

**Results Note**

Analyst: Ong Keng Wee  
kengwee.ong@affinsecurities.com.my

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<b>Magna Prima</b>	<b>Price:</b>	RM0.91
<b>Below, new projects lined up</b>	<b>Market Capitalisation:</b>	RM194.6m
<b>Board:</b> Main Board		
<b>Sector:</b> Construction (To be reclassified under Properties w.e.f. 1 March 2010)		
<b>Stock Code:</b> 7617		
<b>Recommendation:</b> REDUCE (maintain)		
<b>Index Component/Constituent:</b> -		

**Key Stock Statistics**

FYE Dec	2009F	2010F
Diluted EPS (sen)	9.1	9.9
P/E (x)	10.0	9.2
Dividend/Share (sen)	1.3	
NTA/Share (RM)	0.55	
Book Value/Share (RM)	0.55	
Issued Share Capital (m)	213.8	
52-week Share Price Range	1.01 - 0.443	
No of Warrants (m)	86.2	
<b>Major Shareholders</b>		
Fantastic Realty Sdn Bhd	15.4%	

**Per Share Data**

FYE Dec	2008	2009	2010F	2011F	2012F
Book Value (RM)	0.53	0.57	0.68	0.80	0.93
Cash Flow (sen)	12.4	(27.3)	8.4	12.7	12.8
Basic EPS (sen)	12.6	3.1	12.2	13.3	14.4
Diluted EPS (sen)	9.4	2.2	9.1	9.9	10.6
Dividend (sen)	1.3	1.0	1.3	1.3	1.3
Payout Ratio (%)	9.9	40.3	10.2	9.4	8.7
Diluted PER (x)	9.7	41.2	10.0	9.2	8.6
P/Cash Flow (x)	7.3	(3.3)	10.9	7.2	7.1
P/Book Value (x)	1.7	1.6	1.3	1.1	1.0
Dividend Yield (%)	1.4	1.1	1.4	1.4	1.4
ROE (%)	26.5	5.6	19.5	18.0	16.6
Net Gearing (%)	48.5	46.5	30.0	12.0	(1.8)

**P&L Analysis**

FYE Dec (RM m)	2008	2009	2010F	2011F	2012F
Revenue	280.6	193.0	300.0	320.0	340.0
Operating Profit	37.1	14.9	36.3	39.5	42.7
Depreciation	(1.0)	(1.1)	(1.1)	(1.2)	(1.2)
Net Interest Inc/Exp	1.4	1.0	1.0	1.0	1.0
Pre-tax Profit	37.5	11.4	36.2	39.4	42.5
Net Profit	26.9	6.6	26.1	28.5	30.7
Core Net Profit	26.9	6.6	26.1	28.5	30.7
Operating Margin	13.2%	7.7%	12.1%	12.4%	12.6%
Pre-tax Margin	13.4%	5.9%	12.1%	12.3%	12.5%
Net Margin	9.6%	3.4%	8.7%	8.9%	9.0%
Effective Tax Rate	27.2%	41.7%	27.0%	27.0%	27.0%

**Share Price Chart**



**4QFY09 Results Highlights and Analysis**

**YoY comparison**

FYE Dec (RM m)	4QFY08	4QFY09	Chg (%)
Revenue	80.6	13.7	(83.0)
Operating Profit	16.6	2.1	(87.3)
Depreciation	(0.3)	(0.3)	5.0
Net Interest Inc/Exp	0.1	0.3	286
Pre-tax Profit	16.2	1.2	(92.3)
Net Profit	12.2	0.2	(98.0)
Core Net Profit	12.2	0.2	(98.0)
Operating Margin (%)	20.6%	15.4%	
Pre-tax Margin (%)	20.1%	9.1%	
Net Margin (%)	15.1%	1.8%	
Effective Tax Rate (%)	24.1%	72.3%	

**Yoy, 4QFY09 revenue and net profit declined 83.0% and 98.0%.** With contribution mostly from the U1 project in Shah Alam and new projects pending land acquisitions, 4QFY09 revenue and net profit declined by 83.0% and 98.0%, respectively. The new management team were also focused on consolidating operations, executing the various proposed land acquisitions, and new project planning to drive future profits. In the quarter, the construction division recorded an operating loss of RM0.7m while the property development division posted an operating profit of RM2.0m.

#### QoQ comparison

FYE Dec (RM m)	3QFY09	4QFY09	Chg (%)
Revenue	45.3	13.7	(69.8)
Operating Profit	(0.3)	2.1	(708.3)
Depreciation	(0.3)	(0.3)	0.0
Net Interest Inc/Exp	0.1	0.3	257.8
Pre-tax Profit	(1.7)	1.2	172.6
Net Profit	(2.1)	0.2	111.4
Core Net Profit	(2.1)	0.2	111.4
Operating Margin (%)	-0.8%	15.4%	
Pre-tax Margin (%)	-3.8%	9.1%	
Net Margin (%)	-4.7%	1.8%	
Effective Tax Rate (%)	-53.6%	72.3%	

**Qoq, 4QFY09 revenue declined by 69.85 but net profit increased by 111.4%.** Lower construction and property billings as well as losses posted by a project contributed to the net loss of RM2.1m in 3QFY09. In comparison therefore 4QFY09 net profit grew by 111.4%.

#### YoY comparison

FYE Dec (RM m)	12MFY08	12MFY09	Chg (%)
Revenue	280.6	193.0	(31.2)
Operating Profit	37.1	12.6	(66.1)
Depreciation	(1.0)	(1.1)	5.0
Net Interest Inc/Exp	1.4	(0.1)	(106.0)
Pre-tax Profit	37.5	11.4	(69.5)
Net Profit	26.9	6.7	(75.0)
Core Net Profit	26.9	6.7	(75.0)
Operating Margin (%)	13.2%	6.5%	
Pre-tax Margin (%)	13.4%	5.9%	
Net Margin (%)	9.6%	3.5%	
Effective Tax Rate (%)	27.2%	41.7%	

**Yoy, 12MFY09 revenue and net profit declined by 31.2% and 75.0%.** 12MFY09 revenue declined by 31.2% mainly due to lower property development (-23.5%) and construction (-50.8%) billings. However, the lower construction operating profit of RM8.3m versus RM31.9m as well as a significantly higher tax rate (due to certain expenses not deductible for tax purposes) contributed mainly to the 75.0% decline in net profit. A DPS of 4.0 sen (versus our forecast of 5.0 sen and equivalent to 1.0 sen adjusted for the 1-into-4 split) has been declared.

#### Outlook, forecasts & recommendation

**12MFY09 net profit below our forecast of RM9.5m, FY10-11 forecasts maintained.** 12MFY09 net profit of RM6.7m is 29.5% below our forecast of RM9.5m. However, new projects are expected to drive profits in FY10-13. Management listed 5 new projects which are scheduled to be launched from 2QFY10:-

- Magna City, an integrated development in Jalan Kuching;

- A gated & guarded residential project in Section 16, Shah Alam;
- A residential project in Bandar Selayang;
- A lifestyle commercial project in Section 5, Petaling Jaya; and
- One Sierra, a mixed development project in Bandar Selayang.

Development of the Jalan Ampang land where the Lai Meng Primary School and Lai Meng Kindergarten are currently located will only start after the new school in Bukit Jalil is completed in 3 years.

Given the buoyant property demand and high profit margins, profit prospects are good. We maintain our FY10-11 forecasts. FY12 estimates are also introduced. Target price of RM0.64 based on CY10 PE of 7x is also maintained. Stock price has also done well in recent months. At current level, we maintain our REDUCE call.

### Equity Rating Structure and Definitions

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<b>BUY</b>	Total return is expected to exceed +15% over a 12-month period
<b>TRADING BUY (TR BUY)</b>	Total return is expected to exceed +15% over a 3-month period due to short-term positive development, but fundamentals are not strong enough to warrant a Buy call. This is to cater to investors who are willing to take on higher risks
<b>ADD</b>	Total return is expected to be between 0% to +15% over a 12-month period
<b>REDUCE</b>	Total return is expected to be between 0% to -15% over a 12-month period
<b>TRADING SELL (TR SELL)</b>	Total return is expected to exceed -15% over a 3-month period due to short-term negative development, but fundamentals are strong enough to avoid a Sell call. This is to cater to investors who are willing to take on higher risks
<b>SELL</b>	Total return is expected to be below -15% over a 12-month period
<b>NOT RATED</b>	Affin Investment Bank does not provide research coverage or rating for this company. Report is intended as information only and not as a recommendation
<b>OVERWEIGHT</b>	Industry, as defined by the analyst's coverage universe, is expected to outperform the KLCI benchmark over the next 12 months
<b>NEUTRAL</b>	Industry, as defined by the analyst's coverage universe, is expected to perform inline with the KLCI benchmark over the next 12 months
<b>UNDERWEIGHT</b>	Industry, as defined by the analyst's coverage universe is expected to under-perform the KLCI benchmark over the next 12 months

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[www.affininvestmentbank.com.my](http://www.affininvestmentbank.com.my)  
 Email : [research@affinsecurities.com.my](mailto:research@affinsecurities.com.my)  
 Tel : 603-2143 8668  
 Fax : 603-2145 3005