March 2018 | 4QFY17 Results Review

## Magna Prima Berhad

*Higher earnings in FY17*

### INVESTMENT HIGHLIGHTS

- **FY17 earnings above expectation**
- **Higher earnings in FY17**
- **Earnings estimates revised upwards**
- **Maintain BUY with unchanged TP of RM1.59**

**FY17 earnings above expectation.** Magna Prima FY17 core net income of RM14.8m came in above expectation, making up 146% of our estimates. The positive deviation is mainly due to faster-than-expected progress billing. Comparison to consensus estimates is not available due to limited research coverage. No dividend was announced for the quarter.

**Higher earnings in FY17.** Magna Prima recorded core net income of RM5.1m 4QFY17, bringing full year core net income to RM14.8m (+232%yoy). Note that we have excluded provision of liquidated and ascertained damages (LAD) and unrealised forex loss in our core net income calculations. The higher earnings in FY17 is mainly due to earnings recognition of residential project in Jalan Kuching, Desa Mentari commercial project and sales of remaining completed units of "The Istana" in Melbourne. Meanwhile, Magna Prima recorded new sales of RM105m in FY17, while unbilled sales of RM40m provides earnings visibility of less than one year.

**Earnings estimates revised upwards.** We revised upwards our earnings forecast for FY18 by 7.6% to take into account of the faster progress billing. We also introduce our earnings forecast for FY19.

**Maintain BUY with unchanged TP of RM1.59.** Our TP is unchanged at RM1.59 despite the earnings upward revision as our TP is based on RNAV. Our TP is derived based on 20% discount to fully-diluted RNAV. We expect new property sales outlook for Magna Prima to be stable, underpinned by its on-going projects namely The View Residence in Shah Alam, Desa Mentari project in Old Klang Road and Boulevard Business Park project in Jalan Kuching.



**Maintain BUY**

**Unchanged Target Price (TP): RM1.59**

RETURN STATS	
Price (28 Feb 2018)	RM1.26
Fair Value	RM1.59
Expected Share Price Return	26.2%
Expected Dividend Yield	1.8%
<b>Expected Total Return</b>	<b>28.0%</b>

STOCK INFO		
KLCI	1,856.20	
Bursa / Bloomberg	7617 / Magna MK	
Board / Sector	Main/Properties	
Syariah Compliant	Yes	
Issued shares (m)	332.63	
Market cap. (RM'm)	419.11	
Price over NA	0.70	
52-wk price Range	RM1.15-RM1.64	
Beta (against KLCI)	0.46	
3-mth Avg Daily Vol	0.01m	
3-mth Avg Daily Value	RM0.02m	
Major Shareholders (%)		
Fantastic Realty Sdn Bhd	20.62%	
Prisma Pelangi Sdn Bhd	10.8%	
Rahadian Bin Mohammad	6.4%	
Price Performance (%)	Absolute	Relative
1 month	-0.79	-0.13
3 months	-0.79	-9.6
12 months	-21.7	-28.4

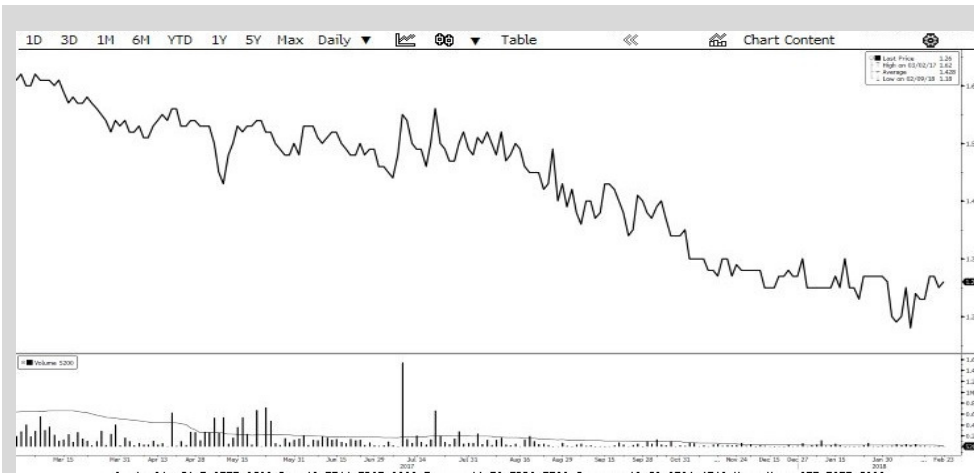
## INVESTMENT STATISTICS adjust core

FYE Dec	FY15	FY16	FY17	FY18F	FY19F
Revenue (RM'm)	795.5	142.7	101.0	142.3	133.6
Pretax Profit (RM'm)	493.7	72.1	13.9	27.5	26.7
Net Profit (RM'm)	408.5	48.0	11.4	19.0	19.7
Core Net Profit (RM'm)	401.4	4.5	14.8	19.0	19.7
EPS (sen)	122.7	14.4	4.0	5.7	5.9
EPS growth (%)	n.m.	-88%	-76%	65%	4%
PER (x)	1.0	8.7	36.6	22.2	21.4
Net Dividend (sen)	8.00	3.00	0.00	2.27	2.36
Dividend yield (%)	6.3%	2.4%	0.0%	1.8%	1.9%
Debt to equity ratio (x)	0.48	0.39	0.40	0.38	0.37
ROA (%)	39.1%	0.4%	1.5%	1.9%	2.0%
ROE (%)	72.3%	0.7%	2.5%	3.0%	3.1%
NTA per share (RM)	1.67	1.82	1.79	1.87	1.91
Price to NTA (x)	0.76	0.69	0.70	0.67	0.66

Source: Company, MIDF Research

## MAGNA PRIMA: 4QFY17 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	4QFY17	%YoY	%QoQ	FY17	%YoY
Revenue	10.4	-80%	-79%	101.0	-29%
Operating profit	14.6	508%	-331%	28.2	-68%
Pretax profit	11.3	-299%	-213%	13.9	-81%
Net profit	13.3	-248%	-263%	11.4	-74%
Core net profit	5.1	-368%	31%	14.8	232%
EPU (sen)	4.01	-248%	-263%	4.00	-72%
Core EPU (sen)	1.5	-367%	31%	4.1	208%
Gross DPU (sen)	0.0	0%	N/A	0.0	0%
Net Gearing (x)	0.4	5%	1%	0.4	5%



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Source: Bloomberg

Figure 6: RNAV

	Stake	Remaining GDV (RM m)	WACC (%)	Value (RM m)
<b>On-going projects</b>				
Boulevard Business Park	100%	142	10%	13.86
Desa Mentari	100%	56	10%	5.47
<b>Future projects</b>				
The View Residence	100%	220	10%	19.61
Magna Suria	100%	1486	10%	121.35
Gasing Lifestyle	100%	658	10%	61.36
Kepong 2D	79%	141	10%	10.87
Unbilled sales		49	10%	4.78
<b>Total</b>				237.31
Shareholders' funds (RM m)				604.56
Warrants proceed (RM m)				148.17
Total RNAV (RM m)				990.04
Fully-diluted enlarged share base (mil)				499.35
FD RNAV per share (RM)				1.98
Discount				20%
<b>Target Price (RM)</b>				<b>1.59</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.