

4QFYDec2011 Results
23 February 2012

Magna Prima Berhad

- New projects underpin growth
- Strong earnings expected for 2012-2014
- Unbilled sales of RM358 million to drive growth
- Relatively attractive valuations

BUY

Price
85.5 sen

Market capitalization
RM211 million

Board
Main

Sector
Properties

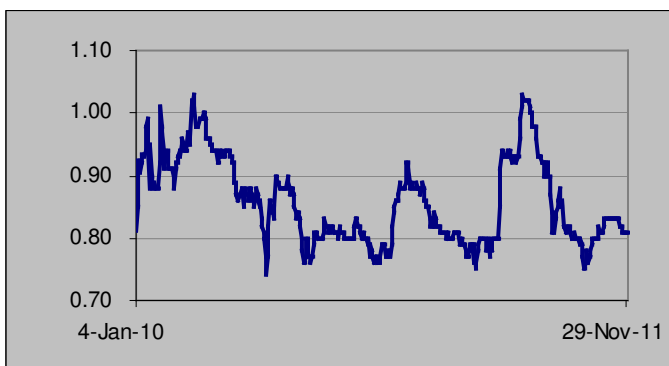
Stock code
7617

By
The Research Team

Key stock statistics	2011	2012E
FD EPS (sen)	3.1	15.5
P/E (x)	27.9	5.5
Net DPS (RM)	1.5	3.0
NTA/share (RM)	0.48	0.60
Enlarged share capital (mil)	332.9	
52-week price range (RM)	0.73-1.04	

Major shareholders (%)

Fantastic Realty	25.1%
Muafakat Kekal	9.9%

Share Price Chart


4QFYDec11 Earnings Highlights

Year end Dec	4Q11	4Q10	% chg
Turnover	83.3	32.9	153%
Operating profit	2.6	(7.9)	nm
Depreciation	0.1	0.2	-57%
Interest inc/(exp)	0.0	0.1	-96%
Extraordinary loss/(gain)	-	-	nm
Pre-tax profit	2.6	(8.0)	nm
Tax	0.6	(0.0)	nm
Net profit	3.5	(8.0)	nm
EPS (sen)	1.1	(2.4)	
Operating margin (%)	3.2	(24.0)	
Pre-tax margin (%)	3.1	(24.4)	
Net margin (%)	4.3	(24.2)	

Magna Prima's earnings results for 4Q11 and full-year 2011 were weaker than expected.

Turnover did improve in 4Q11 to RM83.3 million, up from RM32.9 million in the previous corresponding quarter and RM64.3 million in 3Q11. This can be attributed to maiden contributions from two projects, the Seri Jalil residential development in Bukit Jalil and a mixed development, Boulevard Business Park at Jalan Kuching – in addition to the ongoing One Sierra, Selayang and Alam d'16 projects. Progress, however, was slower than expected, due, in part, to the rainy weather conditions through the better part of 4Q11.

Net profit in 4Q11 came in at RM3.5 million, compared with net loss of RM8 million and marginal profit of RM0.4 million in 4Q10 and 3Q11, respectively. Note that earnings in 3Q11 were affected by some RM6 million losses associated with the compulsory acquisition of land where the D'Sierra Anggun project in Selayang had originally been planned.

Turnover totaled RM201.7 million in 2011, up 73% from the RM116.3 million in 2010. This was due to contributions from projects mentioned above that were launched over the past year. Net profit totaled RM10.2 million in 2011, a reversal from net loss of RM12.4 million in the previous year. Magna declared a first and final dividend of 1.5 sen per share for 2011.

Outlook and Recommendation

We expect Magna's earnings to remain in an uptrend over the next few years, underpinned by a roster of new property development projects.

As mentioned-above, the company recognised maiden contributions from two new projects – a mixed commercial-residential development called the Boulevard Business Park at Jalan Kuching as well as the gated and guarded residential development, Seri Jalil in Bukit Jalil – in 4Q11. The two projects, about 5% and 30% completed at end-2011, respectively, will move into full swing in 2012-2013.

In addition, the first phase for the Alam d'16 project in Shah Alam – consisting of 177 units of two storey link houses – will also move into high gear this year and is slated for completion sometime early-2013.

Another ongoing project, the One Sierra development in Selayang, is on schedule for completion before the end of the current year. Similarly, a commercial tower under the U1 Shah Alam Phase 2 development should be completed this year. The tower had been sold en-bloc for about RM28 million in December 2011.

Both the Seri Jalil and Phase 1 of the Alam d'16 projects are fully sold while Phase 1 of Boulevard Business Park is almost 80% sold.

For the current year, Magna is planning to launch two other related projects – Phase 2 for Alam d'16 and Phase 2 for Boulevard Business Park.

The former is a medium cost high-rise condominium project with estimated gross development value (GDV) of RM236 million while the latter will consist primarily of service apartment units with total GDV of roughly RM262 million.

Meanwhile, Magna's first foray into overseas property development is expected to take off very soon, after completing the acquisition of Dynasty Living in November 2011. The project, renamed The Istana, Melbourne, involves plans to develop a 25-storey apartment block in the heart of Melbourne, Australia.

Some 62% of the units have already been pre-sold in Australia. The remaining units will be marketed to Malaysians at its official launch on February 24. The project has an estimated GDV of A\$210 million.

If all goes to plan, the bulk of sales for the local projects will be recognised in 2012-2013 with the last of the earnings in 2014. Profits from the Australian project will be recognized in one-lump sum upon completion – in accordance with the IFRIC 15 (International Financial Reporting Interpretation Committee) – in 2014.

In fact, Magna is currently contemplating the adoption of the IFRIC 15 for its local projects in 2012. For the moment, we are keeping our earnings forecast based on the percentage completion method but this will be revised once the company decides on the issue.

We estimate net profit of roughly RM51.5 and RM48.5 million in 2012-2013, respectively. In 2014, net profit will be further boosted by lump sum contributions from Dynasty Living, upon the project's completion.

By end-2014, we estimate Magna's book value will rise to about RM1.04 per share – from the current 48 sen per share – more than 22% higher than the current share price of 85.5 sen.

This forecast assumes a higher dividend payment averaging some 3 sen per share in 2012-2013 and up to 5 sen per share in 2014 – in line with the company's earnings expansion. Based on our assumed payout, investors will earn fairly decent net yields of about 3.5% for 2012-2013.

Should, however, dividends remain at 2011's payout of 1.5 sen per share, Magna's book value would rise to RM1.11 per share or almost 30% higher than the prevailing share price, by end-2014.

The company is actively looking to replenish its landbank, for projects beyond 2014. It already has two projects on the drawing board.

The first will be located on the 6.95-acre plot of land in Jalan Gasing, Petaling Jaya, which was acquired in 2010 for RM48.5 million.

The other is expected to be Magna's flagship project – a huge mixed development on a 2.62-acre piece of land located in Jalan Ampang where the Lai Meng Girls' School is currently situated.

The plan is to relocate the school to Bukit Jalil, where a piece of land has already been acquired for RM10.7 million. Construction of the new school is expected to start in 1H12 and completed by end-2013.

In view of Magna's ongoing as well as new projects in hand, we are maintaining our **BUY** recommendation on the stock.

Profit & Loss Analysis

Year end Dec (RM mil)	2010	2011	2012E	2013E
Turnover	116.3	201.7	335.2	279.8
Operating profit	(9.1)	18.7	72.6	70.2
Depreciation	0.8	0.4	0.3	0.3
Interest inc/(exp)	(0.8)	0.5	(3.5)	(5.3)
Extraordinary loss/(gain)	-	6.0	-	-
Pre-tax profit	(10.7)	12.8	68.7	64.7
Tax	2.1	4.4	17.2	16.2
Minorities	(0.4)	(1.8)	-	-
Net profit	(12.4)	10.2	51.5	48.5
Operating margin (%)	(7.8)	9.3	21.7	25.1
Pre-tax margin (%)	(9.2)	6.3	20.5	23.1
Net margin (%)	(10.7)	5.0	15.4	17.3

Per Share Data

Year end Dec (RM mil)	2010	2011	2012E	2013E
EPS (sen)	(5.0)	3.1	15.5	14.6
P/E (x)	nm	27.9	5.5	5.9
Net dividend (sen)	1.0	1.5	3.0	3.0
Net yield (%)	1.2	1.8	3.5	3.5
Net assets per share (RM)	0.49	0.48	0.60	0.72
Price/NA (x)	1.8	1.8	1.4	1.2
Cashflow/share (RM)	(0.1)	0.1	0.2	0.1
Price/cashflow (x)	(10.6)	7.0	5.5	5.8
Gearing (%)	79.3	77.0	115.7	124.2
ROE (%)	(10.4)	7.3	28.6	22.0

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



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