

18 May 2018

Magna Prima Berhad

Within Expectations

1Q18 CNP of RM3.2m is within expectations, making up 27% each of our and consensus full-year estimates. The 0.85 sen dividend declared is in line with our full-year expectation of 1.1 sen. No changes to FY18-19E earnings. Maintain UNDERPERFORM with an unchanged Target Price of 0.955.

Within expectations. 1Q18 CNP of RM3.2m came in within expectations, accounting for 27% of our and consensus full-year expectations. The 0.85 sen dividend declared is also within our full-year expectation of 1.1 sen.

Results highlight. MAGNA registered 1Q18 CNP of RM3.2m compared to CNL of RM1.4m in 1Q17 largely driven by improvement in revenue, which increased by 34%. The growth in revenue was mainly driven by its projects, i.e. "Desa Mentari" commercial project and Jalan Kuching project. QoQ, 1Q18 CNP declined 34% despite revenue growth of 24%, mainly due to lower positive tax recorded (-65%) compared to 4Q17.

Outlook. We believe that its longer-term earnings should be supported by its Shah Alam and Kepong projects, coupled with existing inventory of c.RM200.0m in Boulevard Business Park, Jalan Kuching and Desa Mentari, Jalan Kelang Lama projects. That said, we also believe that earnings could be boosted should MAGNA be able to monetize its 2.6 acres of land along Jalan Ampang valued at c.RM400m, which we have not yet imputed into our estimates.

Earnings unchanged. Post results, there are no changes to our FY18-19E CNP.

Maintain UNDERPERFORM, with an unchanged Target Price of RM0.955. Our FD RNAV per share of RM2.94 is driven by 11% WACC, 15% net margin for planned RM2.5b GDV, RM48.0m unbilled sales, and full warrants conversion. Our applied discount of 67% is in line with the average RNAV discount of 68% ascribed for the sector.

Risks to our call include: higher-than-expected margins/property sales, lower-than-expected administrative costs, positive real estate policies, and decent lending environment.

UNDERPERFORM ↔

Price: RM1.15
Target Price: RM0.955 ↔

Expected Capital Gain: -RM0.195 -17.0%
Expected Divd. Yield: RM0.011 +1.0%
Expected Total Return: -RM0.184 -16.0%

KLCI Index 1,854.44

Stock Information

| | |
|--------------------------|-----------------|
| Bloomberg Ticker | MAGNA MK Equity |
| Bursa Code | 7617 |
| Listing Market | Main Market |
| Shariah Compliant | Yes |
| Issued shares | 332.6 |
| Market Cap (RM m) | 382.5 |
| Par value per share (RM) | 0.25 |
| 52-week range (H) | 1.59 |
| 52-week range (L) | 1.00 |
| Free Float | 49% |
| Beta | 0.3 |
| 3-mth avg daily vol: | 4,627 |

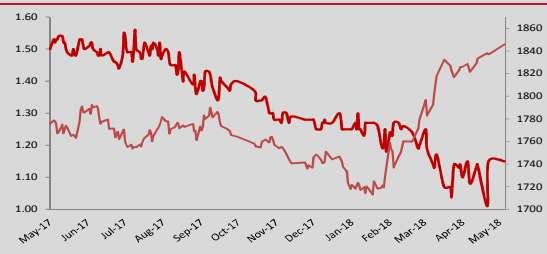
Major Shareholders

| | |
|--------------------------|-------|
| Prisma Pelang Snd Bhd | 30.9% |
| Fantastic Realty Sdn Bhd | 13.6% |
| Dato Wira Rahadian | 6.4% |

Summary Earnings Table

| FY Dec (RM m) | 2017A | 2018E | 2019E |
|------------------------|-------------|-------------|-------------|
| Turnover | 101.0 | 139.1 | 139.7 |
| EBIT | 28.2 | 21.7 | 22.0 |
| PBT | 13.9 | 15.6 | 16.0 |
| Net Profit (NP) | 11.4 | 11.7 | 12.0 |
| Core NP | 6.7 | 11.7 | 12.0 |
| Consensus (CNP) | n.a. | 11.6 | 12.3 |
| Earnings Revision | n.a. | n.a. | n.a. |
| Core EPS (sen) | 1.60 | 2.36 | 2.42 |
| EPS growth (%) | -98% | 73% | 3% |
| DPS (sen) | 0.0 | 1.1 | 1.1 |
| NTA/Share (RM) | 1.22 | 1.25 | 1.27 |
| PBV (x) | 0.95 | 0.92 | 0.90 |
| Core PER (x) | 72.1 | 48.8 | 47.5 |
| Dbt-to-Eqty ratio (x) | 0.33 | 0.16 | 0.10 |
| Return on Asset (%) | 4.4% | 1.2% | 1.3% |
| Return on Eqty.(%) | 7.4% | 1.9% | 1.9% |
| Dividend Yield (%) | 0.0% | 1.0% | 1.0% |

Share Price Performance



| | 1 mth | 3 mths | 12 mths |
|--------------|-------|--------|---------|
| Absolute (%) | 0.0% | -9.4% | -24.8% |
| Relative (%) | 1.3% | -9.3% | -29.3% |

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| Results Highlight | | | | | |
|--------------------------|-------------|-------------|--------------|-------------|--------------|
| FY Dec (RM'm) | 1Q18 | 4Q17 | QoQ % | 1Q17 | YoY% |
| Revenue | 12.9 | 10.4 | 24% | 9.6 | 34% |
| Op Profit | 5.6 | 14.6 | -62% | 7.6 | -27% |
| Pretax Profit | 2.5 | 11.3 | -78% | 4.1 | -40% |
| Tax | 0.4 | 1.2 | -65% | -2.5 | -117% |
| MI | 0.3 | 0.8 | -59% | 0.4 | -26% |
| Net Profit | 3.2 | 13.3 | -76% | 2.1 | 53% |
| Core Net Profit | 3.2 | 4.9 | -34% | -1.4 | -330% |
| Core EPS (sen) | 0.8 | 1.2 | -34% | -0.4 | -330% |
| Net DPS (sen) | 0.9 | 0.0 | n.m. | 0.5 | 60% |
| EBIT % | 43% | 140% | | 79% | |
| PBT% | 19% | 108% | | 43% | |
| Tax % | -17% | -11% | | 60% | |

Source: Company, Kenanga Research

| Results Highlight | | | | | |
|--------------------------------|-------------|-------------|--------------|-------------|-------------|
| FY Dec (RM'm) | 1Q18 | 4Q17 | QoQ % | 1Q17 | YoY% |
| Segmental Revenue | | | | | |
| - Property development | 12.7 | 10.2 | 24% | 9.3 | 36% |
| - Construction & engineering | 0.0 | 0.0 | n.m. | 0.0 | n.m. |
| - Trading | 0.0 | 0.0 | n.m. | 0.0 | n.m. |
| - Others | 0.3 | 0.2 | 5% | 0.3 | -24% |
| Total Group | 12.9 | 10.4 | 24% | 9.6 | 34% |
| Segmental PBT | | | | | |
| - Property development | 3.3 | 3.6 | -9% | 3.2 | 4% |
| - Construction & engineering | -0.2 | 0.2 | -177% | 2.9 | -105% |
| - Trading | 1.0 | -0.3 | -520% | 0.0 | -8169% |
| - Others & eliminations | -1.7 | 3.7 | -147% | -2.0 | -12% |
| Total Profit Before Tax | 2.5 | 7.3 | -66% | 4.1 | -40% |

Source: Company, Kenanga Research

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Peer Comparison

| NAME | Price (17/5/18) | Mkt Cap | PER (x) | | | Est. NDiv. Yld. | Hist. ROE | Fwd ROE | P/BV | Net Profit (RMm) | | | FY18/19 NP Growth | FY19/20 NP Growth | Target Price | Rating |
|------------------------------------|--------------------|------------|---------|---------|---------|-----------------------|--------------|------------|------|------------------|---------|---------|-------------------------|-------------------------|-----------------|----------------|
| | (RM) | (RMm) | FY17/18 | FY18/19 | FY19/20 | (%) | (%) | (%) | (x) | FY17/18 | FY18/19 | FY19/20 | (%) | (%) | (RM) | |
| DEVELOPERS UNDER COVERAGE | | | | | | | | | | | | | | | | |
| IOI PROPERTIES GROUP BHD* | 1.54 | 8,479 | 9.5 | 10.4 | 9.9 | 3.9% | 5.1% | 4.7% | 0.49 | 938.0 | 859.1 | 903.8 | -8.4% | 5.2% | 1.70 | MARKET PERFORM |
| S P SETIA BHD* | 2.93 | 11,397 | 13.1 | 16.5 | 14.1 | 3.9% | 8.4% | 4.8% | 0.76 | 766.4 | 607.3 | 712.3 | -20.8% | 17.3% | 3.50 | OUTPERFORM |
| UEM SUNRISE BHD* | 0.840 | 3,811 | 14.0 | 13.7 | 16.5 | 1.2% | 4.0% | 3.9% | 0.57 | 272.2 | 278.6 | 230.8 | 2.3% | -17.2% | 0.970 | MARKET PERFORM |
| SUNWAY BHD | 1.52 | 7,406 | 13.2 | 13.1 | 12.4 | 4.1% | 7.3% | 6.7% | 0.94 | 566.0 | 572.0 | 607.0 | 1.1% | 6.1% | 1.60 | MARKET PERFORM |
| MAH SING GROUP BHD | 1.06 | 2,573 | 10.0 | 10.3 | 10.6 | 6.1% | 9.0% | 8.2% | 0.72 | 296.8 | 290.2 | 281.8 | -2.2% | -2.9% | 1.10 | OUTPERFORM |
| ECO WORLD DEVELOPMENT GROUP BHD | 1.27 | 3,739 | 33.1 | 19.8 | 14.0 | 0.0% | 5.2% | 4.3% | 0.99 | 113.1 | 188.6 | 267.1 | 66.8% | 41.7% | 1.15 | OUTPERFORM |
| UOA DEVELOPMENT BHD* | 2.52 | 4,367 | 11.1 | 11.1 | 11.0 | 6.0% | 12.1% | 9.3% | 1.01 | 401.5 | 403.9 | 406.1 | 0.6% | 0.6% | 2.40 | MARKET PERFORM |
| MALAYSIAN RESOURCES CORP BHD | 0.785 | 3,447 | 37.4 | 23.1 | 20.1 | 2.3% | 2.1% | 3.7% | 0.82 | 101.3 | 163.8 | 186.8 | 62% | 14.0% | 1.15 | OUTPERFORM |
| SUNSURIA BERHAD | 1.20 | 959 | 10.6 | 8.6 | 5.6 | 0.0% | 6.9% | 11.6% | 1.05 | 90.7 | 111.9 | 169.9 | 23.3% | 51.9% | 1.30 | MARKET PERFORM |
| CRESCENDO CORPORATION BHD* | 1.32 | 300 | 10.6 | 11.8 | 11.4 | 4.5% | 2.2% | 8.0% | 0.35 | 34.9 | 31.3 | 32.5 | -10.3% | 3.8% | 1.30 | MARKET PERFORM |
| HUA YANG BHD | 0.485 | 171 | 2.4 | 53.9 | 14.7 | 0.0% | 21.9% | 12.2% | 0.29 | 70.0 | 3.0 | 12.0 | -95.7% | 300.0% | 0.500 | MARKET PERFORM |
| AMVERTON BHD | 1.01 | 369 | 15.1 | 14.4 | 13.5 | 0.0% | 3.0% | 4.0% | 0.56 | 24.3 | 25.7 | 27.5 | 5.8% | 7.0% | 1.15 | MARKET PERFORM |
| MAGNA PRIMA BHD | 1.15 | 383 | 71.9 | 48.7 | 47.5 | 1.0% | 7.4% | 1.1% | 0.92 | 6.7 | 11.7 | 12.0 | 74.6% | 2.6% | 0.955 | UNDERPERFORM |
| CONSENSUS NUMBERS | | | | | | | | | | | | | | | | |
| SIME DARBY PROPERTY BHD | 1.43 | 9725 | 15.6 | 18.1 | 20.4 | 1.9% | N.A. | 7.6% | 1.26 | 624.0 | 537.3 | 476.1 | -13.9% | -11.4% | 1.72 | BUY |
| MATRIX CONCEPTS HOLDINGS BHD | 1.94 | 1459 | 7.9 | 6.1 | 5.3 | 6% | 18.8% | 19.3% | 1.13 | 185.3 | 240.7 | 276.1 | 29.9% | 14.7% | 2.40 | BUY |
| LBS BINA GROUP BHD | 0.98 | 1512 | 14.6 | 12.5 | 11.1 | 3.6% | 8.6% | 9.5% | 1.13 | 103.4 | 121.0 | 136.5 | 17.0% | 12.8% | 1.22 | BUY |
| PARAMOUNT CORP BHD | 1.90 | 814 | 6.1 | 9.0 | 8.6 | 5.3% | 13.5% | 8.5% | 0.86 | 133.4 | 89.9 | 94.2 | -32.6% | 4.8% | 2.40 | BUY |
| TITIJAYA LAND BHD | 0.45 | 598 | 7.9 | 8.1 | 7.3 | 2% | 8.6% | 11.0% | 0.52 | 76.0 | 73.9 | 82.0 | -2.7% | 10.9% | 0.86 | BUY |
| YONG TAI BHD | 1.43 | 689 | 104.0 | 21.7 | 7.3 | 0% | 3.5% | 8.8% | 1.19 | 6.6 | 31.8 | 93.9 | 380.1% | 195.5% | 2.09 | BUY |
| GLOMAC BHD | 0.50 | 397 | 3.7 | 16.7 | 12.8 | 1.8% | 0.6% | 1.1% | N.A. | 108.2 | 23.8 | 30.9 | -78.0% | 30.0% | 0.49 | SELL |
| TAMBUN INDAH LAND BHD | 0.83 | 357 | 4.3 | 5.6 | 5.7 | 6.9% | 14.9% | 10.4% | 0.64 | 83.4 | 64.1 | 62.8 | -23.1% | -2.0% | 1.00 | NEUTRAL |

* Core NP and Core PER

Source: Kenanga Research

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Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%
NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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