

23 November 2018

Magna Prima Berhad 9M18 Above Expectation

9M18 CNP of RM12.2m came above expectation, making up 104% of our full-year estimates, mainly due to unexpected positive tax. No dividend was declared as expected. Moving forward, earnings will still be supported by its Shah Alam and Kepong projects coupled with continued efforts to clear inventories. Post-results, we upgrade FY18-19E earnings by 22-21%. Maintain MARKET PERFORM call with an unchanged TP of RM0.955.

9M18 CNP above expectation. 9M18 CNP of RM12.2m came above our expectation at 104%. The positive deviation was mainly due to unexpected positive tax possibly from over provisioning in prior years. Note that sales data is not available. No dividend declared as expected.

Results Highlight. Despite revenue falling by 47% YoY, 9M18 recorded CNP of RM12.2m compared to a loss of RM23,000 in 9M17, mainly due to: (i) provisioning of liquidated and ascertained damages amounting to RM8.3m on the Jalan Kuching residential project in 9M17, and (ii) positive tax in 9M18 which we believe could be due to over provisioning. QoQ, property development segment PBT margin improved significantly to 183% (from 26%) which we believe is due to reversal of impairment loss and foreign exchange gain. 3Q18 PBT was down 86% mainly dragged by LBT of RM7.0m from the construction and engineering segment. However, 3Q18 CNP was higher by 46% mainly from positive tax likely on the same reason above. We note that inventory level has fallen 4% QoQ, contributed by sales of completed units from Jalan Kuching residential and commercial project.

Outlook. We believe that its longer-term earnings should be supported by its Shah Alam and Kepong projects, coupled with existing inventory of RM266.0m at cost 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 successfully monetize its 2.6 acres of land along Jalan Ampang, valued at c.RM400m, which we have not imputed into our estimates.

Upgrade earnings. Post results, we raised our FY18-19E CNP by 22-21% to RM14.3-14.5m after narrowing our tax assumptions to closer to the 9M18 levels.

Maintain MARKET PERFORM and TP of RM0.955. We maintain our MARKET PERFORM call and TP of RM0.955 based on 67% property RNAV discount, which implies a 58% SoP discount to our FD SoP of RM2.28. Our property RNAV discount of 67% is in line with our Klang Valley-based developers' average ascribed discount of 64%.

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

MARKET PERFORM ↔

Price: **RM0.910**
Target Price: **RM0.955** ↔

Expected Capital Gain: **+RM0.045 +4.9%**
Expected Divd. Yield: **+RM0.013 +1.4%**
Expected Total Return: **+RM0.058 +6.4%**

KLCI Index 1,695.62

Stock Information

Bloomberg Ticker	MAGNA MK Equity
Bursa Code	7617
Listing Market	Main Market
Shariah Compliant	Yes
Shares Outstanding	332.6
Market Cap (RM m)	302.7
Par value per share (RM)	0.25
52-week range (H)	1.30
52-week range (L)	0.84
Free Float	49%
Beta	0.5
3-mth avg daily vol:	9,428

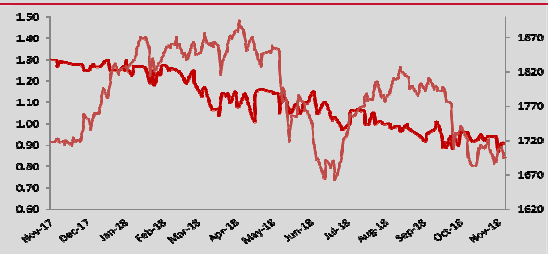
Major Shareholders

Prisma Pelang Snd Bhd	30.9%
Fantastic Realty Sdn Bhd	13.5%
Bin Mohammed Rahadian	6.4%

Summary Earnings Table

FY Dec (RM m)	2017A	2018E	2019E
Turnover	101.0	80.9	86.8
EBIT	28.2	20.0	26.6
PBT	13.9	13.2	20.1
Net Profit (NP)	11.4	14.3	14.5
Core NP	6.7	14.3	14.5
Consensus (CNP)	n.a.	n.a.	n.a.
Earnings Revision	n.a.	22%	21%
Core EPS (sen)	1.36	2.88	2.93
EPS growth (%)	-15%	112%	1%
DPS (sen)	0.0	1.3	1.3
NTA/Share (RM)	1.24	1.26	1.28
PBV (x)	0.74	0.72	0.71
Core PER (x)	66.9	31.6	31.1
Dbt-to-Eqty ratio (x)	0.27	0.16	0.12
Return on Asset (%)	1.2%	1.6%	1.6%
Return on Eqty.(%)	1.9%	2.3%	2.3%
Dividend Yield (%)	0.0%	1.4%	1.4%

Share Price Performance



	1 mth	3 mths	12 mths
Absolute (%)	-5.2%	-7.1%	-28.3%
Relative (%)	-3.6%	-1.4%	-26.7%

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Results Highlight								
	3Q18	2Q18	QoQ	3Q17	YoY	9M18	9M17	YoY
FYE Dec (RM'm)								
Turnover	9.7	25.6	-62%	49.8	-81%	48.2	90.5	-47%
EBITDA	4.5	7.8	-42%	-6.3	-172%	17.9	13.1	37%
Depreciation	0.0	-0.1	-16%	-0.1	-41%	-0.2	-0.2	-39%
EBIT	4.5	7.7	-42%	-6.3	-171%	17.7	12.8	38%
Interest inc/(exp)	-3.9	-3.3	19%	-3.7	5%	-10.2	-10.3	-1%
Associates/JV	0.0	0.0	n.m.	0.0	n.m.	0.0	0.0	n.m.
Exceptional items	0.0	0.0	n.m.	0.0	n.m.	0.0	0.0	n.m.
Forex gain/(loss)	0.0	0.0	n.m.	0.0	n.m.	0.0	0.0	n.m.
Pretax profit	0.6	4.5	-86%	-10.0	-106%	7.5	2.6	194%
Taxation	4.4	-1.2	-465%	1.5	201%	3.7	-3.8	-196%
Deferred tax	0.0	0.0	n.m.	0.0	n.m.	0.0	0.0	n.m.
Profit after tax	5.1	3.2	56%	-8.5	-159%	11.2	-1.3	-995%
Minority interest	0.3	0.4	-33%	0.4	-27%	1.0	1.2	-18%
PATAMI	5.3	3.7	46%	-8.2	-165%	12.2	0.0	-53143%
Core PATAMI	5.3	3.7	46%	-8.2	-165%	12.2	0.0	-53144%
DPS (sen)	0.0	0.0		0.0		0.0	0.0	
EBIT margin	46%	30%		-13%		37%	14%	
Pretax margin	6%	17%		-20%		16%	3%	
NP margin	6%	17%		-20%		16%	3%	
CNP margin	55%	14%		-16%		25%	0%	
EPS (sen)	1.6	1.1		-2.5		3.7	0.0	
Core EPS(sen)	1.6	1.1		-2.5		3.7	0.0	
BV/share (RM)	1.8	1.8		1.8		1.8	1.8	
Net gearing (x)	0.3	0.3		0.4		0.3	0.4	
Effective tax	-736%	27%		15%		-48%	149%	

Source: Company, Kenanga Research

Segmental Results								
	3Q18	2Q18	QoQ	3Q17	YoY	9M18	9M17	YoY
External Revenue								
Property Development	9.5	25.3	-62.6%	49.6	-81%	47.4	89.7	-47.2%
Construction & Engineering	0.0	0.0	n.m.	0.0	n.m.	0.0	0.0	n.m.
Trading	0.0	0.0	n.m.	0.0	n.m.	0.0	0.0	n.m.
Others	0.2	0.3	-13%	0.2	14%	0.8	0.8	2%
PBT Segmentation								
Property Development	17.3	6.6	162%	-10.5	-265%	27.2	3.3	728%
Construction & Engineering	-9.7	-0.1	8062%	3.7	-361%	-10.0	6.4	-256%
Trading	0.0	0.0	25%	0.1	-110%	1.0	0.0	3752%
Others	-7.0	-2.0	246%	-3.3	109%	-10.7	-7.2	50%
PBT margins								
Property Development	183%	26%		-21%		57%	4%	
Construction & Engineering	n.m.	n.m.		n.m.		n.m.	n.m.	
Trading	n.m.	n.m.		n.m.		n.m.	n.m.	
Others	-2842%	-712%		-1550%		-1369%	-929%	

Source: Company, Kenanga Research

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Peer Comparison

Name	Last Price	Market	Shariah	Current	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div.Yld. (%)	Target	Rating
	(RM)	Cap (RM'm)	Compliant	FYE	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	Price (RM)	
PROPERTY DEVELOPERS UNDER COVERAGE																	
AMVERTON BHD	0.970	354.1	Y	12/2018	-14.9%	1.4%	-19.6%	-11.6%	14.6	18.1	20.5	0.6	0.5	3.0%	0.0%	1.00	MP
CRESCENDO CORPORATION BHD	1.25	349.3	Y	01/2019	12.2%	1.6%	-10.4%	3.7%	10.0	11.2	10.8	0.4	0.3	3.5%	4.8%	1.30	MP
ECO WORLD DEVELOPMENT GROUP	1.01	2,973.8	Y	10/2018	-1.7%	-0.3%	45.7%	55.7%	26.3	18.1	11.6	0.8	0.8	3.8%	0.0%	1.15	MP
HUA YANG BHD	0.375	132.0	Y	03/2019	-3.2%	2.2%	48.0%	20.5%	29.9	20.2	16.8	0.2	0.2	1.1%	0.0%	0.410	MP
IOI PROPERTIES GROUP BHD	1.65	9,085.1	Y	06/2019	-15.0%	-6.0%	-5.3%	-2.7%	13.7	14.5	14.9	0.5	0.5	3.4%	3.0%	1.65	OP
MAGNA PRIMA BHD	0.910	302.7	Y	12/2018	-19.9%	7.3%	112.1%	1.5%	66.9	31.6	31.1	0.7	0.7	2.3%	1.4%	0.955	MP
MAH SING GROUP BHD	1.01	2,452.0	Y	12/2018	-5.5%	4.2%	-29.9%	4.0%	9.6	13.6	13.1	0.7	0.7	6.0%	5.4%	1.10	OP
MALAYSIAN RESOURCES CORP BHD	0.730	3,208.4	Y	12/2018	-36.8%	12.6%	-15.0%	11.4%	34.8	40.9	36.7	0.8	0.8	1.8%	0.0%	0.750	MP
SIME DARBY PROPERTY BHD	0.995	6,766.8	Y	12/2018	13.3%	17.6%	14.4%	44.5%	18.4	16.1	11.2	0.7	0.7	4.2%	2.5%	1.10	OP
SP SETIA BHD	2.11	8,349.1	Y	12/2018	-17.0%	6.1%	-64.0%	24.2%	10.6	29.5	23.8	0.7	0.6	4.8%	7.3%	2.45	OP
SUNSURIA BHD	0.775	619.1	Y	09/2018	10.9%	11.4%	5.7%	16.8%	6.8	6.5	5.5	0.8	0.7	11.7%	0.0%	0.860	MP
SUNWAY BHD	1.48	7,182.7	Y	12/2018	-2.6%	4.6%	-3.8%	8.1%	12.9	13.4	12.4	0.9	0.9	6.9%	4.7%	1.50	MP
UEM SUNRISE BHD	0.790	3,584.6	Y	12/2018	-2.8%	28.0%	23.3%	6.8%	13.2	10.7	10.0	0.6	0.5	4.7%	1.3%	0.850	OP
UOA DEVELOPMENT BHD	2.20	4,056.2	Y	12/2018	5.0%	8.9%	-17.0%	10.9%	9.7	11.7	10.6	0.9	0.9	7.7%	6.4%	2.15	OP
Simple Average					-5.6%	7.1%	6.0%	13.8%	19.8	18.3	16.3	0.7	0.6	4.6%	2.6%		
<i>*SIMEPROP change of FY-end from 30-Jun to 31-Dec. Out historical numbers are based on FY18A while 1-Yr and 2-Yr Fwd are based on FY19E and FY20E figures</i>																	
CONSENSUS NUMBERS																	
GLOMAC BHD	0.405	318.4	Y	04/2019	-35.7%	42.0%	-60.5%	103.6%	10.2	25.8	12.7	0.3	N.A.	1.2%	2.5%	0.410	SELL
LBS BINA GROUP BHD	0.690	1,075.7	Y	12/2018	-4.1%	15.5%	6.8%	12.3%	10.4	9.7	8.7	0.9	0.7	7.2%	4.8%	1.17	BUY
MATRIX CONCEPTS HOLDINGS BHD	1.97	1,483.0	Y	03/2019	22.9%	14.2%	9.1%	11.6%	7.0	6.4	5.7	1.2	1.1	18.0%	6.8%	2.37	BUY
PARAMOUNT CORP BHD	2.08	890.8	Y	12/2018	8.2%	5.0%	-33.7%	4.0%	6.7	10.1	9.7	0.9	0.8	7.0%	4.3%	2.48	BUY
TAMBUN INDAH LAND BHD	0.795	344.5	Y	12/2018	-29.3%	-1.4%	-36.1%	0.9%	4.1	6.5	6.4	0.6	0.6	8.2%	6.0%	1.00	BUY
TITIJAYA LAND BHD	0.330	436.6	Y	06/2019	6.6%	5.5%	5.9%	6.4%	6.0	5.7	5.3	0.4	0.3	5.7%	38.8%	0.445	BUY
YONG TAI BHD	0.620	301.1	Y	06/2019	146.7%	40.4%	62.6%	93.8%	19.4	11.9	6.2	0.8	0.7	4.4%	0.0%	0.855	NEUTRAL

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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