

22 March 2018 | Corporate Update

Magna Prima Berhad

Tepid new sales outlook

Downgrade to NEUTRAL

(Previously: BUY)

Revised Target Price (TP): RM1.23

(Previously: RM1.59)

INVESTMENT HIGHLIGHTS


- **The View Residences sales slower than expected**
- **Tepid new sales outlook**
- **Earnings forecast reduced**
- **Downgrade to Neutral with a revised TP of RM1.23**

The View Residences sales slower than expected. Magna Prima launched The View Residences (GDV: RM271m) in 3QFY17. The View Residences is a residential condominium on 5.25 acres of leasehold land in Sultan Abdul Aziz Shah Golf Club, Shah Alam. The View Residences comprises three 15-storey towers that house 315 condominiums. First tower of The View Residences was launched in mid-September 2017 while take-up rate is slower than expected (estimated at ~40%) while tower three is yet to be launched.

Tepid new sales outlook. Magna Prima recorded new sales of RM105m in FY17, mainly contributed by Boulevard Business Park project in Jalan Kuching and Desa Mentari project in Old Klang Road. Meanwhile, new property sales outlook for FY18 is tepid due to the slower-than-expected sales of The View Residences. On the other hand, we gather that 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.

Earnings forecast reduced. We cut our earnings forecast for FY18/19 by 39.3%/35.3% after assuming lower sales achieved for FY18/19. Earnings in FY18 are expected to be mainly contributed by Boulevard Business Park and Desa Mentari. Unbilled sales of RM40m provide earnings visibility of less than one year.

Downgrade to Neutral with a revised TP of RM1.23.

Corresponding to our earnings revision, we revised our target price for Magna Prima to RM1.23 from RM1.59. Our TP is based on 35% discount to fully-diluted RNAV. We widened our discount to RNAV to 35% from 20% due to slower than expected sales from The View Residences and tepid new sales outlook in the near term. Our call on Magna Prima is revised to Neutral from Buy. 

RETURN STATS	
Price (21 March 2018)	RM1.13
Fair Value	RM1.23
Expected Share Price Return	8.8%
Expected Dividend Yield	0.6%
Expected Total Return	9.4%

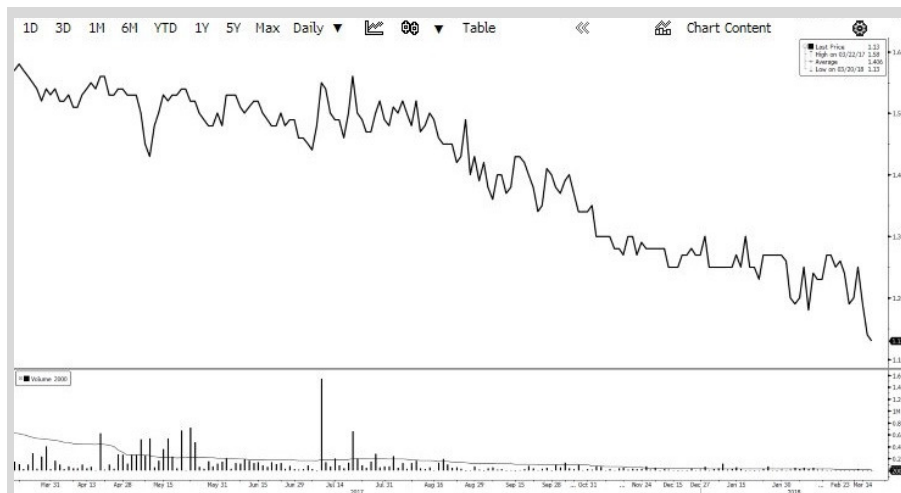
STOCK INFO		
KLCI	1,865.80	
Bursa / Bloomberg	7617 / Magna MK	
Board / Sector	Main/Properties	
Syariah Compliant	Yes	
Issued shares (m)	332.63	
Market cap. (RM'm)	375.87	
Price over NA	0.63	
52-wk price Range	RM1.15-RM1.64	
Beta (against KLCI)	0.48	
3-mth Avg Daily Vol	0.01m	
3-mth Avg Daily Value	RM0.01m	
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	-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	100.2	96.4
Pretax Profit (RM'm)	493.7	72.1	13.9	13.8	16.2
Net Profit (RM'm)	408.5	48.0	11.4	11.5	12.7
Core Net Profit (RM'm)	401.4	4.5	14.8	11.5	12.7
EPS (sen)	122.7	14.4	4.0	3.4	3.8
EPS growth (%)	n.m.	-88%	-76%	0%	11%
PER (x)	0.9	7.8	32.8	32.8	29.7
Net Dividend (sen)	8.00	3.00	0.00	0.69	0.76
Dividend yield (%)	7.1%	2.7%	0.0%	0.6%	0.7%
Debt to equity ratio (x)	0.48	0.39	0.40	0.38	0.37
ROA (%)	39.1%	0.4%	1.5%	1.2%	1.3%
ROE (%)	72.3%	0.7%	2.5%	1.8%	2.0%
NTA per share (RM)	1.67	1.82	1.79	1.87	1.91
Price to NTA (x)	0.68	0.62	0.63	0.60	0.59

Source: Company, MIDF Research

DAILY PRICE CHART



Source: Bloomberg

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Figure 1: RNAV

	Stake	Remaining GDV (RM m)	WACC (%)	Value (RM m)
On-going projects				
Boulevard Business Park	100%	142	10.0%	12.63
Desa Mentari	100%	56	10.0%	4.98
Future projects				
The View Residence	100%	270	10.0%	20.98
Magna Suria	100%	1486	10.0%	94.77
Gasing Lifestyle	100%	658	10.0%	53.45
Kepong 2D	79%	156	10.0%	10.47
Unbilled sales		40	10.0%	3.56
Total				200.84
Shareholders funds (RM m)				597.97
Warrants proceed (RM m)				147.98
Total RNAV (RM m)				946.79
Fully-diluted enlarged share base (mil)				499.13
FD RNAV per share (RM)				1.90
Discount				35%
Target Price (RM)				1.23

Source: MIDF Research

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(Bank Pelaburan)

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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.