

# MATRIX CONCEPTS

## More Excitement in the Pipeline

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We attended Matrix's post result briefing and came away feeling reassured of its prospects. While management appears to be more conservative given the recent property cooling measures, we are comfortable with our FY14E sales estimates of RM800m, which is only 2% higher YoY. Additionally, we also share management's views that property momentum will pick up in 2H14, particularly for the mass housing market as genuine buyers would want to lock in properties purchases before the implementation of GST. Events to look forward to are: (i) more industrial land sales from Sendayan TechValley (STV), (ii) replenishment of more industrial landbanks in Seremban this year. We continue to like Matrix for its net cash position and strong dividend yields of 6.1% for FY14 and thus, reiterate our **OUTPERFORM** call and TP of RM4.80.

**Landbanking efforts.** Matrix is actively looking to replenish its industrial landbank in Seremban and we gather that they are in the process of locking in acquisitions. While details are still lacking at this juncture, we strongly believe that their reputation and strong standing with the Negeri Sembilan state government will lend them a massive advantage. The group is comfortable in a net gearing position of 0.1x after fully paying for their land obligations for the Labu and Kemayan lands, implying ample room for acquisitions. Currently, Matrix has submitted the layout plans for the Kemayan land and will be submitting for Labu land by 3Q14. As for their maiden KL land at PWC, layout plans will be submitted next month, although the project will only be launched in 2H15.

**Launch target is slightly higher than earlier guidance.** The group is targeting to launch RM763m worth of residential and commercial properties, mainly in Bandar Sri Sendayan. Launches are skewed towards 2H14 where the group will launch Hijayu 3Q@BSS, Lobak Commercial Center@ Seremban and Third 9 Residence @ Seremban. This is slightly higher than the earlier launch guidance of RM660m. Also, FY14 launch of total RM763m does not include industrial lot sales and the group is looking to lock-in a minimum of RM100m worth of industrial land sales from STV.

**A slow 1Q14 but more to come.** Although 1Q14 sales of RM125m made up 16% of our sales target of RM800m, there was an absence of industrial land sales from STV while launches for the year are skewed towards 2H14. The group is in discussions to sell up to 75 acres of STV industrial land, which has an estimated value of RM130-147m. Their STV landbank can last them up to 2015-16 and also includes a portion which will be sold on a developed basis to SMEs (GDV: RM200m), catering to the industrial giants at STV.

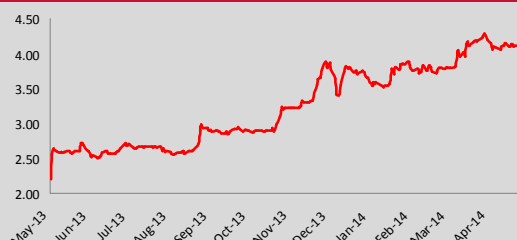
**No changes to earnings estimate.** We believe that 2Q14 earnings may see a QoQ improvement as billings pick up pace. For now, we are comfortable with our FY14E total sales target of RM800m. The company will continue to maintain its minimum 40% dividend payout policy. We opine that the company may reward shareholders at a slightly higher payout of 45% given their comfortable balance sheet and strong cash flow, especially when the STV land sales kicks-in. Hence, we continue to estimate NDPS of 25 sen (post bonus: 16.7 sen) which implies 6.1% dividend yield, which is better than most large cap developers (RM1b market cap) which typically provide yields of between 1% and 4%.

**Maintain OUTPERFORM and TP of RM4.80 (ex-bonus: RM3.20)** based on 20% discount to its FD RNAV of RM6.00 (ex-bonus: RM4.00). We continue to like the stock for its strong dividend yields and exposure to the mass-market segment. At our TP, the stock offers compelling FY14-15E dividend yields of 5.2%-5.9% for a large cap developer.

# OUTPERFORM ↔

Cum-Price/Ex-Price: **RM4.08/RM2.72**  
Cum-TP/Ex-TP: **RM4.80/RM3.20** ↔

### Share Price Performance



KLCI	1875.12
YTD KLCI chg	0.4%
YTD stock price chg	19.6%

### Stock Information

Bloomberg Ticker	MCH MK Equity
Market Cap (RM m)	1,238.7
Issued shares	303.6
52-week range (H)	4.30
52-week range (L)	2.17
3-mth avg daily vol:	676,318
Free Float	59%
Beta	n.a.

### Major Shareholders

HOCK LEE TIAN	19.7%
SHINING TERM SDN BHD	15.9%
SUPREME INTEREST SDN	5.0%

### Summary Earnings Table

FYE Dec (RM m)	2013A	2014E	2015E
Turnover	574.7	647.3	725.1
EBIT	208.6	226.7	257.8
PBT	207.2	225.9	256.6
<b>Net Profit (NP)</b>	<b>152.9</b>	<b>167.2</b>	<b>190.2</b>
Consensus (CNP)	-	167.3	200.2
Earnings Revision	-	-	-
EPS (sen)	50.8	55.5	63.2
EPS (sen)**	33.8	37.0	42.1
EPS growth (%)	48%	9%	14%
NDPS (sen)	30.4	25.0	28.4
NDPS (sen)**	30.4	16.7	18.9
BV/Share (RM)	1.83	2.14	2.49
BV/Share (RM)**	1.22	1.43	1.66
PER (x)	8.0	7.3	6.5
Price/BV (x)	2.2	1.9	1.6
Net Gearing (x)	(0.1)	0.1	0.0
Dividend Yield (%)	7.4	6.1	7.0

\*\*Post-Bonus Issue



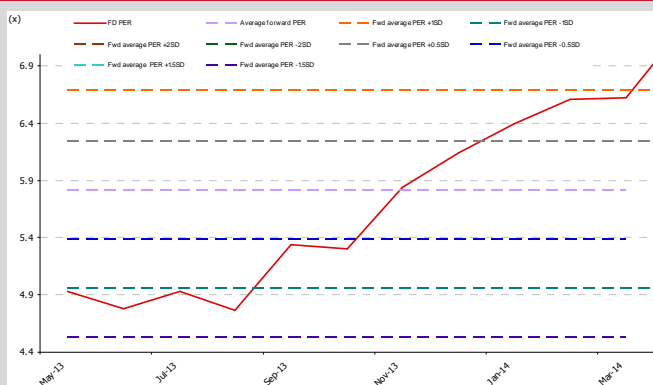
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## Post-Bonus Issue

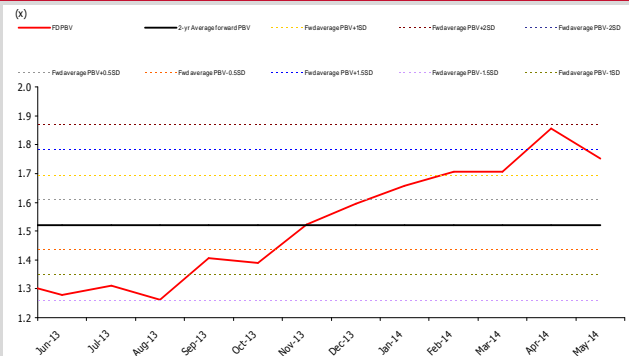
Income Statement						Financial Data & Ratios					
FY Dec (RM'm)	2011A	2012A	2013A	2014E	2015E	FY Dec (RM'm)	2011A	2012A	2013A	2014E	2015E
Revenue	624.3	456.1	574.7	647.3	725.1	<b>Growth</b>					
EBITDA	108.9	146.1	211.2	231.0	263.0	Turnover (%)	219%	-27%	26%	13%	12%
Depreciation	(2.0)	(2.3)	(2.6)	(4.3)	(5.2)	EBITDA (%)	232%	34%	45%	9%	14%
Operating Profit	106.9	143.8	208.6	226.7	257.8	Operating Profit (%)	245%	34%	45%	9%	14%
Interest Exp	(0.6)	(1.0)	(1.4)	(0.8)	(1.2)	PBT (%)	255%	34%	45%	9%	14%
PBT	106.3	142.8	207.2	225.9	256.6	Core Net Profit (%)	238%	49%	48%	9%	14%
Taxation	(26.4)	(39.3)	(54.3)	(58.7)	(66.4)	<b>Profitability</b>					
Minority Interest	(10.5)	0.0	0.0	0.0	0.0	EBITDA Margin	17%	32%	37%	36%	36%
Net Profit	69.4	103.5	152.9	167.2	190.2	Operating Margin	17%	32%	36%	35%	36%
Core Net Profit	69.4	103.5	152.9	167.2	190.2	PBT Margin	17%	31%	36%	35%	35%
						Core Net Margin	11%	23%	27%	26%	26%
						Effective Tax Rate	25%	28%	25%	26%	26%
						ROA	12%	17%	19%	17%	16%
						ROE	32%	29%	30%	28%	27%
						<b>DuPont Analysis</b>					
						Net Margin (%)	11%	23%	27%	26%	26%
						Leverage Factor (x)	2.1	1.5	1.6	1.7	1.7
						ROE (%)	32%	29%	30%	28%	27%
						<b>Leverage</b>					
						Debt/Asset (x)	0.03	0.01	0.06	0.14	0.13
						Debt/Equity (x)	0.07	0.02	0.09	0.24	0.21
						(Net Cash)/Debt	306.8	(75.6)	(96.7)	38.0	25.1
						Net Debt/Equity (x)	0.01	(0.16)	(0.12)	0.07	0.04
						<b>Valuations</b>					
						EPS (sen)	15.4	22.9	33.8	37.0	42.1
						NDPS (sen)	4.5	5.7	30.4	16.7	18.9
						BVPS (RM)	0.53	1.05	1.22	1.43	1.66
						PER (x)	17.7	11.9	8.0	7.3	6.5
						N. Div. Yield (%)	1.6	2.1	11.2	6.1	7.0
						PBV (x)	5.2	2.6	2.2	1.9	1.6
						EV/EBITDA (x)	n.a.	n.a.	5.5	5.5	4.8

Source: Kenanga Research

## Fwd PER Band



## Fwd PBV Band



Source: Bloomberg, Kenanga Research

23 May 2014

NAME	Price (22/5/14)	Mkt Cap (RMm)	PER (x)			Est. NDiv. Yld. (%)	Historical ROE (%)	P/BV (x)	Net Profit (RMm)			FY13/14 NP Growth (%)	FY14/15 NP Growth (%)	Target Price (RM)	Rating
	(RM)		FY13/14	FY14/15	FY15/16				FY13/14	FY14/15	FY15/16				
<b>DEVELOPERS UNDER COVERAGE</b>															
UEM Sunrise*	2.25	10,209	22.2	16.9	15.9	1.8%	10.2%	1.6	459.1	603.3	643.1	31.4%	6.6%	2.60	OUTPERFORM
IOI Properties	2.60	8421	15.6	14.5	11.8	0.7%	5.2%	0.8	538.9	580.0	711.4	7.6%	22.7%	3.25	OUTPERFORM
SP Setia*	2.93	7,376	17.2	16.3	12.9	4.4%	8.7%	1.1	417.9	441.2	558.4	5.6%	26.6%	3.03	MARKET PERFORM
Sunway Berhad	3.19	5499	11.4	10.2	9.6	2.5%	32.4%	0.9	482.3	540.0	571.9	12.0%	5.9%	3.33	OUTPERFORM
IJM Land*	2.92	4,552	23.2	14.5	12.8	1.7%	8.5%	1.3	196.1	315.0	356.0	60.7%	13.0%	3.31	OUTPERFORM
Mah Sing Group	2.25	3,213	11.3	9.5	8.3	4.2%	17.6%	1.5	280.6	334.6	385.5	19.2%	15.2%	2.45	OUTPERFORM
UOA Development*	2.25	3,013	8.7	8.4	8.1	6.2%	16.0%	1.2	344.6	361.0	371.2	4.8%	2.8%	2.25	OUTPERFORM
Matrix Concepts	4.08	1,239	8.0	7.3	6.5	6.1%	29.8%	1.9	152.9	167.2	190.2	9.4%	13.8%	3.20***	OUTPERFORM
Crescendo*	2.84	646	7.7	7.7	7.0	5.3%	18.4%	0.8	84.2	84.4	93.2	0.3%	10.5%	3.15	OUTPERFORM
Hua Yang	1.87	494	6.0	4.8	4.3	7.1%	22.8%	1.1	82.2	102.9	113.7	25.2%	10.5%	1.96	OUTPERFORM
* Core NP and Core PER															
** Crescendo per share data is based on non-Fully Diluted															
***RM3.20 is a post bonus TP. Pre-bonus TP is RM4.80															
<b>CONSENSUS NUMBERS</b>															
BERJAYA LAND BHD	0.87	4,304	38.6	n.a.	n.a.	n.a.	2.1%	0.8	111.5	n.a.	n.a.	n.a.	n.a.	0.93	BUY
IGB CORPORATION BHD	2.73	3,647	18.2	16.5	15.6	2.4%	4.9%	0.8	199.8	220.4	233.8	10.3%	6.1%	3.75	NEUTRAL
YNH PROPERTY BHD	1.95	783	19.0	12.6	11.1	2.6%	5.1%	0.9	41.3	62.3	70.3	50.9%	12.9%	1.76	NEUTRAL
YTL LAND & DEVELOPMENT BHD	0.94	779	28.8	55.3	42.7	n.a.	2.5%	0.8	27.0	14.1	18.2	-47.9%	29.4%	n.a.	NEUTRAL
GLOMAC BHD	1.06	770	6.6	6.8	6.1	4.7%	14.1%	0.9	116.1	112.7	126.5	-3.0%	12.3%	1.22	NEUTRAL
KSL HOLDINGS BHD	2.16	835	4.8	4.0	4.2	1.4%	14.4%	0.6	172.4	208.7	200.9	21.0%	-3.7%	2.04	BUY
PARAMOUNT CORP BHD	1.68	568	10.6	9.9	9.9	5.4%	7.5%	0.8	53.5	57.4	57.4	7.3%	0.0%	1.88	BUY
IVORY PROPERTIES GROUP BHD	0.64	283	19.5	n.a.	n.a.	n.a.	3.9%	0.7	14.5	n.a.	n.a.	n.a.	n.a.	n.a.	BUY
TAMBUN INDAH LAND BHD	1.93	780	8.7	8.3	6.7	4.6%	22.0%	2.4	89.8	94.2	117.2	4.9%	24.5%	2.08	BUY
Source: Kenanga Research															

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**Stock Ratings are defined as follows:****Stock Recommendations**

- OUTPERFORM : A particular stock's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
- MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of 3% to 10%.
- UNDERPERFORM : A particular stock's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

**Sector Recommendations\*\*\***

- OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
- NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of 3% to 10%.
- UNDERWEIGHT : A particular sector's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

**\*\*\*Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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