

Matrix Concepts (HOLD ↔, EPS ↔)

INDUSTRY: NEUTRAL

COMPANY INSIGHT / BRIEFING

May 14, 2015

Price Target: RM3.30 (↔)

Share price: RM3.21

Everything's On Track
Highlights

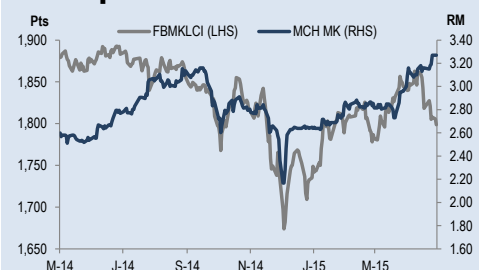
- We attended MCHB's briefing and below are the key takeaways:
- Bandar Sri Sendayan (BSS) remains the largest contributor to the group. The township sold RM131.7m worth of new properties during the quarter, of which RM68m came from Sendayan Merchant Square 1 (Phase 1).
- To note, Sendayan Merchant Square 1 (Phase 1) was launched during the quarter (GDV of RM135m), comprising of 163 units of double-storey shop offices. The development saw satisfactory take-up rate of 40% within two months of launch.
- For Sendayan TechValley (STV) and Sendayan TechPark (STP), the outstanding industrial properties now stands at RM446m, comprising of RM276m worth of industrial properties in STV and STP, while the remaining RM170m in STP is currently under planning.
- Revenue from education segment almost doubled qoq (RM1.4m vs. RM0.7m in 4QFY14) as the enrolment of students to its international and private schools increases. As at 1QFY15, total students enrolled reached 430 students and is still on track to reach targeted 800 students by end-FY15.
- The quarter also experienced the maiden contribution for its clubhouse which was partially commenced in 1QFY15. It is expected to be fully operations by 1QFY15. Matrix targets these two segments to have circa 10% revenue contribution to the group over the long-term.
- We believe Matrix's future earnings growth is sustainable given its large landbank of more than 1,647 acres to be developed across 8 years (est. GDV of RM6.3bn) with right product segment and booming satellite town.
- With a healthy balance sheet and net gearing of only 0.04x, we believe the group would take the initiative to carry out landbanking exercises should any opportunity arises. We understand that Matrix's internal net gearing appetite is 0.3x, which allows the group to stretch its borrowing ability of another RM200m.
- Maintained.

HOLD ↔

- **Positive:** 1) Further upside from escalating land prices in Seremban as more Greater KL residents continue to migrate to Seremban; (2) Optimism on its land replenishment for STV 3; (3) Still attractive FY15E DY.
- **Negatives:** Lack of landbank diversification means the company's fate is completely tied to that of Seremban.
- We maintain our TP at **RM3.30** (unchanged 30% discount to RNAV), which implies FY15E P/E of 7.9x. Maintain **HOLD**.

Forecasts
Rating
Valuation
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KLCI	1,803.0
Expected share price return	2.8%
Expected dividend return	5.7%
Expected total return	8.5%

Share price

Information

Bloomberg Ticker	MCH MK
Bursa Code	5236
Issued Shares (m)	461.7 457.9
Market cap (RMm)	1,482.0 1,341.7
3-mth avg volume ('000)	794.6 689.9
SC Syariah-compliant	Yes

Price Performance

	1M	3M	12M
Absolute %	3.98 5	10.04 7	16.84 5.4
Relative %	5.95 2	9.92 4	6.4

Major shareholders (%)

Lee Tian Hock	16.4
Shining Term Sdn Bhd	15.8
Supreme Interest Sdn Bhd	5.0

Summary Earnings Table

FYE 31 Dec	2013A	2014A	2015E	2016E
(RM m)				
Revenue	574.7	598.3	689.3	955.3
Rep net profit	152.9	182.6	190.4	255.0
Norm. net profit	152.9	182.6	190.4	255.0
Norm. EPS (sen)	50.8	48.9	41.6	55.8
EPS growth (%)	16.5	-3.7	-6.5	34.0
Norm. PER (x)	5.8	6.0	7.0	5.3
FD PER (x)	5.8	6.3	7.0	5.3
Net DPS (sen)	20.6	17.3	16.7	22.3
Div yield (%)	7.0	5.9	5.7	7.6
BVPS (RM)	1.8	1.8	1.7	2.0
P/B (x)	1.6	1.6	1.7	1.5

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Figure #1 RNAV table

Project profits - DCF				RMm
Sendayan				
- Residential				321.55
- Commercial				716.28
- On-going				8.90
Seremban (ex-Sendayan)				
- Residential				105.89
- Commercial				1.54
Johor				
- Residential				51.90
- Commercial				27.90
- On-going				4.75
Unbilled Sales				46.23
Landbank revaluation surplus				
	Acres	Mkt price (RM psf)	Book value (RM psf)	
Sendayan Tech Valley	200.00	45.00	9.00	313.63
Total Surplus				1,598.57
Total Equity				582.00
Total RNAV				2,180.57
Shares outstanding (m)				457.22
RNAV per share (RM)				4.77
ESOS proceeds *				35.46
Diluted share base (m)				469.82
Diluted RNAV per share (RM)				4.72
Discount to RNAV				30.0%
Target Price (RM)				3.30

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Financial Projections for Matrix Concepts (TP: RM3.30)

Income statement

FYE 31 Dec (RM m)	2012A	2013A	2014A	2015E	2016E
Revenue	456.1	574.7	598.3	689.3	955.3
COGS	-263.3	-305.0	-274.7	-352.0	-478.4
Gross profit	192.7	269.7	323.6	333.9	448.6
Opex	-46.6	-64.9	-74.2	-76.5	-105.0
Depreciation	-2.3	0.0	-3.0	-2.0	-2.0
Amortization	0.0	0.0	0.0	0.0	0.0
Finance costs	-1.0	-1.4	-1.7	-0.9	-0.9
Associates	0.0	0.0	0.0	0.0	0.0
Pretax profit	142.8	207.2	244.8	258.0	345.6
Taxation	-39.3	-54.3	-62.1	-67.6	-90.6
Minorities	0.0	0.0	0.0	0.0	0.0
Net profit	103.5	152.9	182.6	190.4	255.0
Basic shares (m)	237.5	301.2	373.3	457.2	457.2
Basic EPS (sen)	43.6	50.8	48.9	41.6	55.8

Balance sheet

FYE 31 Dec (RM m)	2012A	2013A	2014A	2015E	2016E
Inventories	2.4	1.6	2.1	0.6	0.8
Trade & other rec	101.0	140.8	79.5	82.0	113.6
Cash	168.2	115.9	96.9	93.3	170.4
Current Assets	679.4	702.1	744.7	619.7	728.6
PPE	11.5	11.9	183.9	204.9	299.8
Investment properties	1.4	67.7	1.1	67.7	67.7
Development props	30.3	111.9	60.4	111.9	111.9
Total assets	724.6	900.5	996.2	1,010.9	1,214.8
Shr Holder funds	479.4	552.4	686.0	767.8	920.8
Total Equity	479.4	552.4	686.0	767.8	920.8
Long-term borrowings	17.6	15.3	35.8	17.6	17.6
Short-term borrowings	3.9	35.2	42.3	0.0	0.0

Assumption metrics

FYE 31 Dec (RM m)	2015E	2016E
Gross margin	48.4	47.0
PBT margin	37.4	36.2
Net margin	27.6	26.7

Valuation ratios

FYE 31 Dec (RM m)	2012A	2013A	2014A	2015E	2016E
Reported basic EPS (sen)	43.6	50.8	48.9	41.6	55.8
Norm. basic EPS (sen)	43.6	50.8	48.9	41.6	55.8
Norm. FD EPS (sen)	43.6	50.8	46.3	41.6	55.8
Price	2.9	2.9	2.9	2.9	2.9
PER (x)	6.6	5.7	6.0	6.9	5.2
Net DPS (sen)	0.0	20.6	17.3	16.7	22.3
Net DY (%)	0.0	7.2	5.9	5.8	7.7
NTA/ share (sen)	201.9	183.4	183.8	167.9	201.4
P/NTA (x)	1.4	1.6	1.6	1.7	1.4
Enterprise value	537.2	802.0	1,075.1	1,241.0	1,164.0
EV/ EBITDA (x)	3.7	3.8	4.3	4.8	3.4
ROE (%)	21.6	27.7	26.6	24.8	27.7
Net gearing (x)	-0.3	-0.1	0.0	-0.1	-0.2
BVPS (RM)	2.0	1.8	1.8	1.7	2.0

Cashflow

FYE 31 Dec (RM m)	2012A	2013A	2014A	2015E	2016E
PAT	103.5	152.9	182.6	190.4	255.0
Depreciation	2.3	0.0	-3.0	2.0	2.0
Amortisation	0.0	0.0	0.0	0.0	0.0
Working cap & others	-10.9	18.5	-49.6	3.1	19.0
Operating cashflow	94.9	171.4	130.0	195.5	276.1
Capex	-100.0	-100.0	-109.8	-98.0	-97.0
Investing Cashflow	-100.0	-100.0	-93.2	-98.0	-97.0
Issue of shares	0	0	0	0	0
Dividends	0	-94	-78	-76	-102
Others	0	0	31	0	0
Financing cashflow	0.0	-98.1	-46.9	-76.1	-102.0
Net cash flow	-5.1	-26.7	-10.1	21.3	77.1

Quarterly financial summary

FYE 31 Dec (RM m)	4Q13	1Q14	2Q14	3Q14	4Q14
Revenue	144.3	134.7	163.7	148.8	151.0
Cost of sales	-65.9	-66.9	-89.2	-65.1	-53.5
Gross profit	78.5	67.8	74.6	83.8	97.5
Selling and mktg expenses	-2.9	-3.4	-2.6	-3.2	-3.3
Administrative expenses	-20.2	-10.7	-13.9	-22.2	-21.4
Operating Profit	57.0	54.4	58.9	58.9	74.2
Pretax profit	56.4	54.0	58.6	58.5	73.8
Net profit	40.7	38.6	42.4	45.1	56.5
Basic shares (m)	300.8	301.8	303.5	428.4	457.0
Basic EPS (sen)	13.5	12.8	14.0	10.5	12.4
DPS (sen)	5.0	5.0	3.8	3.8	6.5
FCF/ share (sen)	-37.4	28.4	-14.2	-2.7	7.7
Net cash/ share (sen)	21.6	26.8	8.5	0.0	4.1

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BUY	Positive recommendation of stock under coverage. Expected absolute return of more than +10% over 12-months, with low risk of sustained downside.
TRADING BUY	Positive recommendation of stock not under coverage. Expected absolute return of more than +10% over 6-months. Situational or arbitrage trading opportunity.
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