

Company Update

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Magna Prima	Price:	RM1.90
Proposed acquisition of land in Daerah Gombak	Market Capitalisation:	RM101.5m
Board: Second Board		
Sector: Construction		
Stock Code: 7617		
Recommendation: ADD (maintain)		
Index Component/Constituent: FBM Second Board		

Key Stock Statistics

FYE Dec	2009F	2010F
Diluted EPS (sen)	35.9	36.4
P/E (x)	5.3	5.2
Dividend/Share (sen)	5.0	
NTA/Share (RM)	2.18	
Book Value/Share (RM)	2.18	
Issued Share Capital (m)	53.4	
52-week Share Price Range	3.44 - 1.77	
No of Warrants (m)	21.5	
Major Shareholders		
Fantastic Realty Sdn Bhd	10.6%	
Tan Teong Han	7.0%	

Per Share Data

FYE Dec	2005	2006	2007	2008	2009F	2010F
Book Value (RM)	0.97	1.20	1.72	2.22	2.63	3.09
Cash Flow (sen)	(56.6)	(29.4)	71.8	(63.3)	20.9	31.4
Basic EPS (sen)	(20.3)	0.2	51.6	52.2	50.1	50.8
Diluted EPS (sen)	n.m	2.2	37.0	37.4	35.9	36.4
Dividend (sen)	0.0	0.0	7.0	5.0	5.0	5.0
Payout Ratio (%)	0.0	0.0	13.6	9.6	10.0	9.8
Diluted PER (x)	n.m	86.7	5.1	5.1	5.3	5.2
P/Cash Flow (x)	(3.4)	(6.5)	2.6	(3.0)	9.1	6.1
P/Book Value (x)	2.0	1.6	1.1	0.9	0.7	0.6
Dividend Yield (%)	0.0	0.0	3.7	2.6	2.6	2.6
ROE (%)	(41.7)	0.2	35.3	26.5	20.6	17.7
Net Gearing (%)	72.5	59.4	69.5	49.5	26.7	8.3

P&L Analysis

FYE Dec (RM m)	2005	2006	2007	2008	2009F	2010F
Revenue	91.1	80.8	344.4	280.6	290.0	300.0
Operating Profit	(7.9)	5.4	38.3	37.1	35.7	36.3
Depreciation	(1.3)	(1.2)	(1.0)	(1.0)	(1.1)	(1.1)
Net Interest Inc/Exp	(1.6)	(0.6)	0.3	1.4	1.0	1.0
Pre-tax Profit	(10.3)	3.6	37.6	37.5	35.7	36.2
Net Profit	(10.4)	0.1	26.6	26.9	25.8	26.1
Core Net Profit	(10.4)	0.1	26.6	26.9	25.8	26.1
Operating Margin	(8.7%)	6.7%	11.1%	13.2%	12.3%	12.1%
Pre-tax Margin	(11.3%)	4.5%	10.9%	13.4%	12.3%	12.1%
Net Margin	(11.5%)	0.1%	7.7%	9.6%	8.9%	8.7%
Effective Tax Rate	(6.5%)	97.4%	28.6%	27.2%	27.0%	27.0%

Share Price Chart



Proposed acquisition of land in Daerah Gombak for RM40.5m. Magna Prima announced that its 100%-owned Monetary Icon (M) has proposed to acquire from Seri Dinar Project Development 1 parcel of freehold land measuring 5.7 acres and all parcels of leasehold land measuring in aggregate 16.8 acres located in Daerah Gombak, Selangor for a total cash consideration of RM40.5m. The freehold land and leasehold (99 years alienated from the Selangor State Government) lands (collectively referred to as the "Property") were valued at RM41.0m by Messrs. Collier, Jordan Lee & Jaafar in a valuation report dated 14 January 2009. Upon signing of the Sales & Purchase Agreement, Magna Prima shall pay a deposit of RM12.2m to Seri Dinar and Seri Dinar shall deliver vacant possession of the Property. Dato' Dr. Manjit Singh a/l Harban Singh owns 55% of Seri Dinar and is also an independent non-executive director of Magna Prima. The proposed acquisition is expected to be completed by 4Q2009.

The Property is located near to FRIM, Kepong. The Property is located near the Forest Research Institute of Malaysia in Kepong, at the intersection of Jalan Taman Bidara, Persiaran 1 and Lebuhraya Rawang. The Property is easily accessible from Jalan Ipoh via Lebuhraya Rawang and Jalan Bidara, the existing frontage road, and is within the vicinity of Bandar Baru Selayang, Taman Bidara and the newly completed

gated and guarded community of Perdana Residence.

Proposed layout development plan approved. The proposed development layout plan for the Property approved by Majlis Perbandaran Selayang includes the construction of:-

- 18 units of shoplots;
- 1 medium-cost apartment of 72 units;
- 2 units of detached houses;
- 47 units of 3-storey terraced houses;
- 79 units of 3-storey semi-detached zero lot houses;
- 20 units of 3-storey semi-detached houses; and
- 1 unit of clubhouse with facilities.

The GDV for the proposed development is RM130m. Development is expected to commence in end-2009 for completion by end-2012.

To be financed with internal funds and borrowings.

The purchase consideration of RM40.5m is expected to be financed with internally generated funds (approximately 26% or RM10.5m) and borrowing (74% or RM30.0m). Based on the intended financing structure, gearing ratio of Magna Prima is expected to increase from 0.7x to 0.9x after the proposed acquisition.

Proposed acquisition can enhance earnings when the property market recovers.

Magna Prima's management expect gross profit margin of 20% (equivalent to RM26m) from the development of the Property. When the property market recovers from the global financial crisis induced slowdown, we believe the expected gross profit margin is achievable and its bottomline in FY10/12 will be enhanced. Assuming a 7% cost of borrowing and enlarged share capital of 74.9m shares (after conversion of outstanding warrants), we estimate a potential 6 sen enhancement to fully diluted EPS in FY10, FY11 and FY12. We are however keeping our forecasts unchanged pending completion of the proposed acquisition.

Still no words from management on proposed acquisition of land in Bukit Jalil for relocation of Lai Meng Primary School and Lai Meng Kindergarten.

We still have not heard from management on the status of its proposed acquisition of Bukit Jalil land ("Swapped Land") for the relocation of Lai Meng Primary School and Lai Meng Kindergarten, a condition in its proposed acquisition of all pieces of land measuring an aggregate area of approximately 10,587.5 sq m along Jalan Ampang. Development of the Jalan Ampang land into high-end commercial and residential properties from 2015 with a potential GDV of around RM1.3bn would provide greater clarity to the future prospects of a smallish boutique developer dependent on acquisition of pockets of land in the Klang Valley for development.

Maintain ADD pending clarifications on proposed acquisition of Jalan Ampang land.

Pending clarifications by its new management on the status of the proposed acquisition of the Swapped Land and

Jalan Ampang land, we maintain our ADD rating on the stock. Target price remains at RM2.55 based on 7x CY10 EPS.

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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