

Results Note

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Magna Prima	Price: RM0.855
Poor first quarter due to new launch delays	Market Capitalisation: RM182.8m
Board: Main Board	
Sector: Properties	
Stock Code: 7617	
Recommendation: ADD (upgrade)(Ceasing coverage)	
Index Component/Constituent: - FBM Emas Index	

Key Stock Statistics

EYE Dec	2010E	2011E
Diluted EPS (sen)	2.4	16.8
P/E (x)	35.8	5.1
Dividend/Share (sen)	1.3	
NTA/Share (RM)	0.54	
Book Value/Share (RM)	0.55	
Issued Share Capital (m)	213.8	
52-week Share Price Range	1.05 - 0.44	
No of Warrants (m)	86.2	
Major Shareholders		
Fantastic Realty Sdn Bhd	15.4%	
Lee Choon Hooi	8.5%	

Per Share Data

EYE Dec	2009	2010E	2011E	2012E
Book Value (RM)	0.57	0.59	0.83	0.99
Cash Flow (sen)	(27.3)	1.6	22.3	16.5
Basic EPS (sen)	3.1	3.2	25.6	16.7
Diluted EPS (sen)	2.2	2.4	16.8	11.1
Dividend (sen)	1.0	1.3	1.3	1.3
Payout Ratio (%)	40.3	39.4	4.9	7.5
Diluted PER (x)	38.7	35.8	5.1	7.7
P/Cash Flow (x)	(3.1)	52.1	3.8	5.2
P/Book Value (x)	1.5	1.4	1.0	0.9
Dividend Yield (%)	1.2	1.5	1.5	1.5
ROE (%)	5.6	5.5	35.9	18.4
Net Gearing (%)	46.5	46.0	8.1	(8.4)

P&L Analysis

EYE Dec (RM m)	2009	2010E	2011E	2012E
Revenue	193.0	125.0	374.0	284.0
Operating Profit	14.9	9.8	75.4	49.6
Depreciation	(1.1)	(1.1)	(1.2)	(1.2)
Net Interest Inc/Exp	1.0	1.0	1.0	1.0
Pre-tax Profit	11.4	9.7	75.3	49.4
Net Profit	6.6	6.8	54.7	35.8
Core Net Profit	6.6	6.8	54.7	35.8
Operating Margin	7.7%	7.8%	20.2%	17.5%
Pre-tax Margin	5.9%	7.8%	20.1%	17.4%
Net Margin	3.4%	5.4%	14.6%	12.6%
Effective Tax Rate	41.7%	27.0%	27.0%	27.0%

Share Price Chart



1QFY10 Results Highlights and Analysis

YoY comparison

EYE Dec (RM m)	1QFY09	1QFY10	Chg (%)
Revenue	61.1	18.1	(70.3)
Operating Profit	3.6	0.9	(74.3)
Depreciation	(0.3)	(0.3)	5.0
Net Interest Inc/Exp	0.1	(0.4)	(731.6)
Pre-tax Profit	3.3	0.2	(93.3)
Net Profit	2.3	0.1	(93.5)
Core Net Profit	2.3	0.1	(93.5)
Operating Margin (%)	5.9%	5.1%	
Pre-tax Margin (%)	5.3%	0.8%	
Net Margin (%)	3.7%	0.8%	
Effective Tax Rate (%)	25.8%	24.7%	

Yoy, 1QFY10 revenue and net profit declined by 70.3% and 93.5%. Delay in the series of land acquisitions and launch of new development projects meant U1 Shah Alam was the only on-going project in 1QFY10 compared to three projects (with Dataran Otomobil and Magna Ville) running in 1QFY09. As a result, 1QFY10 revenue and net profit (including recognition of residual profit arising from the completion of Magna Ville) declined by 70.3% and 93.5%, respectively. Effective tax rate of 24.7% in 1QFY10 is close to normal.

QoQ comparison

FYE Dec (RM m)	4QFY09	1QFY10	Chg (%)
Revenue	13.7	18.1	32.7
Operating Profit	2.1	0.9	(55.7)
Depreciation	(0.3)	(0.3)	5.0
Net Interest Inc/Exp	0.3	(0.4)	(221.2)
Pre-tax Profit	1.2	0.2	(87.6)
Net Profit	0.2	0.1	(39.8)
Core Net Profit	0.2	0.1	(39.8)
Operating Margin (%)	15.4%	5.1%	
Pre-tax Margin (%)	9.1%	0.8%	
Net Margin (%)	1.8%	0.8%	
Effective Tax Rate (%)	72.3%	24.7%	

Qoq, revenue increased by 32.7% but net profit declined by 39.8%. Lower billings in 4QFY09 following the completion of Dataran Otomobil and Magna Ville contribute to the 32.7% qoq increase in 1QFY10 revenue. 1QFY10 net profit however declined by 39.8% as 4QFY09 net profit was boosted by other operating income of RM10.9m as well as lower selling and distribution expenses.

FRS 139 impact not significant. Adoption of FRS 139 has a negative impact of RM0.2m on the balance sheet but no significant impact on the profit for 1QFY10.

More exciting times ahead. With a new management team in place and several projects to be launched in the next three quarters, possibly a better outlook is ahead. One Sierra in Selayang has received positive interest from registration from potential buyers and loan facilities for four projects (including D'Sierra in Selayang, One Jalil in Bukit Jalil, and the Jalan Gasing lifestyle commercial development) has been secured. Other projects in the pipeline are Magna City along Jalan Kuching, One Villa in Shah Alam, and the Lai Meng land development along Jalan Ampang. With the improving economic outlook, low interest rates and strong buyer sentiments, these residential and commercial developments in strategic locations are expected to boost Magna's profitability in the coming three to four years.

Change in shareholdings in Fantastic Realty. Shareholdings of single largest shareholder, Fantastic Realty changed hands last week as Wong Bin Chen and Tan San Li sold their stakes to Lee Ban Chuan and Lee Hing Lee.

Stock warrants an ADD rating at current price but ceasing coverage. Our target price of RM0.88 is based on a 40% discount to RNAV estimate of RM1.46. At current price of RM0.855, the stock does warrant an ADD rating. However, we are ceasing coverage of this niche developer due to the lack of institutional interest.

Fig 1: Magna RNAV estimate

Location	Land area (acre)	Purchase Price (RM m)	Est'd GDV * (RM m)	Pretax margin (%)	Net Profit # (RM m)
Pending property projects					
Jalan Kuching - "Magna City"	10.2	57.9	360.0	20%	54.0
Bukit Jalil (Lot 38476) - "One Jalil"	10.9	19.4	96.0	20%	14.4
Selayang - "One Sierra"	22.5	40.5	164.0	18%	22.1
S16 Shah Alam - "One Villa"	17.0	22.0	107.0	18%	14.4
Selayang - "D'Sierra" **	6.0	16.5	66.0	18%	8.9
Lifestyle commercial, S5 PJ	7.0	48.5	270.0	20%	40.5
Lai Meng land, Jalan Ampang	2.6	148.2	920.0	25%	172.5
Existing projects			90.0	18%	12.2
Total net profit from pending property projects					339.0
Shareholders' funds @ 31 December 2009					118.2
Proceeds from the conversion of 86.2m 2006/11 warrants @ RM0.37 each					31.9
Revised RNAV					489.2
No of shares					
- Existing @ 31 December 2009					213.8
- To be issued to Muafakat Kekal for Selayang land acquisition					33.0
- To be issued for the conversion of 2006/11 warrants					86.2
Adjusted total number of shares					333.0
Revised RNAV per share					1.47

* GDVs are estimates and subject to change as development plans are being finalised

** Purchase consideration to be satisfied by the issue of 33.0m new Magna shares at RM0.50 each

After effective tax rate of 25%

Source: Company data, Affin estimates

Equity Rating Structure and Definitions

BUY	Total return is expected to exceed +15% over a 12-month period
TRADING BUY (TR BUY)	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
ADD	Total return is expected to be between 0% to +15% over a 12-month period
REDUCE	Total return is expected to be between 0% to -15% over a 12-month period
TRADING SELL (TR SELL)	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
SELL	Total return is expected to be below -15% over a 12-month period
NOT RATED	Affin Investment Bank does not provide research coverage or rating for this company. Report is intended as information only and not as a recommendation
OVERWEIGHT	Industry, as defined by the analyst's coverage universe, is expected to outperform the KLCI benchmark over the next 12 months
NEUTRAL	Industry, as defined by the analyst's coverage universe, is expected to perform inline with the KLCI benchmark over the next 12 months
UNDERWEIGHT	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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