IPO Price: RM2.20



Analyse This...

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Matrix Concepts Holdings Bhd

New kid aims high

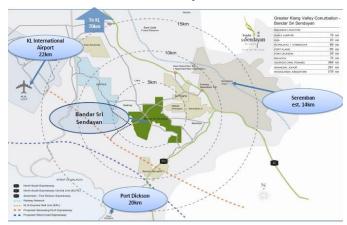
Investment highlights

- Matrix Concepts, a niche developer in Seremban, aims to fly high. The
 huge land bank in Bandar Sri Sendayan with an estimated GDV of
 RM5.0bn will ensure earnings visibility until 2019. This has yet to include
 future landbanking and other property projects, which the company is
 already working on. While property launches remain its bread and butter,
 the industry land sale and the move to sell higher value homes will help
 Matrix expand its margins.
- For indicative valuation, we assume 1) 50% of the RM455m unbilled sales will be booked-in, 2) RM700m new sales in FY13, and 3) PATMI margin of 20%. This translate into a listing P/E of 5.7x. Pegging Matrix to the sector P/E of 8x, we derive an indicative target price of RM3.10.
- The company aims to distribute a minimum dividend of 40% of its annual profits to shareholders. Based on our forecast, this would translate into an attractive yield of 7% in FY13.

Background

- Founded by Dato' Lee Tian Hock, Matrix Concepts Holdings is a niche property developer in Negeri Sembilan. Presently, the company undertakes the development of two township projects: 1) Bandar Sri Sendayan in Seremban, Negeri Sembilan and 2) Taman Seri Impian in Kluang, Johor. As at March 2013, Matrix's unbilled sales was RM445m.
- Bandar Sri Sendayan (BSS) is an integrated township. The size of this township is 5,233 acres with an estimated total GDV of RM5.0bn. This project will keep the company busy until 2019.
- Taman Seri Impian is Matrix's first flagship project. It covers approximately 900 acres and comprises residential and commercial developments. Total GDV is estimated at about RM1.3bn and it is expected to be completed by 2019

Location of Bandar Sri Sendayan



SOURCES: COMPANY

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Prospects

- Within the Kuala Lumpur Conurbation. Based on the second National Physical Plan (NPP-2), the Kuala Lumpur Conurbation, which encompasses Kuala Lumpur, Putrajaya, Shah Alam, Klang, Nilai and Seremban, will house a potential population of 10.37m or 37% of the Peninsular Malaysia population by year 2020. Hence, we expect Seremban to benefit from future township development. The connectivity to various transportation networks like KLIA, LCCT, the North-South Expressway and KTM services also make commuting between Seremban and Kuala Lumpur more accessible.
- Industrial land sale at Sendayan Techvalley (STV). The STV is the ecofriendly techno-entrepreneur park in BSS. It targets high impact industries such as international automotive and aircraft part manufacturers as well as their supporting industries. Other suitable businesses include those related to medical and scientific devices and parts, aerospace, electronics, agriculture and agro-based industries, telecommunications, electro-optics and optoelectronics. With FDIs pouring into this industrial zone, we expect the company to book in higher profits from land sale going forward. The company still got 338 acres of land in the STV.
- Spill-over from existing township. Other large-scale projects within close proximity to BSS such as the Seremban 2, S2 Heights, Bandar Enstek and Nilai Industrial Park are expected to pull crowd in and create critical mass to spur the local activities. The new academia and training centre of the Royal Malaysia Air Force in BSS, upon completion, will also create catchment for the township.
- More landbanking activities? Post listing, the company is net cash.
 Hence, it has the financial muscle to carry out landbanking activities. We gather that Matrix is also eyeing land outside of Seremban to further strengthen its orderbook.

Foreign Direct Investment in STV

| | RM'm |
|--------------------------------|------|
| Hino Motor | 150 |
| Messier-Buggatti-Dow ty | 300 |
| Keen Point | 200 |
| TMC Metal | 20 |
| Akashi-Kikai Industry/Daihatsu | 220 |
| Meditop Corporation | 150 |
| MBM Resources | 300 |
| Nippon Kayaku | 600 |
| Total | 1940 |
| SOURCES: COMPANY | |

Financials

- Margin is improving. PATMI margin has been expanding over the past 4 years, from 9.1% in FY09 to 22.7% in FY12. Matrix has moved up the value chain by selling higher value homes. The land sale in STV also helped as the book cost is low. The current value for industrial land is above RM30psf.
- Net cash. Based on proforma balance sheet, Matrix is net cash after raising RM137.5m from its IPO exercise. This enables the company to hunt for more land banks for future expansions.
- Indicative target price of RM3.10. Based on our forecast, the company will grow 23% in FY13 EPS. Our assumptions are 1) 50% of the RM455m unbilled sales will be booked-in, 2) RM700m new sales in FY13, and 3) PATMI margin of 20%. This translate into a listing P/E of 5.7x. Pegging Matrix to the sector P/E of 8x, we derive an indicative target price of RM3.10.
- 40% Dividend policy. The company aims to distribute a minimum dividend of 40% of its annual profits to shareholders. Based on our forecast, this would translate into a yield of 7% in FY13.

Earnings visibility

| | Year of commencement | | | |
|---------------------------------------|----------------------|------|------|------|
| | 2013 | 2014 | 2015 | 2016 |
| Bandar Sri Sendayan | Х | Х | Х | х |
| Third 9 Residence | Х | | | |
| Lobak Commercial Centre Phase 1 and 2 | Х | Х | | |
| Kota Gadong Perdana | | | | х |
| Taman Seri Impian | Х | Х | Х | х |
| SOURCES: PROSPECTUS | | | | |

Earnings summary

| YE Dec | FY09 | FY10 | FY11 | FY12 | FY13E |
|--------------------------------|-------|-------|-------|-------|-------|
| Revenue | 204.0 | 195.6 | 624.3 | 456.1 | 638.8 |
| GP | 46.4 | 56.7 | 148.4 | 192.7 | 255.5 |
| EBITDA | 26.8 | 32.8 | 108.9 | 146.1 | 204.4 |
| PBT | 24.4 | 30.0 | 106.3 | 142.8 | 191.6 |
| PATMI | 18.6 | 20.5 | 69.4 | 103.5 | 127.8 |
| EPS (sen) | 5.6 | 6.2 | 21.0 | 31.4 | 38.7 |
| P/E | 39.1 | 35.4 | 10.5 | 7.0 | 5.7 |
| COURCES, ONE PESEABOLI COMPANY | | | | | |

SOURCES: CIMB RESEARCH, COMPANY

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Peers comparison

| Company | Market cap | P/E | PBV | Gearing |
|-----------------------|------------|------|-----|---------|
| Hua Yang Bhd | 524.7 | 7.0 | 1.3 | 36.6 |
| LBS Bina Group Bhd | 381.7 | 10.3 | 0.9 | 79.6 |
| KSL Holdings BHD | 850.1 | 6.5 | 0.8 | 20.8 |
| Crescendo Corp Bhd | 580.5 | 10.5 | 1.0 | 18.0 |
| Tambun Indah Land BHD | 380.7 | 8.3 | 1.6 | 37.6 |
| Average | 543.5 | 8.5 | 1.1 | 38.5 |

Board of directors

Dato' Haji Mohamad Haslah bin Mohamad Amin (Non-Independent Non-Executive Chairm

•20 years of experience in both domestic and international financial industry, substantially with Maybank Gr Graduated in 1975 from the Institute of Bankers, London, with a Diploma in Banking

*Currently the CEO of MBI, a Negeri Sembilan State owned entity Dato' Lee Tian Hock (Group Managing Director/ Chief Executive Officer)

Founder of Matrix Concepts Group, he is responsible for the Group's business direction and overall strategies

Has approximately 30 years of experience in the property development industry and was involved in the development of Taman Rasah Jaya – then the largest housing scheme in Negeri Sembilan

*Graduated with a degree in Housing, Building and Planning from Universiti Sains Malaysia Ho Kong Soon (Group Deputy Managing Director/ Chief Operating Officer)

Responsible for the overall project management as well as overseeing daily operations of the Group

Has approximately 20 years of experience and was involved in the development of the Allson Klana Resort Hotel,
 Kasturi Klana Park Condominium and Taman Semarak housing scheme in Negeri Sembilan

Graduated with Bachelor of Engineering degree from University of Malaya

Dato' Firdaus Muhammad Rom bin Harun (Independent Non-Executive Director)

•39 years of experience in the corporate sector and civil service

Graduated with a certificate in Public Relations from the Institute of Public Relations, London, and also a Diploma in Marketing from the Chartered Institute of Marketing, UK

Currently the Political Secretary to the Menteri Besar of Negeri Sembilan Rezal Zain bin Abdul Rashid (Independent Non-Executive Director)

•Has approximately 20 years of experience in audit, corporate finance, as well as enterprise building Member of the Malaysian Institute of Accountants and the Australian Society of Certified Practicing Accounta (now known as CPA Australia)

Graduated with Bachelor of Arts (Accounting) degree from University of Canberra

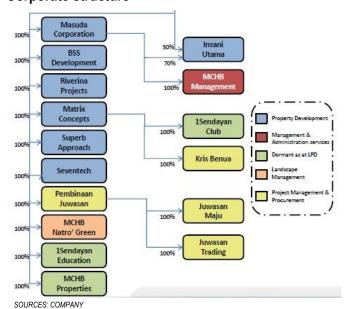
Dato' (Ir) Batumalai Ramasamy (Independent Non-Executive Director)

+Has 35 years of experience as an engineer in the Department of Irrigation and Drainage (DID) in various jurisdictions of KL, Kedah, Perak, Johor and Negeri Sembilan; overseeing, planning, designing, operations and management of all the irrigation and drainage areas

Holds a Diploma in Civil Engineering from Universiti Teknologi Malaysia and a Bachelor of Science in Civil Engineering from the University of Aberdeen, Scotland

SOURCES: COMPANY

Corporate structure



Utilisation of proceeds

| Purpose | Time frame for utilisation | Amount (RM'm) |
|--------------------------------------|----------------------------|---------------|
| Working capital | 24 months | 55 |
| Intrastructure and common facilities | 24 months | 55 |
| Construction of clubhouse | 24 months | 10 |
| Repayment of bank borrowings | 12 months | 11 |
| Estimated listing expenses | 1 month | 6.5 |
| | | 137.5 |

SOURCES: PROSPECTUS