

Results Note – 1QFY08

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Magna Prima Bhd	Price	RM4.58
	Market Capitalisation	RM236.3m
	Board	Second Board
	Sector	Construction
	Stock Code	7617
	Recommendation	ADD
Within expectations		

Key Stock Statistics

FYE Dec	2008F	2009F
Diluted EPS (sen)	46.3	55.7
P/E (x)	9.8	8.2
Dividend/Share (sen)	10.0	
NTA/Share (RM)	1.80	
Book Value/Share (RM)	1.80	
Issued Share Capital (m)	51.5	
52-week Share Price Range	5.55 - 1.30	
No of Warrants (m)	23.4	
Major Shareholders		
Fantastic Realty Sdn Bhd	16.6%	
Tan Teong Han	7.2%	

Per Share Data

FYE Dec	2005	2006	2007	2008F	2009F
Book Value (RM)	0.97	1.20	1.72	2.20	2.89
Cash Flow (sen)	(56.6)	(29.4)	(35.1)	(31.7)	19.3
Basic EPS (sen)	(20.3)	0.2	51.6	65.1	78.8
Diluted EPS (sen)	n.m	2.2	37.0	46.3	55.7
Dividend (sen)	0.0	0.0	7.0	10.0	10.0
Payout Ratio (%)	0.0	0.0	13.6	15.4	12.7
Diluted PER (x)	n.m	207.6	12.3	9.8	8.2
P/Cash Flow (x)	(8.0)	(15.5)	(13.0)	(14.3)	23.6
P/Book Value (x)	4.7	3.8	2.6	2.1	1.6
Dividend Yield (%)	0.0	0.0	1.5	2.2	2.2
ROE (%)	(41.7)	0.2	35.3	33.2	30.9
Net Gearing (%)	72.5	59.4	55.5	62.7	45.0

P&L Analysis

FYE Dec (RM m)	2005	2006	2007	2008F	2009F
Revenue	91.1	80.8	344.4	356.4	391.6
Operating Profit	(7.9)	5.4	38.3	48.7	58.0
Depreciation	(1.3)	(1.2)	(1.0)	(1.0)	(1.1)
Net Interest Inc/Exp	(1.6)	(0.6)	0.3	(2.0)	(2.5)
Pre-tax Profit	(10.3)	3.6	37.6	45.7	54.5
Net Profit	(10.4)	0.1	26.6	33.5	40.6
Core Net Profit	(10.4)	0.1	26.6	33.5	40.6
Operating Margin	(8.7%)	6.7%	11.1%	13.7%	14.8%
Pre-tax Margin	(11.3%)	4.5%	10.9%	12.8%	13.9%
Net Margin	(11.5%)	0.1%	7.7%	9.4%	10.4%
Effective Tax Rate	(6.5%)	97.4%	28.6%	26.0%	25.0%

Share Price Chart



1QFY08 Results Highlights and Analysis

YoY comparison

FYE Dec (RM m)	1QFY07	1QFY08	Chg (%)
Revenue	25.4	48.3	90.2
Operating Profit	2.3	5.4	133.4
Depreciation	(0.2)	(0.3)	5.0
Net Interest Inc/Exp	0.0	0.9	6,036
Pre-tax Profit	2.1	6.0	187.6
Net Profit	1.0	5.0	399.8
Core Net Profit	1.0	5.0	399.8
Operating Margin (%)	9.1%	11.2%	
Pre-tax Margin (%)	8.2%	12.5%	
Net Margin (%)	4.0%	10.4%	
Effective Tax Rate (%)	48.4%	10.9%	

1QFY08 revenue up 90.2% yoy: 1QFY08 revenue increased 90.2% yoy due to higher bookings from its flagship Avare luxury condominium project in the KLCC area and the Magna Ville condominium project in Selayang.

Net profit up 400% yoy: As a result of the higher bookings from the high-margin Avare development as well as contributions from Magna Ville, net profit in the quarter increased by almost 400% to RM5.0m. The effective tax rate for the group in 1QFY08 was lower than the statutory rate due to the utilisation of unabsorbed tax losses while the effective rate in 1QFY07 (and 4QFY07) was higher due to certain

expenses not tax deductible and certain deferred tax assets not recognised for the loss making subsidiaries.

QoQ comparison

FYE Dec (RM m)	4QFY07	1QFY08	Chg (%)
Revenue	168.9	48.3	(71.4)
Operating Profit	17.9	5.4	(69.8)
Depreciation	(0.2)	(0.3)	5.0
Net Interest Inc/Exp	0.2	0.9	323.2
Pre-tax Profit	17.6	6.0	(65.8)
Net Profit	11.1	5.0	(54.8)
Core Net Profit	11.1	5.0	(54.8)
Operating Margin (%)	10.6%	11.2%	
Pre-tax Margin (%)	10.4%	12.5%	
Net Margin (%)	6.6%	10.4%	
Effective Tax Rate (%)	31.3%	10.9%	

However, revenue and net profit lower qoq: Qoq, 1QFY08 revenue and net profit was however down by 71.4% and 54.8% respectively due to higher contributions from the Avare and the Dataran Otomobil commercial development project in Shah Alam in 4QFY07.

Clean balance sheet: As at 31 March 2008, total borrowings stood at RM75.4m and cash reserve RM36.8m (excluding cash of RM9.9m held under HDAs). Net gearing is hence comfortable at RM38.6m against shareholders' funds of RM94.8m and total assets of RM336.1m.

1QFY08 results within expectations: 1QFY08 net profit accounts for 15% of our FY08 forecast of RM33.5m. But we expect profits to be stronger in the next three quarters to bring full year performance close to our forecast. Consensus estimate is not available.

Outlook

FY08 profit contributors: The Avare, Magna Ville and Dataran Otomobil projects will continue to drive revenue and earnings in the next three quarters of FY08. Taking into account sales recognised in 1QFY08, outstanding unbilled sales should still be around RM210m. This does not include sales from the RM135m U1 residential and commercial development, which saw all 205 units in the first residential tower taken up when the project was launched earlier this month. The company now targets to sell all 173 units in the second residential tower in the next two months. Including U1, unbilled sales will be pushed to around RM350m. Construction will begin soon for completion by mid-2011

FY09 profit contributors: Magna also plan to launch its RM730m mid- to high-end five-in-one (retail, commercial, office and residential) development along Jalan Kuching in July this year. This and U1 Shah Alam, which will push total GDV around RM1.1bn or

300% of our FY08 revenue estimate, are expected to contribute significantly from FY09.

Maintain forecasts and target price: The turnaround in Magna continue to impress. We maintain our net profit forecast of RM33.5m for FY08 and RM40.6m for FY09. Pegged at 10x CY08 EPS, target price remains unchanged at RM4.65. Stock rating is also maintained at ADD.

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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