

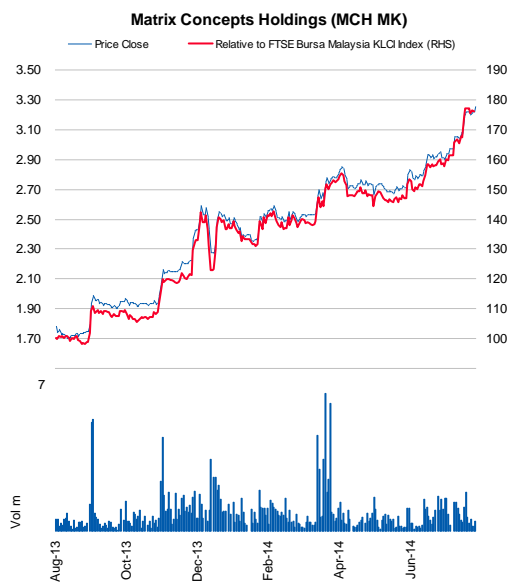
# Matrix Concepts Holdings (MCH MK)

**Buy** (Maintained)

 Property- Real Estate  
 Market Cap: USD471m

 Target Price: MYR3.80  
 Price: MYR3.26

## Property Sales Pick Up In 2Q

 Macro   
 Risks   
 Growth   
 Value 


Source: Bloomberg

Avg Turnover (MYR/USD)	1.91m/0.60m
Cons. Upside (%)	38.0
Upside (%)	16.6
52-wk Price low/high (MYR)	1.70 - 3.26
Free float (%)	43
Share outstanding (m)	456
Shareholders (%)	
Dato' Lee & Family	60.0

### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	43.4	12.0	19.0	27.3	83.9
Relative	43.6	12.5	20.0	25.2	79.6

### Shariah compliant

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2Q14 results came in within expectations. New property sales picked up in 2Q to reach MYR166m vs MYR125m in 1Q. Take-up rates for several new projects have been encouraging, as well, with that of Hijayu 3A Phase 1 hitting 93%. We raise our FV to MYR3.80, as we see Matrix as a potential beneficiary of the KL-Singapore high-speed rail project and expect it to replenish its Sendayan Techvalley landbank soon. BUY.

- ◆ **Within expectations.** Matrix Concepts' (Matrix) 2Q14 results were in line with our and market expectations. Earnings picked up q-o-q, as construction works for Hijayu 1A (Phase 1) have progressed along since 1Q. Meanwhile, its PBT margin fell to 36% from 40% in 1Q, mainly due to the pre-operating expenses incurred from the Matrix Global Schools and clubhouse in Bandar Sri Sendayan township. A 3.75 sen interim single-tier dividend was declared for the quarter, which works out to 5.6 sen on a cum-bonus basis – slightly higher than 5 sen declared in 1Q14.
- ◆ **Property sales picked up in 2Q.** Matrix's new property sales in 2Q reached MYR166m, up from MYR125m in 1Q. Meanwhile, Balista (GDV: MYR197m) sales, since its launch in February, were slightly slower at 46% given the larger unit sizes offered. The take-up rate for Hijayu 3A Phase 1 was very encouraging – at 93% within two weeks since its launch in June. In view of the positive response, the company brought forward the launch of Hijayu 3A Phase 2 to end-June. Both phases have a combined GDV of MYR120m. Going forward, its management expects to roll out Hijayu 3A (Phase 3 & 4) as well as Impiana Heights in Taman Sri Impian Kluang by end-2014.
- ◆ **Forecasts.** We make no changes to our earnings forecasts. Unbilled sales remained steady at MYR435m (vs MYR440m in 1Q14).
- ◆ **Maintain BUY.** Despite its share price re-rating, Matrix is still trading at a single-digit P/E. We raise our FV to MYR3.80 (from MYR3.33), based on a 10% discount (from 20%) to RNAV – as we see it as a potential beneficiary of the upcoming KL-Singapore high-speed rail project, and also expect it to embark on landbanking activities soon to replenish its hot-selling industrial land plots in Sendayan Techvalley. This effort is important to enhance RNAV and sustain earnings growth, and we remain confident about management's ability to deliver these. Maintain BUY.

Forecasts and Valuations	Dec-11	Dec-12	Dec-13	Dec-14F	Dec-15F
Total turnover (MYRm)		456	575	662	770
Reported net profit (MYRm)	0	103	153	165	185
Recurring net profit (MYRm)		103	153	165	185
Recurring net profit growth (%)	0.0	na	47.7	8.2	11.8
Recurring EPS (MYR)		0.34	0.51	0.36	0.40
DPS (MYR)	0.00	0.00	0.35	0.15	0.16
Recurring P/E (x)	na	9.45	6.42	9.00	8.13
P/B (x)	na	2.86	1.78	2.28	1.96
Dividend Yield (%)	0.0	0.0	10.9	4.5	4.9
Return on average equity (%)	0.0	60.5	34.2	27.4	26.0
Return on average assets (%)	0.0	35.3	20.6	17.1	16.7
Net debt to equity (%)	0.0	(2.7)	(11.8)	(8.6)	(6.2)
Our vs consensus EPS (adjusted) (%)				(6.0)	(4.1)

Source: Company data, RHB

Figure 1: Quarterly results review

FYE Dec (MYRm)	2Q13	1Q14	2Q14	q-o-q (%)	y-o-y (%)	1H13	1H14	y-o-y (%)	Comments
<b>Turnover</b>	<b>147.3</b>	<b>134.7</b>	<b>163.7</b>	<b>21.6</b>	<b>11.1</b>	<b>302.9</b>	<b>298.4</b>	<b>(1.5)</b>	Construction progress at Hijayu 1A Phase 1 contributed to q-o-q growth
EBIT	40.9	54.4	58.9	8.3	44.0	102.6	113.3	10.5	
EBIT margin (%)	27.8	40.4	36.0			33.9	38.0		
Net interest	(0.3)	(0.4)	(0.4)	(19.4)	14.2	(0.5)	(0.8)	63.5	
<b>Pretax profit</b>	<b>40.6</b>	<b>54.0</b>	<b>58.6</b>	<b>8.5</b>	<b>44.3</b>	<b>102.1</b>	<b>112.5</b>	<b>10.2</b>	
Pretax margin (%)	27.6	40.1	35.8			33.7	37.7		The lower margin in 2Q14 was due to start-up expenses for the Matrix Global Schools and clubhouse
Taxation	(10.5)	(15.4)	(16.1)	4.5	52.7	(26.0)	(31.5)	21.0	
Tax rate (%)	26.0	28.6	27.5			25.5	28.0		
Minority interest	0.0	0.0	0.0	n.m.	n.m.	0.0	0.0	n.m.	
<b>Net profit</b>	<b>30.0</b>	<b>38.6</b>	<b>42.4</b>	<b>10.1</b>	<b>41.3</b>	<b>76.0</b>	<b>81.0</b>	<b>6.5</b>	Within expectations
Net margin (%)	20.4	28.6	25.9			25.1	27.1		
EPS (sen)	13.1	12.8	14.0			50.4	26.8		
Gross DPS (sen)	7.0	5.0	3.8			20.5	8.8		
NTA/share (MYR)	1.7	1.9	2.0			1.7	2.0		

Source: RHB estimates

Figure 2: Matrix Concept's RNAV

Projects	Remaining landbank (acres)	GDV (MYR m)	Stake	NPV @ 13%
<i>Bandar Sri Sendayan, Negeri Sembilan</i>				
Ongoing & future developments	1,382.2	3,985.9	100%	440.8
Taman Seri Impian, Kluang, Johor	326	901.7	100%	126.3
KL land	1.1	250	100%	26.4
Taman Desa PD 3	4.3	5.5	100%	1.0
Kota Gadong Perdana	294.6	926.4	100%	123.2
Third 9 Residence	41.8	144.7	100%	20.9
Lobak Commercial Centre	7.3	45.5	100%	6.9
Labu land	236.9	760	100%	92.7
Rasah Kemayan land	194.4	800	100%	101.5
	Remaining landbank (acres)	Market price (MYR psf)	BV (MYR psf)	Net surplus
Sendayan TechValley	243.7	45	10	286.1
Unbilled sales				148.3
Total				1,374.1
Shareholders' fund				552.4
Total RNAV				1,926.4
Share base				456.4
RNAV/share				4.22
Discount				10%
Fair value				3.80

Source: RHB

## Financial Exhibits

<b>Profit &amp; Loss (MYRm)</b>	<b>Dec-11</b>	<b>Dec-12</b>	<b>Dec-13</b>	<b>Dec-14F</b>	<b>Dec-15F</b>
Total turnover		456	575	662	770
Cost of sales		(263)	(305)	(367)	(443)
<b>Gross profit</b>	<b>-</b>	<b>193</b>	<b>270</b>	<b>295</b>	<b>327</b>
Selling expenses		(47)	(62)	(72)	(78)
Other operating costs		(2)	1	4	4
<b>Operating profit</b>	<b>-</b>	<b>144</b>	<b>209</b>	<b>227</b>	<b>253</b>
Operating EBITDA	-	144	209	227	253
<b>Operating EBIT</b>	<b>-</b>	<b>144</b>	<b>209</b>	<b>227</b>	<b>253</b>
Interest expense	-	(1)	(1)	(2)	(2)
<b>Pre-tax profit</b>	<b>-</b>	<b>143</b>	<b>207</b>	<b>224</b>	<b>251</b>
Taxation	-	(39)	(54)	(59)	(66)
<b>Profit after tax &amp; minorities</b>	<b>-</b>	<b>103</b>	<b>153</b>	<b>165</b>	<b>185</b>
<b>Reported net profit</b>	<b>-</b>	<b>103</b>	<b>153</b>	<b>165</b>	<b>185</b>
<b>Recurring net profit</b>		<b>103</b>	<b>153</b>	<b>165</b>	<b>185</b>

Source: Company data, RHB

<b>Cash flow (MYRm)</b>	<b>Dec-11</b>	<b>Dec-12</b>	<b>Dec-13</b>	<b>Dec-14F</b>	<b>Dec-15F</b>
<b>Operating profit</b>	<b>-</b>	<b>144</b>	<b>209</b>	<b>227</b>	<b>253</b>
<b>Change in working capital</b>	<b>-</b>	<b>(288)</b>	<b>(1)</b>	<b>(60)</b>	<b>(75)</b>
Other operating cash flow		268	(112)	20	37
<b>Operating cash flow</b>	<b>-</b>	<b>124</b>	<b>95</b>	<b>186</b>	<b>216</b>
Interest paid	-	(1)	(1)	(2)	(2)
Tax paid	-	(39)	(54)	(59)	(66)
<b>Cash flow from operations</b>	<b>-</b>	<b>84</b>	<b>40</b>	<b>125</b>	<b>148</b>
Capex	-	(14)	(3)	(50)	(50)
Other investing cash flow	-	(39)	(66)	-	-
<b>Cash flow from investing activities</b>	<b>-</b>	<b>(53)</b>	<b>(69)</b>	<b>(50)</b>	<b>(50)</b>
Dividends paid	-	-	-	(107)	(67)
Proceeds from issue of shares	-	238	164	-	-
Increase in debt	-	21	29	-	-
Other financing cash flow	-	(260)	(111)	22	(42)
<b>Cash flow from financing activities</b>	<b>-</b>	<b>(0)</b>	<b>83</b>	<b>(85)</b>	<b>(109)</b>
Cash at beginning of period	-	-	31	116	107
<b>Total cash generated</b>	<b>-</b>	<b>31</b>	<b>53</b>	<b>(10)</b>	<b>(11)</b>
<b>Implied cash at end of period</b>	<b>-</b>	<b>31</b>	<b>84</b>	<b>106</b>	<b>96</b>

Source: Company data, RHB

## Financial Exhibits

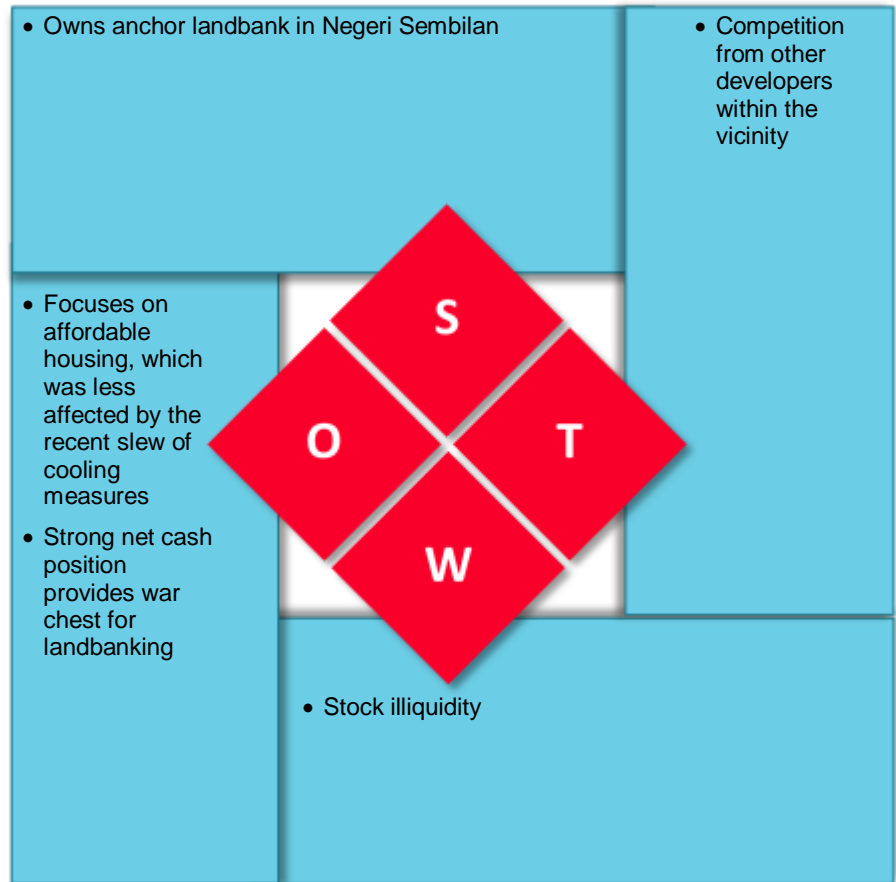
<b>Balance Sheet (MYRm)</b>	<b>Dec-11</b>	<b>Dec-12</b>	<b>Dec-13</b>	<b>Dec-14F</b>	<b>Dec-15F</b>
Total cash and equivalents	-	31	116	107	99
Inventories		2	2	2	2
Accounts receivable	-	120	141	162	189
Other current assets	-	389	444	511	595
<b>Total current assets</b>	<b>-</b>	<b>542</b>	<b>702</b>	<b>783</b>	<b>884</b>
Total investments	-	43	192	241	291
Total other assets	-	2	7	7	7
Total non-current assets	-	45	198	248	298
<b>Total assets</b>	<b>-</b>	<b>587</b>	<b>900</b>	<b>1,031</b>	<b>1,182</b>
Short-term debt	-	4	35	35	35
Accounts payable	-	190	246	275	310
Other current liabilities	-	33	52	52	52
<b>Total current liabilities</b>	<b>-</b>	<b>227</b>	<b>333</b>	<b>362</b>	<b>397</b>
Total long-term debt	-	18	15	15	15
Other liabilities	-	0	-	-	-
<b>Total non-current liabilities</b>	<b>-</b>	<b>18</b>	<b>15</b>	<b>15</b>	<b>15</b>
<b>Total liabilities</b>	<b>-</b>	<b>245</b>	<b>348</b>	<b>377</b>	<b>412</b>
Share capital		51	301	457	462
Retained earnings reserve	-	291	181	126	238
Other reserves	-	0	70	70	70
<b>Shareholders' equity</b>	<b>-</b>	<b>342</b>	<b>552</b>	<b>654</b>	<b>770</b>
<b>Total equity</b>	<b>-</b>	<b>342</b>	<b>552</b>	<b>654</b>	<b>770</b>
<b>Total liabilities &amp; equity</b>	<b>-</b>	<b>587</b>	<b>900</b>	<b>1,031</b>	<b>1,182</b>

Source: Company data, RHB

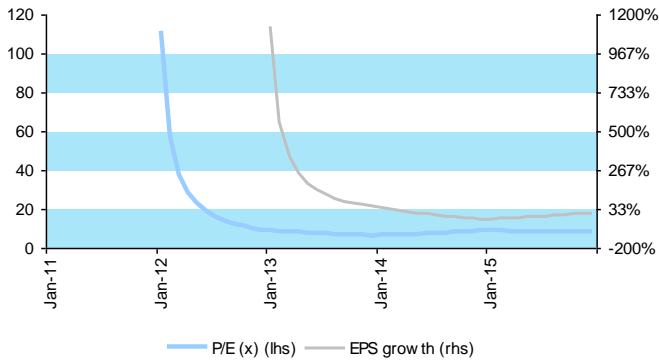
<b>Key Ratios (MYR)</b>	<b>Dec-11</b>	<b>Dec-12</b>	<b>Dec-13</b>	<b>Dec-14F</b>	<b>Dec-15F</b>
Revenue growth (%)	0.0	0.0	26.0	15.2	16.3
Operating profit growth (%)	0.0	0.0	45.1	8.6	11.7
Net profit growth (%)	0.0	0.0	47.7	8.2	11.8
EPS growth (%)	0.0	0.0	47.2	(28.7)	10.7
Bv per share growth (%)	0.0	0.0	60.9	(22.0)	16.5
Operating margin (%)	0.0	31.5	36.3	34.2	32.9
Net profit margin (%)	0.0	22.7	26.6	25.0	24.0
Return on average assets (%)	0.0	35.3	20.6	17.1	16.7
Return on average equity (%)	0.0	60.5	34.2	27.4	26.0
Net debt to equity (%)	0.0	(2.7)	(11.8)	(8.6)	(6.2)
DPS	0.00	0.00	0.35	0.15	0.16
Recurrent cash flow per share	0.00	0.28	0.13	0.27	0.32

Source: Company data, RHB

## SWOT Analysis

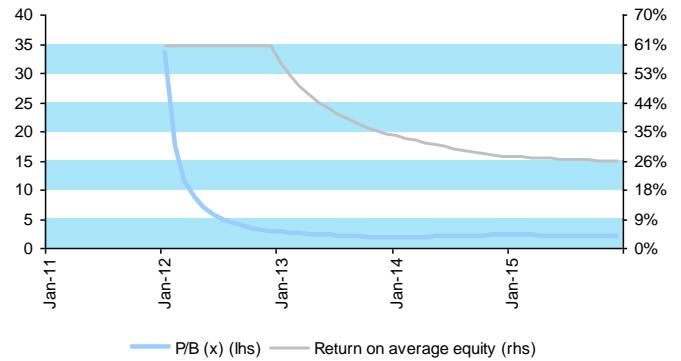


P/E (x) vs EPS growth



Source: Company data, RHB

P/BV (x) vs ROAE

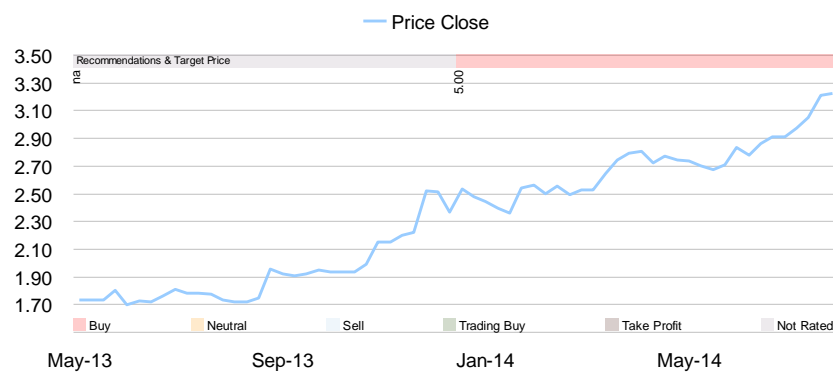


Source: Company data, RHB

## Company Profile

Matrix Concepts 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 on developing residential and commercial properties, as well as selling industrial land.

## Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2014-05-21	Buy	5.00	2.67
2014-04-14	Buy	5.00	2.77
2014-02-26	Buy	5.00	2.52
2014-01-07	Buy	5.00	2.55

Source : RHB, Bloomberg \* Target Price is pre-bonus issue

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**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

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**Not Rated:** Stock is not within regular research coverage

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