



BIMB SECURITIES RESEARCH MARKET INSIGHT

PP16795/03/2013(031743)

2QFY14

Matrix Concept

Buy ▲

In line

Another solid quarter

Price:

RM3.20

Target Price:

(+10.9%) RM3.55

anStock Data

Bloomberg Ticker	MCH MK	Altman Z-score	-
Market Cap	1,460.5	YTD price chg	40.8%
Issued shares	456.4	YTD KLIC chg	0.3%
52-week range (H)	3.28	Beta	-
2-week range (L)	1.65	Major Shareholders	
3-mth avg daily volume	690,808	LEE TIAN HOCK	19.7%
Free Float	59.4%	SHINING TERM SDN BHD	15.9%
Shariah Compliant	Y	SUPREME INTEREST SDN	5.0%
Financial Derivatives	N		

Share Performance (%)

	1mth	3mth	12mth
Absolute	10.0	18.2	93.8
vs. KLIC	10.0	17.7	73.0

Consensus

	2014	2015
Net Profit	148.3	166.0
EPS (sen)	33.0	38.5

Historical Price Ratio (x)

	FY 2011	FY 2012	FY 2013
Price Earnings	NA	NA	5.4
Price to Book	NA	NA	1.9

Financial Highlights

FYE 31 Dec	2011	2012	2013	2014E	2015E
Turnover	624.3	456.1	574.7	673.2	735.5
EBIT	106.9	143.3	208.6	224.2	268.7
Pretax profit	106.3	142.8	207.2	223.8	268.7
Net Profit	71.4	103.5	152.9	167.8	201.5
EPS (sen)	23.1	34.5	51.0	36.6	43.7
PER (x)	13.8	9.3	6.3	8.8	7.3
DPS (sen)	0	9.1	30.0	21.6	26.0
Div. Yield (%)	0.0%	2.8%	9.4%	6.8%	8.1%
NTA/share (RM)	0.15	0.15	0.66	0.45	0.45

Margins

	2011	2012	2013	2014E	2015E
EBIT margin	17%	31%	36%	33%	37%
Pretax margin	17%	31%	36%	33%	37%
Effective tax rate	23%	28%	26%	25%	25%
ROE	30%	30%	28%	24%	23%
ROA	14%	18%	17%	16%	15%
Net Gearing (x)	0.01	NC	NC	NC	NC

Growth ratios

	2011	2012	2013	2014E	2015E
Turnover	219%	-27%	26%	17%	9%
EBIT	245%	34%	46%	8%	20%
Pretax profit	255%	34%	45%	8%	20%
Net profit	238%	49%	48%	-28%	20%

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Matrix Concept's 1HFY14 net profit came in line with our and consensus' estimates. Its 1HFY14 net profit improved by 22% qoq and 11% yoy respectively. The double digits improvement was in tandem with higher sales recognition chiefly attributed by the Group's Hijayu 1A (Phase 1) development project. A dividend of 3.75 sen was declared. We maintain our FY14 and FY15 earnings forecasts and rolled over our valuation to FY15 earnings estimate to derive current TP of RM3.55. Maintain our Buy recommendation.

Within expectations. Matrix's 1HFY14 is within ours and consensus' expectations, making up 49% of estimates. 1HFY14 net profit was higher by 10% QoQ and 41% YoY. Sales were up by 22% QoQ and 11% YoY respectively, partly due to the Hijayu 1A (Phase 1) developments. Net profit margin improved marginally from 25% to 27% partly due to contribution from the group's sales of industrial development properties.

Project launches. In 2QFY14, Matrix Concepts launched two projects in Bandar Sri Sendayan (BSS), namely Hijauan 3A (Phases 1 & 2) comprising of 238 units of 2-storey terrace houses with combined GDV of RM120m. The Group also launched a project in Taman Seri Impian in Kluang with GDV of RM18m. The group is planning to launch its Hijayu 3A (Phase 3 & 4) in the 4QFY14.

Second interim dividend announced. Matrix Concept's had announced a single tier interim dividend of 3.75 sen, totaling 8.75 sen YTD, translating to an annualized dividend yield of 6.8%. The dividend of 3.75 sen is adjusted for the Group's enlarged share capital of 456.4m following the 1-for-2 Bonus Issue on 21st July 2014. We are anticipating another 12.8 sen in dividend ensuing quarters assuming 58.9% payout ratio.

Recommendation. We are maintaining our FY14 and FY15 earnings forecasts given the sustainable demand for its projects that target mostly the mass market. We rolled over our valuation based on FY15 figures to derive TP of RM3.55 based on blended PBV of 1.4x and PER of 10x. Maintain Buy.

Share Price Chart



Quarterly figures

FY 31 Dec (RMm)	2QFY13	3QFY13	4QFY13	1QFY14	2QFY14	QoQ Chg	YoY Chg	1HFY13	1HFY14	YTD Chg
Revenue	147.3	127.4	144.3	134.7	163.8	22%	11%	302.9	298.5	-1%
EBIT	40.5	47.4	55.4	53.7	57.8	8%	43%	102.0	111.5	9%
Pretax profit	40.6	48.7	56.4	54.0	58.6	9%	44%	102.1	112.5	10%
Taxation	-10.5	-12.5	-15.7	-15.4	-16.1	5%	53%	-26.0	-31.5	21%
Minority interest	0.0	0.0	0.0	0.0	0.0	NA	NA	0.0	0.0	NA
Net Profit	30.0	36.2	40.7	38.6	42.5	10%	41%	76.0	81.0	7%
EPS (sen)	10.01	12.07	13.55	12.77	9.30	-27%	-7%	25.34	17.75	-30%
Net gearing (x)	NC	NC	NC	NC	NC	NA	NA	NC	NC	NA
EBIT margin (%)	28%	37%	38%	40%	43%	8%	56%	34%	37%	11%
PBT margin (%)	28%	38%	39%	40%	43%	9%	58%	34%	38%	12%
Net margin (%)	20%	28%	28%	29%	32%	10%	55%	25%	27%	8%
Effective tax rate	-26%	-26%	-28%	-29%	-28%	-4%	6%	-26%	-28%	10%

Source: BIMB Securities

DEFINITION OF RATINGS

BIMB Securities uses the following rating system:

STOCK RECOMMENDATION

BUY	Total return (price appreciation plus dividend yield) is expected to exceed 10% in 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. Fundamentals remain intact. Look to accumulate at lower levels.
TRADING SELL	Share price may fall by more than 15% in the next 3 months.
SELL	Share price may fall by more than 10% over the next 12 months.
NOT RATED	Stock is not within regular research coverage.

SECTOR RECOMMENDATION

OVERWEIGHT	The Industry as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months
NEUTRAL	The Industry as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months
UNDERWEIGHT	The Industry as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months

Applicability of ratings

The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

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