

2QFYDec2011 Results
29 August 2011

Magna Prima Berhad

- Profit improves q-q on progressive projects rollout
- Higher sales on new launches in 2H11
- Unbilled sales rise to RM442.6 million currently
- Modest valuations should see gains on re-rating

BUY

Price
RM0.82

Market capitalization
RM202.8 million

Board
Main

Sector
Properties

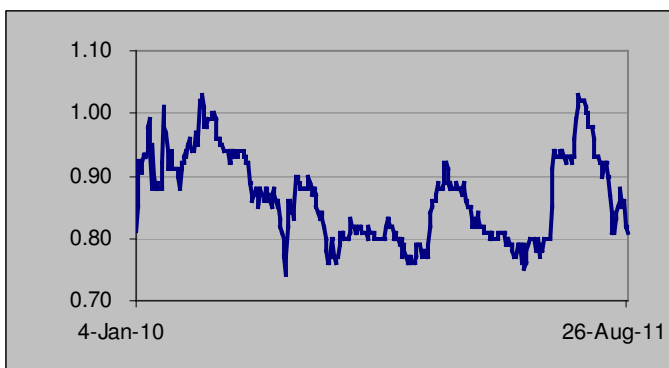
Stock code
7617

By
The Research Team

Key stock statistics	2010	2011E
FD EPS (sen)	(4.7)	8.5
P/E (x)	NM	9.7
Net DPS (RM)	1.0	1.0
NTA/share (RM)	0.49	0.52
Enlarged share capital (mil)	333.1	
52-week price range (RM)	0.73-1.04	

Major shareholders (%)

Fantastic Realty 13.3%

Share Price Chart


2QFYDec11 Earnings Highlights

Year end Dec	2Q11	2Q10	% chg
Turnover	27.4	30.7	-11%
Operating profit	6.1	2.8	>100
Depreciation	0.0	0.2	-83%
Interest inc/(exp)	0.2	(0.3)	nm
Extraordinary loss/(gain)	-	-	0%
Pre-tax profit	6.2	2.2	>100
Tax	2.2	1.2	74%
Net profit	4.0	0.9	>100
EPS (sen)	1.2	0.3	
Operating margin (%)	22.2	9.0	
Pre-tax margin (%)	22.7	7.3	
Net margin (%)	14.7	2.9	

Magna Prima's earnings results for 2Q11 appear weak, if we were to annualize the numbers against than our full-year forecast. Nevertheless, we expect the company to perform far better in 2H11 on the back of recent new launches. Indeed, unbilled sales now stand at some RM443 million on the back of recent launches, up from RM293.3 million at end-1Q11.

Sales in 2Q11 were up marginally from the immediate preceding quarter, consisting, primarily of contributions from just two projects – the One Sierra @ Selayang and U1 Apartment Suites in Shah Alam. Increased sales from the former – which was launched in 3Q10 – were offset by the tail-end contributions from the latter. The U1 Apartment project is now substantially completed.

Net profit, however, was up a strong 86% q-q to RM4 million from RM2.2 million in 1Q11 – on the back of better margins from the One Sierra project and other cost savings.

Outlook and Recommendation

We expect Magna to deliver stronger earnings in 2H11 and going forward. As mentioned previously, the company has several property development projects lined up that will support earnings for the foreseeable future.

Aside from contributions from the One Sierra project, sales in 2H11 will be boosted by three recent launches – a mixed commercial-residential development called the Boulevard Business Park at Jalan Kuching as well as two gated and guarded residential developments, Seri Jalil in Bukit Jalil and d'16 in Shah Alam.

As noted above, the company's unbilled sales are on the rise. Thus, we expect to see stronger earnings results in the second half of the year.

We are, however, fine-tuning our earnings forecast slightly, mainly to account for the work stoppage at the D'Sierra Anggun project. The company received notice in June 2011 that its entire piece of land has been gazetted for compulsory acquisition.

Magna is currently in the process of compiling all the documentations to be submitted to the state authorities' land assessors. A hearing will commence thereafter. We have not taken into account any compensation from the compulsory acquisition.

Recall that the D'Sierra Anggun was a gated and guarded community project consisting of 90 units of 2 and 2½-storey superlink homes. It was launched back in October 2010 and was partially sold. Structural works was slated to start in 3Q11. The project had gross development value of some RM80 million.

Excluding this project, Magna still has four projects on hand with a combined GDV totaling RM970 million.

Thus, we remain positive on a strong turnaround for the company in the current year, from net loss of RM12.4 million in 2010. Net profit is estimated at RM28.2 million, which will rise further to RM46 million in 2012. That translates into fairly attractive fully diluted valuations of 9.7 and 5.9 times forward earnings for the two years, respectively.

Magna's net assets stood at RM0.51 per share at end-June 2011, which is forecast to expand to RM0.74 per share by end-2013 – based on the enlarged share capital of 333.1 million shares, after taking into account full conversion of the outstanding 76 million warrants, expiring September 2011.

Profits – and net assets per share – are expected to see a further boost in 2014, upon completion of the proposed development in Australia. The company is currently in the midst of finalizing the acquisition of a piece of land in the heart of Melbourne with plans for the development of a 25-storey apartment block. The project is 62% sold. Magna intends to market the remaining units to Malaysians. The project has an estimated GDV of A\$210 million. Profits will be recognized upon completion, targeted by 2014. The proposed acquisition is expected to be completed by 4Q11.

Looking further ahead, development plans for a 6.95-acre plot of land in Jalan Gasing, Petaling Jaya – acquired last year for RM48.5 million – are on the drawing board. Details are likely to be finalised by 2012.

Last but not least, Magna is in the midst of completing the acquisition of a 2.62 acre piece of land in Jalan Ampang – where the Lai Meng Girls' School is currently situated. Details for the development are still being worked out but initial reports suggest that the GDV could approximate RM1.3 billion.

The two future projects – in Jalan Gasing and Jalan Ampang – will underpin growth beyond 2013-2014.

Taking into account the company's roster of projects and expected earnings turnaround as well as relatively modest valuations, we are maintaining our **BUY** recommendation on the stock.

Profit & Loss Analysis

Year end Dec (RM mil)	2009	2010	2011E	2012E
Turnover	191.9	116.3	260.1	355.3
Operating profit	15.4	(9.1)	51.4	81.7
Depreciation	1.0	0.8	0.9	0.9
Interest inc/(exp)	(3.0)	(0.8)	(12.9)	(19.5)
Extraordinary loss/(gain)	-	-	-	-
Pre-tax profit	11.4	(10.7)	37.6	61.3
Tax	4.8	2.1	9.4	15.3
Minorities	0.0	(0.4)	-	-
Net profit	6.6	(12.4)	28.2	46.0
Operating margin (%)	8.0	(7.8)	19.7	23.0
Pre-tax margin (%)	6.0	(9.2)	14.5	17.3
Net margin (%)	3.5	(10.7)	10.8	12.9

Per Share Data

Year end Dec (RM mil)	2009	2010	2011E	2012E
EPS (sen)	3.1	(5.0)	8.5	13.8
P/E (x)	26.5	nm	9.7	5.9
Net dividend (sen)	1.0	1.0	1.0	1.0
Net yield (%)	1.2	1.2	1.2	1.2
Net assets per share (RM)	0.55	0.49	0.52	0.65
Price/NA (x)	1.5	1.7	1.6	1.3
Cashflow/share (RM)	(0.1)	(0.1)	0.2	0.1
Price/cashflow (x)	(8.8)	(10.2)	4.8	5.8
Gearing (%)	10.0	79.3	156.9	131.4
ROE (%)	5.7	(10.4)	19.2	23.6

* Adjusted for 1-4 share split exercise implemented in Jan 2010



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