

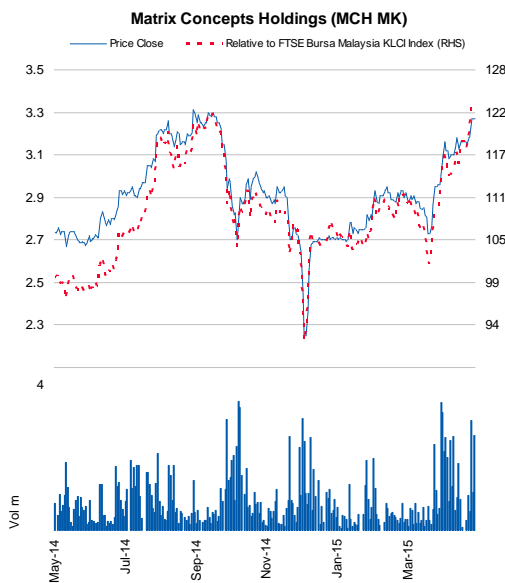
Matrix Concepts Holdings (MCH MK)

Buy (Maintained)

 Property- Real Estate
 Market Cap: USD419m

 Target Price: MYR3.65
 Price: MYR3.27

A Bumper Quarter

 Macro
 Risks
 Growth
 Value


Source: Bloomberg

Avg Turnover (MYR/USD)	2.24m/0.59m
Cons. Upside (%)	11.3
Upside (%)	11.6
52-wk Price low/high (MYR)	2.25 - 3.31
Free float (%)	43
Share outstanding (m)	462
Shareholders (%)	
Dato' Lee & Family	60.0

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	21.1	10.5	12.8	12.8	19.6
Relative	18.5	12.5	11.8	13.3	22.7

Shariah compliant

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Matrix's 1Q15 results came in line with our and market expectations. We maintain our BUY rating and MYR3.65 TP (12% upside). 1Q15 earnings saw a spike, mainly due to the early settlement of industrial land transactions before the implementation of the GST. New sales of MYR157m were achieved, on track to hit management's full-year target of MYR600m. We make no changes to our earnings forecast.

- ◆ **Within expectations.** Matrix Concepts' (Matrix) 1Q15 earnings met our and market expectations, as we note that the spike in 1Q earnings will not be recurring as it was largely frontloaded due to accelerated payments by industrial land buyers to settle the transactions before the goods and services tax (GST) kicked in from Apr 2015. Of the total revenue of MYR318m, MYR221m was contributed by the property development segment, while industrial land sales made up the balance.
- ◆ **MYR156.8m new sales in 1Q.** Matrix achieved new sales of MYR157m in 1Q15, from MYR182m in 4Q14. The amount was solely contributed by the property development segment (none from industrial land sales), and is on track to hit management's MYR600m target, on top of the MYR100m-150m industrial land sales. Based on our recent conversation with management, industrial land deals may come in more materially only in 2H, due to the timing of approval by foreign industrial players. Sales from recent launches continued to pick up, albeit at a slower pace. Take-up rate for Hijayu 3A (Phase 3) has reached 68% (4Q14: 46%) and Hijayu 3A (Phase 4) has hit 32% (4Q14: 10%), while shop lots in Sendayan Merchant Square 1 (Phase 1) are 40% sold. The operation of the new clubhouse and Matrix Global Schools will be able to help accelerate sales, in our view.
- ◆ **Forecast.** We make no changes to our earnings forecast. We expect 2Q and 3Q earnings to be weaker as some of the earnings were brought forward to 1Q. Unbilled sales declined slightly to MYR392m from MYR429.3m in 4Q14.
- ◆ **Maintain BUY.** We continue to like the company given its niche in affordable housing, lucrative industrial segment and attractive dividend yield of about 6%. We maintain our BUY rating with an unchanged TP of MYR3.65, based on a 15% discount to RNAV.

Forecasts and Valuations	Dec-13	Dec-14	Dec-15F	Dec-16F	Dec-17F
Total turnover (MYRm)	575	598	634	736	824
Reported net profit (MYRm)	153	183	210	229	253
Recurring net profit (MYRm)	153	183	210	229	253
Recurring net profit growth (%)	47.7	19.4	15.0	9.0	10.7
Recurring EPS (MYR)	0.33	0.40	0.45	0.49	0.53
DPS (MYR)	0.16	0.17	0.19	0.20	0.21
Recurring P/E (x)	9.78	8.18	7.22	6.73	6.17
P/B (x)	2.71	2.18	1.86	1.61	1.40
Dividend Yield (%)	4.8	5.3	5.7	6.1	6.4
Return on average equity (%)	34.2	29.5	27.9	25.8	24.4
Return on average assets (%)	20.6	19.3	19.1	17.8	17.2
Net debt to equity (%)	(11.8)	(2.7)	(10.1)	(10.4)	(4.2)
Our vs consensus EPS (adjusted) (%)			5.3	0.6	4.0

Source: Company data, RHB

Figure 1: Quarterly results

FYE Dec (MYRm)	1Q14	4Q14	1Q15	QoQ (%)	YoY (%)	Comments
Turnover	134.7	151.0	317.6	110.3	135.8	Strong turnover was lifted by higher contribution from industrial land sales.
EBIT	54.4	74.2	156.0	110.2	186.8	
EBIT margin (%)	40.4	49.2	49.1			
Net interest	(0.4)	(0.5)	(0.6)	42.3	46.5	
Pretax profit	54.0	73.8	155.4	110.6	188.0	
Pretax margin (%)	40.1	48.9	48.9			
Taxation	(15.4)	(17.3)	(39.9)	131.3	159.2	
Tax rate (%)	28.6	23.4	25.7			
Minority interest	0.0	0.0	0.0	n.m.	n.m.	
Net profit	38.6	56.5	115.4	104.2	199.5	Within expectations.
Net margin (%)	28.6	37.4	36.3			
EPS (sen)	12.8	12.4	25.2			
Gross DPS (sen)	3.3	6.5	4.3			
NTA/share (MYR)	1.9	1.5	1.6			

Source: RHB

Figure 2: Matrix's RNAV

Projects	Remaining landbank (acres)	GDV (MYR m)	Stake	NPV @ 13%
<i>Bandar Sri Sendayan, Negeri Sembilan</i>				
Ongoing & future developments	1,289.5	3,718.6	100%	320.4
Taman Seri Impian, Kluang, Johor	309.9	857.2	100%	102.8
KL land	1.1	250	100%	14.9
Taman Desa PD 3	4.3	5.5	100%	0.8
Kota Gadong Perdana	294.6	926.4	100%	110.2
Third 9 Residence	41.8	144.7	100%	17.6
Lobak Commercial Centre	7.3	45.5	100%	6.5
Labu land	236.9	760	100%	63.4
Rasah Kemayan land	194.4	800	100%	69.4
Puchong	5.8	500	100%	42.9
	Remaining landbank (acres)	Market price (MYR psf)	BV (MYR psf)	Net surplus
Sendayan TechValley 1&2	217	45	10	248.1
New industrial land	164.1	33	13	64.3
Sendayan TechValley 3	79.0	40	15	64.5
Unbilled sales				148.3
Total				1,274.1
Shareholders' fund				686.0
Total RNAV				1,960.1
Share base				457.1
RNAV/share				4.29
Discount				15%
Target price				3.65

Source: RHB

Financial Exhibits

Profit & Loss (MYRm)	Dec-13	Dec-14	Dec-15F	Dec-16F	Dec-17F
Total turnover	575	598	634	736	824
Cost of sales	(305)	(275)	(280)	(332)	(370)
Gross profit	270	324	354	404	454
Selling expenses	(62)	(78)	(69)	(95)	(114)
Other operating costs	1	1	3	3	3
Operating profit	209	246	289	312	343
Operating EBITDA	209	246	289	312	343
Operating EBIT	209	246	289	312	343
Interest expense	(1)	(2)	(4)	(5)	(5)
Pre-tax profit	207	245	285	307	338
Taxation	(54)	(62)	(75)	(78)	(84)
Profit after tax & minorities	153	183	210	229	253
Reported net profit	153	183	210	229	253
Recurring net profit	153	183	210	229	253

Source: Company data, RHB

Cash flow (MYRm)	Dec-13	Dec-14	Dec-15F	Dec-16F	Dec-17F
Operating profit	209	246	289	312	343
Change in working capital	(1)	(127)	(17)	(76)	(64)
Other operating cash flow	(112)	20	37	38	39
Operating cash flow	95	140	309	275	318
Interest paid	(1)	(2)	(4)	(5)	(5)
Tax paid	(54)	(62)	(75)	(78)	(84)
Cash flow from operations	40	76	230	191	228
Capex	(3)	(51)	(50)	(50)	(150)
Other investing cash flow	(66)	(5)	-	-	1
Cash flow from investing activities	(69)	(57)	(50)	(50)	(149)
Dividends paid	-	(71)	(79)	(86)	(94)
Proceeds from issue of shares	129	30	-	-	-
Increase in debt	29	27	-	-	-
Other financing cash flow	(111)	22	(42)	(41)	(40)
Cash flow from financing activities	47	8	(121)	(127)	(134)
Cash at beginning of period	31	116	97	211	228
Total cash generated	18	27	59	15	(55)
Implied cash at end of period	49	143	156	226	173

Source: Company data, RHB

Financial Exhibits

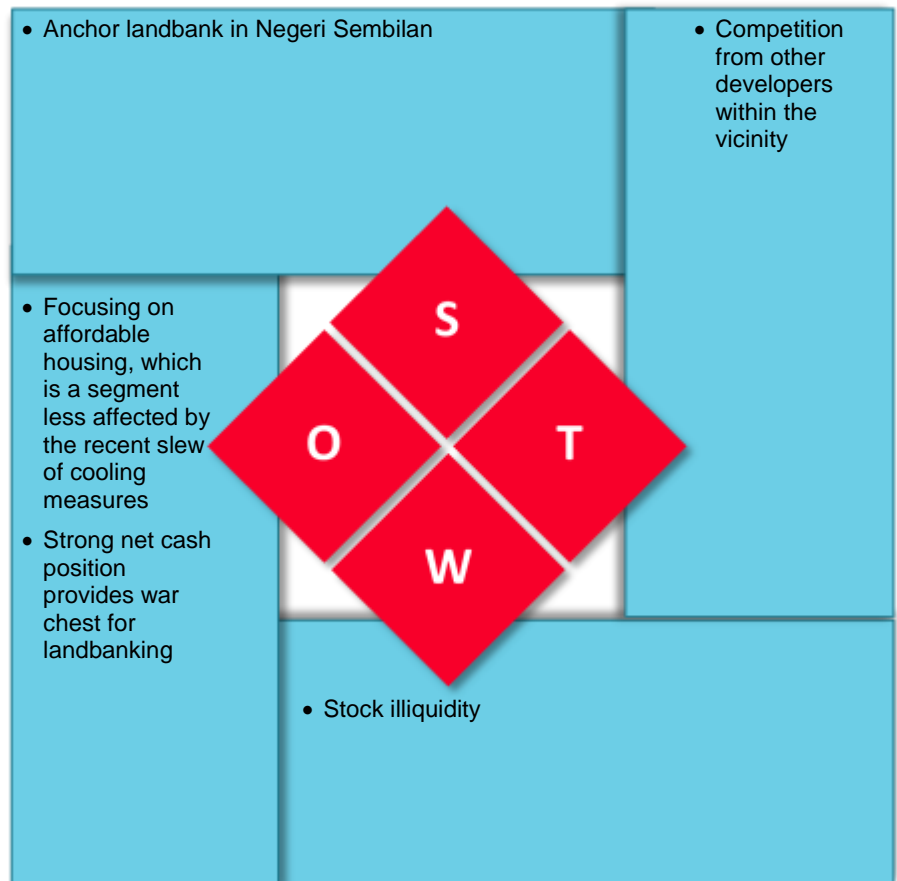
Balance Sheet (MYRm)	Dec-13	Dec-14	Dec-15F	Dec-16F	Dec-17F
Total cash and equivalents	116	97	211	228	175
Inventories	2	2	2	3	3
Accounts receivable	141	79	84	98	109
Other current assets	444	566	600	697	779
Total current assets	702	745	898	1,025	1,066
Total investments	192	245	295	344	493
Total other assets	7	6	6	6	6
Total non-current assets	198	252	301	350	499
Total assets	900	996	1,199	1,375	1,565
Short-term debt	35	42	42	42	42
Accounts payable	246	196	217	252	282
Other current liabilities	52	36	36	36	36
Total current liabilities	333	274	296	331	361
Total long-term debt	15	36	86	86	86
Total non-current liabilities	15	36	86	86	86
Total liabilities	348	310	382	417	447
Share capital	301	457	464	471	478
Retained earnings reserve	181	221	345	480	633
Other reserves	70	8	8	8	8
Shareholders' equity	552	686	817	959	1,119
Total equity	552	686	817	959	1,119
Total liabilities & equity	900	996	1,199	1,375	1,565

Source: Company data, RHB

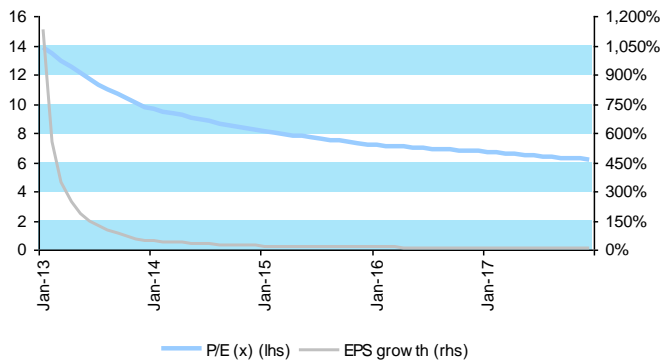
Key Ratios (MYR)	Dec-13	Dec-14	Dec-15F	Dec-16F	Dec-17F
Revenue growth (%)	26.0	4.1	6.0	16.1	11.8
Operating profit growth (%)	45.1	18.2	17.1	8.2	9.8
Net profit growth (%)	47.7	19.4	15.0	9.0	10.7
EPS growth (%)	47.7	19.4	13.3	7.4	9.1
BVPS growth (%)	61.5	24.2	17.3	15.6	15.0
Operating margin (%)	36.3	41.2	45.5	42.4	41.7
Net profit margin (%)	26.6	30.5	33.1	31.1	30.8
Return on average assets (%)	20.6	19.3	19.1	17.8	17.2
Return on average equity (%)	34.2	29.5	27.9	25.8	24.4
Net debt to equity (%)	(11.8)	(2.7)	(10.1)	(10.4)	(4.2)
DPS	0.16	0.17	0.19	0.20	0.21
Recurrent cash flow per share	0.09	0.17	0.50	0.41	0.48

Source: Company data, RHB

SWOT Analysis

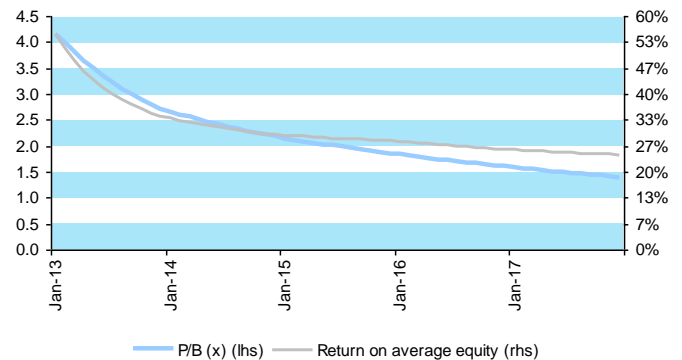


P/E (x) vs EPS growth



Source: Company data, RHB

P/BV (x) vs ROAE



Source: Company data, RHB

Company Profile

Matrix Concepts Holdings Bhd is a Negeri Sembilan-based developer that currently has 2,732 acres of land with a total portfolio GDV of MYR8.2bn. The group concentrates mainly in developing residential and commercial properties, as well as industrial land sales.

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2015-04-21	Buy	3.65	3.10
2015-04-15	Buy	3.60	3.16
2015-03-12	Buy	3.48	2.92
2015-02-12	Buy	3.36	2.90
2014-12-16	Buy	3.00	2.25
2014-11-18	Buy	3.93	2.89
2014-09-21	Buy	3.93	3.25
2014-08-20	Buy	3.80	3.20
2014-08-19	Buy	3.80	3.20
2014-05-21	Buy	5.00	2.67

Source : RHB, Bloomberg

RHB Guide to Investment Ratings

Buy: Share price may exceed 10% over the next 12 months

Trading Buy: Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain

Neutral: Share price may fall within the range of +/- 10% over the next 12 months

Take Profit: Target price has been attained. Look to accumulate at lower levels

Sell: Share price may fall by more than 10% over the next 12 months

Not Rated: Stock is not within regular research coverage

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