

19 August 2019

Magna Prima Berhad

1H19 Below Expectation

1H19 registered CNL of RM9.9m, missing our expectation, mainly due to weaker-than-expected sale for the service apartment and shop office in Jalan Kuching residential project coupled with lower-than-expected CNP margin. No dividend was declared as expected. Moving forward, MAGNA's focus will continue to be on inventory clearing. We cut FY19-20E earnings from profits to CNL of RM6.3m and RM4.5m, respectively. Maintain UNDERPERFORM with a lower TP of RM0.710 (from RM0.740).

1H19 core net losses (CNL) missed expectation. After stripping out one-off loss from the deconsolidation of subsidiary amounting to RM4.3m, 1H19 recorded CNL of RM9.9m, missing our FY19 earnings estimate drastically. The deviation was mainly due to lower-than-expected property sales and profit margin. No dividend declared, as expected.

Results highlight. YoY, 1H19 CNL of RM9.9m recorded, compared to CNP of RM6.9m in 1H18 due to: (i) lower property revenue contribution by 60% largely due to poor sale for service apartments and shop offices in Jalan Kuching project affected by weaker market condition, (ii) EBIT margin dropped to negative (-18%) possibly due to lower property selling price from higher rebates and its lower revenue, which could not cover fixed overheads. QoQ, 2Q19 registered higher CNL of RM6.7m (+111%) largely due to: (i) decrease in property revenue by 44% caused by lower sale from projects in Jalan Kuching and Desa Mentari, (ii) weaker EBIT margin due to lower operating income by 85% and increase in administrative expenses by 41%.

Outlook. Moving forward, MAGNA's focus will continue to be on clearing its existing inventory of RM254.4m at cost in Boulevard Business Park, Jalan Kuching, and Desa Mentari projects. As for *The View Residence* at Shah Alam, the group aims to re-open booking for the project in 2H19 by offering better sales package to encourage better response. Apart from the projects, we believe earnings could be boosted if MAGNA successfully monetize its 2.6 acres of land along Jalan Ampang, valued at c.RM400m, of which we have not imputed into our estimates.

Slash FY19-20E earnings from CNP to CNL. Post results, we reverse our FY19-20E from profits to losses, with CNL of RM6.3m and RM4.5m, respectively, after lowering our revenue estimation and EBIT margin assumption, factoring in lower selling price and higher rebates in view of MAGNA's effort in clearing existing inventories.

Maintain UNDERPERFORM but with a lower Target Price of RM0.710 (from RM0.740). We maintain UNDERPERFORM call with reduced TP of RM0.710 based on increased property RNAV discount of 72% (from 70%), implying a 60% discount (which is at the historical trough level) to unchanged FD SoP of RM1.79 in view of the volatile earnings in recent quarters.

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

UNDERPERFORM ↔

Price: RM1.22
Target Price: RM0.710 ↓

Expected Capital Gain: -RM0.510 -41.8%
Expected Divd. Yield: RM0.000 -0.0%
Expected Total Return: -RM0.510 -41.8%

KLCI Index 1,599.22

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)	405.8
Par value per share (RM)	0.25
52-week range (H)	1.23
52-week range (L)	0.80
Free Float	49%
Beta	0.3
3-mth avg daily vol:	58,238

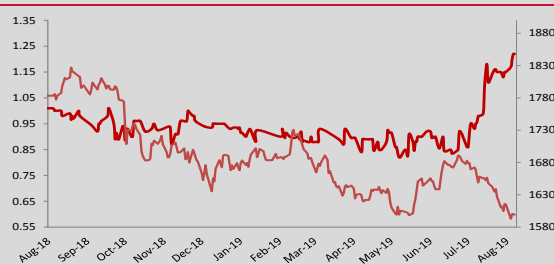
Major Shareholders

Prisma Pelang Sdn Bhd	30.9%
Fantastic Realty Sdn Bhd	13.5%
Bin Mohammad Khalil Rahadian Mahmud	6.4%

Summary Earnings Table

FY Dec (RM m)	2018A	2019E	2020E
Turnover	38.1	36.0	46.4
EBIT	5.2	2.2	5.6
PBT	-26.1	-13.6	-5.5
Net Profit (NP)	-53.7	-10.5	-4.5
Core NP	-36.0	-6.3	-4.5
Consensus (CNP)	n.a.	0.6	2.0
Earnings Revision	n.a.	n.m.	n.m.
Core EPS (sen)	(7.3)	(1.3)	(0.9)
EPS growth (%)	n.m.	n.m.	n.m.
DPS (sen)	0.0	0.0	0.0
NTA/Share (RM)	1.1	1.0	1.0
PBV (x)	1.1	1.2	1.2
Core PER (x)	n.m.	n.m.	n.m.
Dbt-to-Eqty ratio (x)	0.4	0.2	0.3
Return on Asset (%)	-5.8%	-1.3%	-0.6%
Return on Eqty.(%)	-9.6%	-2.0%	-0.9%
Dividend Yield (%)	0.0%	0.0%	0.0%

Share Price Performance



	1 mth	3 mths	12 mths
Absolute (%)	27.7%	48.8%	22.0%
Relative (%)	31.3%	48.8%	32.5%

Adrian Ng Wei Gek /
adrian.ng@kenanga.com.my
+603-2172 2639

19 August 2019

Results Highlight								
FYE Dec (RM'm)	2Q19	1Q19	QoQ	2Q18	YoY	1H19	1H18	YoY
Turnover	5.7	10.1	-43%	25.6	-78%	15.8	38.5	-59%
EBITDA	-3.4	0.7	-570%	7.8	-144%	-2.7	13.4	-120%
Depreciation	-0.1	0.0	-398%	-0.1	151%	-0.1	-0.1	-8%
EBIT	-3.6	0.8	-560%	7.7	-146%	-2.8	13.3	-121%
Interest inc/(exp)	-3.6	-4.1	-10%	-3.3	11%	-7.7	-6.3	22%
Associates/JV	0.0	0.0	n.m.	0.0	n.m.	0.0	0.0	n.m.
Exceptional items	-4.3	0.0	n.m.	0.0	n.m.	-4.3	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	-11.5	-3.3	250%	4.5	-357%	-14.8	6.9	-313%
Taxation	0.0	-0.2	-91%	-1.2	-98%	-0.3	-0.8	-66%
Deferred tax	0.0	0.0	n.m.	0.0	n.m.	0.0	0.0	n.m.
Profit after tax	-11.5	-3.5	226%	3.2	-454%	-15.0	6.1	-345%
Minority interest	0.5	0.3	51%	1.1	-50%	0.9	0.7	19%
PATAMI	-11.0	-3.2	245%	4.3	-355%	-14.1	6.9	-306%
Core PATAMI	-6.7	-3.2	111%	4.3	-256%	-9.9	6.9	-244%
DPS (sen)	0.0	0.0		0.0		0.0	0.0	
EBIT margin	-63%	8%		30%		-18%	34%	
Pretax margin	-200%	-33%		17%		-93%	18%	
NP margin	-200%	-33%		17%		-93%	18%	
CNP margin	-117%	-32%		17%		-63%	18%	
EPS (sen)	-3.3	-1.0		1.3		-4.3	2.1	
Core EPS(sen)	-2.0	-1.0		1.3		-3.0	2.1	
BV/share (RM)	1.5	1.6		1.8		1.5	1.8	
Net gearing (x)	0.4	0.4		0.3		0.4	0.3	
Effective tax	0%	-8%		27%		-2%	11%	

Source: Company, Kenanga Research

Segmental Results								
External Revenue	2Q19	1Q19	QoQ	2Q18	YoY	1H19	1H18	YoY
Property Development	5.5	9.9	-44%	25.3	-78%	15.4	38.0	-60%
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	0.2	-4%	0.3	-21%	0.5	0.5	-15%
PBT Segmentation								
Property Development	-9.4	-1.2	691%	6.6	-243%	-10.6	9.9	-207%
Construction & Engineering	-0.2	-0.2	0%	-0.1	94%	-0.5	-0.3	65%
Trading	0.0	0.0	33%	0.0	0%	0.0	1.0	-101%
Others	-1.8	-1.9	-2%	-2.0	-10%	-3.7	-3.8	-2%
PBT margins								
Property Development	-171%	-12%		26%		-0.7	0.3	-171%
Construction & Engineering	n.m.	n.m.		n.m.		n.m.	n.m.	n.m.
Trading	n.m.	n.m.		n.m.		n.m.	n.m.	n.m.
Others	-811%	-797%		-712%		-8.0	-7.0	-811%

Source: Company, Kenanga Research

19 August 2019

SoP Table				
	Remaining GDV (RM'm)	Net Margin (%)	WACC (%)	DCF Value (RM'm)***
Unbilled Sales	49	6%	11%	10
Launched but not yet sold	198	6%	11%	53
Projects				
The View Residence	271	6%	11%	13
Kepong 2D	141	6%	11%	5
Magna Suria	1,486	6%	11%	53
Gasing Lifestyle	658	6%	11%	31
Shareholder's Funds (@ 4Q16)				614.0
RNAV				778
Dilution Impact				150
FD SOP				928
FD SOP/share (RM)				MYR 1.79
Property RNAV Discount (excl. warrants effect)				-72%
Implied SOP discount				-60%
TP (RM)				MYR 0.710

Source: Kenanga Research

19 August 2019

Peer Comparison

Name	Last Price	Market	Shariah Compliant	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)		Net Div.Yld. (%)	Target Price (RM)	Rating
	(RM)				Cap (RM'm)	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.	1-Yr. Fwd.	
PROPERTY DEVELOPERS UNDER COVERAGE																		
AMVERTON BHD	1.09	397.9	Y	12/2019	-0.7%	3.4%	-58.8%	7.3%	16.6	40.4	37.6	0.6	0.5	1.4%	0.0%	1.00	UP	
ECO WORLD DEVELOPMENT GROUP	0.730	2,149.4	Y	10/2019	-4.4%	-18.3%	9.5%	18.8%	13.0	11.9	10.0	0.5	0.5	4.8%	1.3%	1.15	OP	
HUA YANG BHD	0.380	133.8	Y	03/2020	-11.0%	-1.2%	153.2%	-11.8%	N.A.	16.3	18.5	0.2	0.2	1.4%	0.0%	0.335	UP	
IOI PROPERTIES GROUP BHD	1.28	7,047.9	Y	06/2019	-15.0%	-6.0%	2.2%	-5.3%	10.7	10.4	11.0	0.4	0.4	3.6%	3.9%	1.65	OP	
LBS BINA GROUP BHD	0.525	818.9	Y	12/2019	31.3%	0.9%	7.9%	-7.2%	9.6	8.9	9.6	0.6	0.5	6.6%	3.4%	0.495	MP	
MAGNA PRIMA BHD	1.22	405.8	Y	12/2019	-5.6%	28.8%	-572.6%	-139.5%	N.A.	N.A.	N.A.	0.8	0.8	-2.0%	0.0%	0.710	UP	
MAH SING GROUP BHD	0.880	2,136.4	Y	12/2019	4.5%	7.0%	-4.3%	-0.3%	13.0	13.6	13.6	0.6	0.6	5.2%	4.5%	1.05	OP	
MALAYSIAN RESOURCES CORP BHD	0.810	3,573.8	Y	12/2019	-37.3%	58.2%	0.6%	34.5%	47.1	46.8	34.8	0.7	0.7	1.6%	1.7%	0.750	UP	
SIME DARBY PROPERTY BHD	0.850	5,780.7	Y	12/2019	13.6%	12.5%	1.5%	9.7%	15.8	15.5	14.2	0.6	0.6	3.9%	2.6%	1.10	MP	
SP SETIA BHD	1.66	6,710.5	Y	12/2019	5.5%	24.3%	27.2%	46.0%	30.5	24.1	16.4	0.4	0.4	1.9%	4.2%	1.85	MP	
SUNSURIA BHD	0.750	671.9	Y	09/2019	-18.5%	7.4%	-19.3%	4.4%	5.0	6.2	6.0	0.7	0.7	12.2%	0.0%	0.760	OP	
SUNWAY BHD	1.60	7,798.2	Y	12/2019	-2.7%	12.5%	-8.5%	10.6%	13.3	14.6	13.2	0.9	0.9	6.3%	3.7%	1.60	MP	
UEM SUNRISE BHD	0.715	3,244.3	Y	12/2019	37.0%	-14.3%	5.9%	-18.1%	9.9	9.4	11.5	0.5	0.5	4.8%	1.4%	0.835	MP	
UOA DEVELOPMENT BHD	2.01	3,951.7	Y	12/2019	0.6%	-0.4%	4.4%	0.8%	11.1	10.7	10.6	0.8	0.8	7.4%	7.0%	2.15	MP	
Simple Average					-0.2%	8.2%	-32.2%	-3.6%	16.3	17.6	15.9	0.6	0.6	4.2%	2.4%			
*SIMEPROP change of FY-end from 30-Jun to 31-Dec. Our historical numbers are based on FY18A while 1-Yr and 2-Yr Fwd are based on FY19E and FY20E figures																		
CONSENSUS NUMBERS																		
GLOMAC BHD	0.370	288.1	Y	04/2020	12.9%	38.7%	25.7%	90.1%	21.2	16.8	8.9	0.3	N.A.	1.6%	2.4%	0.405	N.A	
MATRIX CONCEPTS HOLDINGS BHD	1.90	1,494.9	Y	03/2020	3.0%	9.6%	3.8%	9.3%	6.8	6.6	6.0	1.1	1.1	16.3%	6.8%	2.36	BUY	
PARAMOUNT CORP BHD	1.36	825.1	Y	12/2019	-1.4%	8.4%	2.4%	5.3%	9.0	8.8	8.3	0.8	N.A.	7.2%	4.7%	1.83	BUY	
TAMBUN INDAH LAND BHD	0.790	342.4	Y	12/2019	-14.3%	10.6%	-22.4%	10.1%	6.2	8.0	7.2	0.6	N.A.	7.1%	5.4%	0.897	BUY	
TITIJAYA LAND BHD	0.295	374.0	Y	06/2019	-14.3%	13.9%	-36.3%	19.5%	5.2	8.1	6.8	0.3	0.3	3.5%	43.4%	0.310	BUY	
YONG TAI BHD	0.240	128.2	Y	06/2019	28.1%	108.6%	-238.6%	281.2%	8.3	N.A.	16.8	0.3	0.3	-4.5%	0.0%	0.343	N.A	

Source: Kenanga Research

19 August 2019

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%

**** The Expected Total Return might contain rounding discrepancy.**

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

This report has been prepared by Kenanga Investment Bank Berhad 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.

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies.

Published and printed by:

KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my

This report is accessible at www.bursamids.com too.