

**Results Note – 1QFY09**

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<b>Magna Prima</b> Slow 1QFY09 but should catch up	<b>Price:</b>	RM2.25
	<b>Market Capitalisation:</b>	RM120.2m
<b>Board:</b> Second Board		
<b>Sector:</b> Construction		
<b>Stock Code:</b> 7617		
<b>Recommendation:</b> ADD (Downgrade)		
<b>Index Component/Constituent:</b> FBM Second Board		

**Key Stock Statistics**

FYE Dec	2009F	2010F
Diluted EPS (sen)	35.9	36.4
P/E (x)	6.3	6.2
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	4.52 - 1.80	
No of Warrants (m)	23.4	
<b>Major Shareholders</b>		
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	102.7	6.1	6.0	6.3	6.2
P/Cash Flow (x)	(4.0)	(7.6)	3.1	(3.6)	10.8	7.2
P/Book Value (x)	2.3	1.9	1.3	1.0	0.9	0.7
Dividend Yield (%)	0.0	0.0	3.1	2.2	2.2	2.2
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**



**1QFY09 Results Highlights and Analysis**

**YoY comparison**

FYE Dec (RM m)	1QFY08	1QFY09	Chg (%)
Revenue	48.3	61.1	26.5
Operating Profit	5.4	3.6	(32.9)
Depreciation	(0.3)	(0.3)	5.0
Net Interest Inc/Exp	0.9	0.1	(93)
Pre-tax Profit	6.0	3.3	(45.7)
Net Profit	5.0	2.3	(55.1)
Core Net Profit	5.0	2.3	(55.1)
Operating Margin (%)	11.2%	5.9%	
Pre-tax Margin (%)	12.5%	5.3%	
Net Margin (%)	10.4%	3.7%	
Effective Tax Rate (%)	10.9%	25.8%	

**Yoy, 1QFY09 revenue increased 26.5% but net profit fell by 55.1%.** Yoy, 1QFY09 revenue increased 26.5% due to higher revenue from the Magna Ville project in Selayang as the Avare luxury condominium project in KLCC was completed. Net profit however fell by 55.1% as Magna Ville enjoys lower margins due to the product mix as well as higher selling and other expenses.

**QoQ comparison**

FYE Dec (RM m)	4QFY08	1QFY09	Chg (%)
Revenue	80.6	61.1	(24.2)
Operating Profit	16.6	3.6	(78.2)
Depreciation	(0.3)	(0.3)	5.0
Net Interest Inc/Exp	0.1	0.1	(26.0)
Pre-tax Profit	16.2	3.3	(79.9)
Net Profit	12.2	2.3	(81.5)
Core Net Profit	12.2	2.3	(81.5)
Operating Margin (%)	20.6%	5.9%	
Pre-tax Margin (%)	20.1%	5.3%	
Net Margin (%)	15.1%	3.7%	
Effective Tax Rate (%)	24.1%	25.8%	

**Qoq, 1QFY09 revenue and net profit fell 24.2% 81.5%, respectively.** Qoq, 1QFY09 revenue and net profit declined by 24.2% and 81.5% respectively as the Avare project was completed. The Avare and Magna Ville projects contributed 21.8% and 963.9% qoq increases in revenue and net profit in 4QFY08.

**No interim dividend declared in 1QFY09.** As before, no interim dividend has been declared for the first quarter. A final single tier exempt dividend of 5 sen was declared in 12MFY08 compared to 1 sen less tax of 26% and 6 sen single tier exempt in 12MFY07.

**Outlook**

**Slow 1QFY09 but should catch up.** The slow 1QFY09 is not totally unexpected given the completion of the Avare project and delayed launch and weak initial sales of the U1 Shah Alam project last year. We expect revenue and profits to improve in the coming three quarters with contributions from the following:-

- Dataran Otomobil, where Phase 3 and 4 have yet to be launched;
- U1 Shah Alam, where sales is expected to pick up;
- the Jalan Kuching project, which has been scaled down and repositioned from a 5-in-1 to a shophouse-cum-serviced apartment development with a lower GDV of around RM500m.

There may also be contribution from the construction of the new school to be built in Bukit Jalil for the relocation of the Lai Meng Primary School and Lai Meng Kindergarten, currently located along Jalan Ampang.

**Proposal acquisition of Lai Meng school / kindergarten land for RM148.2m approved by FIC.** The proposed acquisition of all pieces of land measuring an aggregate area of approximately 10,587.5 sq m for a cash consideration of RM148.2m has been approved by the Foreign Investment Committee on 15 May 2009. The proposed acquisition includes the condition to transfer a piece of freehold land measuring 22,280 sq m (costing RM19.4m) to Lai Meng Girl School Association for the purpose of

relocating the existing Lai Meng Primary School and Lai Meng Kindergarten.

**Acquisition of land along Jalan Ampang for commercial and residential development long term positive.** The Lai Meng school/ kindergarten land is only a 5-minute walk from KLCC and has good potential for high-end commercial and residential development, which has been attached a GDV of around RM1.3bn. In our opinion, the acquisition price of RM1,470.60 psf is reasonable. However, development can only start after the relocation of the current school and kindergarten to Bukit Jalil. The company expect the proposed acquisition to be completed by year 2015.

**Raising target price on CY10 EPS, downgrade to ADD.** As we expect the next three quarters to be stronger, we are keeping our FY09 forecasts unchanged. Also maintained are our FY10 forecasts. Valuing the stock at an unchanged PE of 7x but now on CY10 EPS of 36.4 sen, target price is raised slightly from RM2.51 to RM2.55. As the stock price has recovered to RM2.25, stock rating is downgraded from BUY to ADD.

**On risks, private placement, winding-up petition and management changes.** A key risk for Magna is the flow of construction projects and land in good location for property development. Through the Lai Meng school / kindergarten land deal, the company has again shown its ability to address this risk. The private placement of up to 8.6m shares, extended by the Securities Commission until 14 July 2009, is still pending. On the winding-up petition on 93%-owned Magna Park, the group is opposing the petition and does not expect "to suffer any loss nor experience any financial and operational impact." Datuk Lee Kian Seng and Lim Ching Choy have left the company while Loo Kent Chong has been appointed the new Chief Operating Officer. We will be meeting up with the company soon to understand the objectives and strategies of the new management and if any, new shareholders.

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#### 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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