

MATRIX CONCEPTS

Banking on GDV Replenishment

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Post the analysts' briefing, we are reassured with MATRIX's long-term prospects. MAHSING's recent participation in the Greater Klang Valley region (Seremban) could potentially benefit MATRIX given that the latter's land is located closer to Klang Valley. Hence, we are maintaining our OUTPERFORM call with a higher Target Price of RM3.48 based on unchanged 20% discount on a higher FD RNAV of RM4.35 as we build-in RM2.0b worth of GDV replenishments. We expect some landbanking newsflows from MATRIX over the next six months given its managements' confidence in securing some land acquisitions in the near-term. Our TP of RM3.48 implies a decent net yield of 4.8% and reasonable FY14-15E PER of 9.4x-8.3x which will be on par with its mid-cap peers averages of FY14-15E PER of 9.0x-8.1x FY14-15E PER and 4.5% yield.

Sales target remains intact. In the briefing, management indicated that they are targeting to emulate its FY13's sales record of c.RM750m in FY14. Based on its total planned launches amounting to RM819.3m excluding land sales (higher than the previously guided RM763.0m), we think that management's target remains realistic should they are able to record 75% take up for its property launches coupled with a few more sizeable land sales. To recap, MATRIX has already launched RM409m worth of properties via Hijayu 1A, Sendayan Metropark 2, and Hijayu 3A Phase 1 and 2 in 1H14, registering property sales of RM272m and a land sale of RM18.9m. Moving into 2H14, MATRIX intends to launch another RM410m of projects in 4Q14, i.e. Hijayu 3A Phase 3 and 4 (GDV: RM180.0m), Impiana Height (GDV: RM85.6m) and Residency SIGC (GDV: RM144.7m).

Earnings estimates maintained. We believe that MATRIX will be able to sustain similar 2Q14 performance in subsequent quarters given that billings for some of its projects have already picked up pace. Its unbilled sales of RM434.7m would also provide at least one-year visibility for the group. Hence, we are maintaining our FY14-15E earnings of RM167.2m and RM190.2m underpinned by strong billings and sales take-up rates.

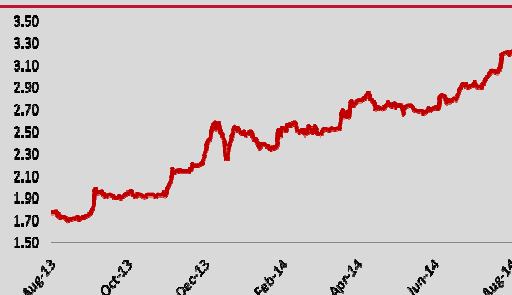
On the lookout for landbanks. As per our previous reports, MATRIX has been actively looking to replenish its industrial landbank in Seremban and we gather they are already in the process of locking in some acquisitions over the next 3-6 months. The company prefers to keep a relatively low net gearing level. Assuming that the company increases its gearing from its current net cash position of 0.04x to 0.30x, this should raise at least RM210m for landbanking. As an illustration, MAHSING's recently acquired 960ac land in Rantau, Seremban for RM359.6m (RM8.60psf) and the project's implied GDV is RM7.5b which implies that land cost is about 5% of GDV. Based on similar dynamics, we believe that MATRIX can replenish another RM4.2b new GDV if they spend RM210 on landbanking in Seremban. This translates to an 18% increase in our FD RNAV to RM4.73. While this appears compelling, it will be challenging to hit such replenishment rates; in the last 12 months, the group has acquired three parcels of lands, with two parcels adjacent to Bandar Sri Sendayan and another one in the Klang Valley which implies a combined GDV of RM1.8b.

Outperform maintained. We are reiterating our OUTPERFORM recommendation on MATRIX with a higher Target Price of RM3.48 (previously, RM3.20) as we revised our FD RNAV higher by 9% to RM4.35 with an unchanged discount of 20%, as we have conservatively factored in RM2.0b worth of GDV replenishments into our FD RNAV. We believe this is realistic based on its previous landbanking track records whereby they managed to replenish RM1.8b worth of GDV in the last 12 months. Our TP of RM3.48 implies a decent net yield of 4.8% and reasonable FY14-15E PER of 9.4x-8.3x, which will be on par with its mid-cap peers averages of FY14-15E PER of 9.0x-8.1x FY14-15E PER and 4.5% yield.

OUTPERFORM ↔

Price: RM3.20
Target Price: RM3.48 ↑

Share Price Performance



KLCI	1,878.89
YTD KLCI chg	0.6%
YTD stock price chg	40.8%

Stock Information

Bloomberg Ticker	MCH MK Equity
Market Cap (RM m)	1,460.5
Issued shares	456.4
52-week range (H)	3.28
52-week range (L)	1.65
3-mth avg daily vol:	704,327
Free Float	60%
Beta	n.a.

Major Shareholders

TIAN HOCK LEE	18.7%
SHINING TERM SDN BHD	15.9%
SUPREME INTEREST SDN	5.0%

Summary Earnings Table

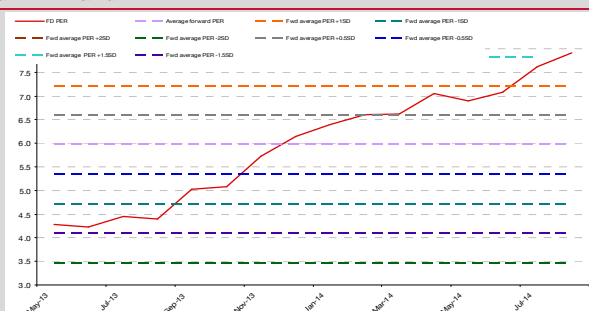
FYE Dec (RM m)	2013A	2014E	2015E
Turnover	574.7	647.3	725.1
EBIT	208.6	226.7	257.8
PBT	207.2	225.9	256.6
Net Profit (NP)	152.9	167.2	190.2
Consensus (CNP)	n.a.	166.0	190.0
Earnings Revision	n.a.	n.a.	n.a.
EPS (sen)	33.8	37.0	42.1
EPS growth (%)	48%	9%	14%
NDPS (sen)	30.4	16.7	18.9
BV/Share (RM)	1.22	1.43	1.66
PER (x)	9.5	8.6	7.6
Price/BV (x)	2.6	2.2	1.9
Net Gearing (x)	(0.1)	0.1	0.0
Dividend Yield (%)	9.5	5.2	5.9

21 August 2014

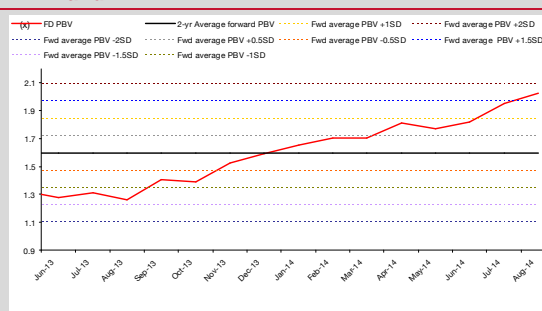
Income Statement						Financial Data & Ratios					
FY Dec (RM'm)	2011A	2012A	2013A	2014E	2015E	FY Dec (RM'm)	2011A	2012A	2013A	2014E	2015E
Revenue	624.3	456.1	574.7	647.3	725.1	Growth					
EBITDA	108.9	146.1	211.2	231.0	263.0	Turnover (%)	219%	-27%	26%	13%	12%
Depreciation	(2.0)	(2.3)	(2.6)	(4.3)	(5.2)	EBITDA (%)	232%	34%	45%	9%	14%
Operating Profit	106.9	143.8	208.6	226.7	257.8	Op. 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 NP (%)	238%	49%	48%	9%	14%
Taxation	(26.4)	(39.3)	(54.3)	(58.7)	(66.4)	Profitability					
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%
						DuPont Analysis					
						Net Margin (%)	11%	23%	27%	26%	26%
						Lev. Factor (x)	2.1	1.5	1.6	1.7	1.7
						ROE (%)	32%	29%	30%	28%	27%
						Leverage					
						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/Eq. (x)	0.01	(0.16)	(0.12)	0.07	0.04
						Valuations					
						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)	20.8	14.0	9.5	8.6	7.6
						N. Div. Yield (%)	1.4	1.8	9.5	5.2	5.9
						PBV (x)	6.1	3.1	2.6	2.2	1.9
						EV/EBITDA (x)	n.a.	n.a.	6.5	6.4	5.6

Source: Kenanga Research

Fwd PER Band



Fwd PBV Band



Source: Bloomberg, Kenanga Research

Peer Comparison

NAMEp	Price (21/08/14)	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				
DEVELOPERS UNDER COVERAGE															
UEM Sunrise*	1.99	9,029	19.7	15.4	16.5	2.0%	10.2%	1.4	459.1	585.0	546.9	27.4%	-6.5%	2.40	OUTPERFORM
IOI Properties*	2.40	7774	14.4	17.4	13.2	0.0%	5.2%	0.7	538.9	446.5	589.4	-17.1%	32.0%	2.95	OUTPERFORM
SP Setia*	3.55	8,956	20.9	22.9	16.6	3.2%	8.7%	1.4	417.9	382.0	527.0	-8.6%	38.0%	3.30	MARKET PERFORM
Sunway Berhad	3.17	5465	11.3	10.1	9.5	2.5%	33.6%	0.9	482.7	540.0	572.2	11.9%	6.0%	3.70	OUTPERFORM
IJM Land*	3.35	5,222	15.6	14.2	13.0	1.8%	17.7%	1.5	335.2	368.0	400.2	9.8%	8.7%	3.55	ACCEPT OFFER
Mah Sing Group	2.42	3,548	12.2	10.2	8.9	3.9%	17.6%	1.6	280.6	334.6	385.5	19.2%	15.2%	2.71	OUTPERFORM
UOA Development*	2.13	3,048	8.3	8.3	7.7	6.6%	16.0%	1.1	344.6	342.0	368.8	-0.8%	7.8%	2.13	MARKET PERFORM
Tropicana	1.38	1,890	10.5	6.6	7.4	3.0%	15.3%	0.5	145.3	233.1	207.3	60.4%	-11.1%	1.65	MARKET PERFORM
Matrix Concepts	3.20	1,461	9.5	8.6	7.6	5.2%	29.8%	2.2	152.9	167.2	190.2	9.4%	13.8%	3.48	OUTPERFORM
Crescendo*	2.83	644	7.7	7.7	6.9	5.4%	18.4%	0.8	84.2	84.4	93.2	0.3%	10.5%	3.15	OUTPERFORM
Hua Yang	2.45	647	7.9	6.3	5.7	5.4%	22.8%	1.4	82.2	102.9	113.7	25.2%	10.5%	2.60	OUTPERFORM
* Core NP and Core PER															
** Crescendo per share data is based on non-Fully Diluted															
CONSENSUS NUMBERS															
BERJAYA LAND BHD	0.84	4,155	41.1	n.a.	n.a.	n.a.	1.9%	0.8	101.0	n.a.	n.a.	n.a.	n.a.	0.93	BUY
IGB CORPORATION BHD	2.87	3,831	18.1	16.9	15.9	2.3%	5.1%	0.9	212.0	226.9	240.3	7.1%	5.9%	3.14	NEUTRAL
YNH PROPERTY BHD	2.06	843	17.6	12.5	11.4	2.2%	5.7%	1.0	47.8	67.5	73.7	41.3%	9.1%	2.22	NEUTRAL
YTL LAND & DEVELOPMENT BHD	0.99	817	30.6	57.9	44.8	n.a.	3.2%	0.8	26.7	14.1	18.2	-47.2%	29.4%	n.a.	BUY
GLOMAC BHD	1.16	843	7.8	7.2	6.3	4.4%	12.9%	0.9	108.4	117.7	133.0	8.7%	13.0%	1.23	BUY
KSL HOLDINGS BHD	3.88	1,499	8.1	7.2	7.5	0.8%	14.8%	1.1	185.6	208.7	200.9	12.4%	-3.7%	n.a.	BUY
PARAMOUNT CORP BHD	1.67	846	9.1	9.8	9.8	5.4%	7.5%	0.8	92.6	86.1	86.1	-7.0%	0.0%	1.76	BUY
IVORY PROPERTIES GROUP BHD	0.61	270	16.9	n.a.	n.a.	n.a.	1.5%	0.7	15.9	n.a.	n.a.	n.a.	n.a.	n.a.	BUY
TAMBUN INDAH LAND BHD	2.45	1,005	10.2	10.5	8.5	3.6%	22.0%	3.0	98.7	95.6	118.1	-3.2%	23.6%	2.78	BUY

Source: Kenanga Research

21 August 2014

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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