

Matrix Concepts Holdings(MCH MK)
Buy (Maintained)

 Property- Real Estate
 Market Cap: USD463m

 Target Price: **MYR3.80**
 Price: **MYR3.20**

More Industrial Land Sales Seen For 2H

Macro	◆◆◆
Risks	◆◆
Growth	◆◆◆
Value	◆◆◆



Source: Bloomberg

Avg Turnover (MYR/USD)	1.96m/0.61m
Cons. Upside (%)	7.8
Upside (%)	18.7
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	40.8	10.0	16.8	25.0	79.8
Relative	41.1	10.6	18.2	23.2	75.1

Shariah compliant

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We maintain our FY14 sales target of MYR750m for Matrix, similar to last year. We expect industrial land sales to pick up in 2H as investor interest in Sendayan Techvalley remains fairly strong. The pricing currently under negotiation is MYR42-47 psf (vs MYR40 psf in recent transactions). Meanwhile, about MYR410m worth of projects will be launched by end-2014. Maintain BUY and MYR3.80 FV.

- ◆ **Industrial land sales to pick up in 2H.** We expect Matrix Concepts (Matrix) to achieve MYR750m in sales, almost matching last year's MYR788m. Although 1H14 new sales only amounted to MYR291m (of which about 90% comprised property development sales), we think some industrial land sales could materialise over the next few months and potentially top up new sales by more than MYR200m. We gather from the company briefing yesterday that a group of investors are currently looking to buy industrial land plots in Sendayan Techvalley on which to build their factories, and the selling price being negotiated is MYR42-47 psf vs MYR40 psf in recent transactions. Management is confident that the deal would be concluded by year-end.
- ◆ **MYR410m worth of launches till end-2014.** The company will roll out about MYR410m worth of properties, including Hijayu 3A Phase 3 & 4 (GDV: MYR180m), Impiana Heights in Kluang (GDV: MYR85.6m) and Residency SIGC in Seremban (GDV: MYR144.7m). Sales in Bandar Sri Sendayan (BSS) remain encouraging, with Hijayu 3A Phase 1 achieving a 93% take-up. We expect phases 2, 3 & 4 to be similarly well-received as the ~5% step-up in pricing of each new phase is decent and hence should be acceptable to potential buyers.
- ◆ **International school almost ready.** Management said the company incurred about MYR3m in pre-operating expenses at Global Schools and its clubhouse in 2Q, adding that the amount should be rather minimal in 3Q. The planned components in BSS are coming up accordingly while the nearly-completed international school is targeting its first intake in 3Q14. More than 100 students have registered at the school. Both the international and private schools have a combined capacity of 2,500 students.
- ◆ **Maintain BUY.** We maintain our BUY call and MYR3.80 FV, based on a 10% discount to the stock's RNAV.

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	9.28	6.30	8.84	7.98
P/B (x)	na	2.81	1.74	2.24	1.92
Dividend Yield (%)	0.0	0.0	11.1	4.6	5.0
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 2: Matrix's RNAV

Projects	Remaining landbank (acres)	GDV (MYR m)	Stake	NPV @ 13%
<i>Bandar Sri Sendayan, Negeri Sembilan</i>				
Ongoing & future developments	1,382.2	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

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

Source: Company data, RHB

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

Source: Company data, RHB

Financial Exhibits

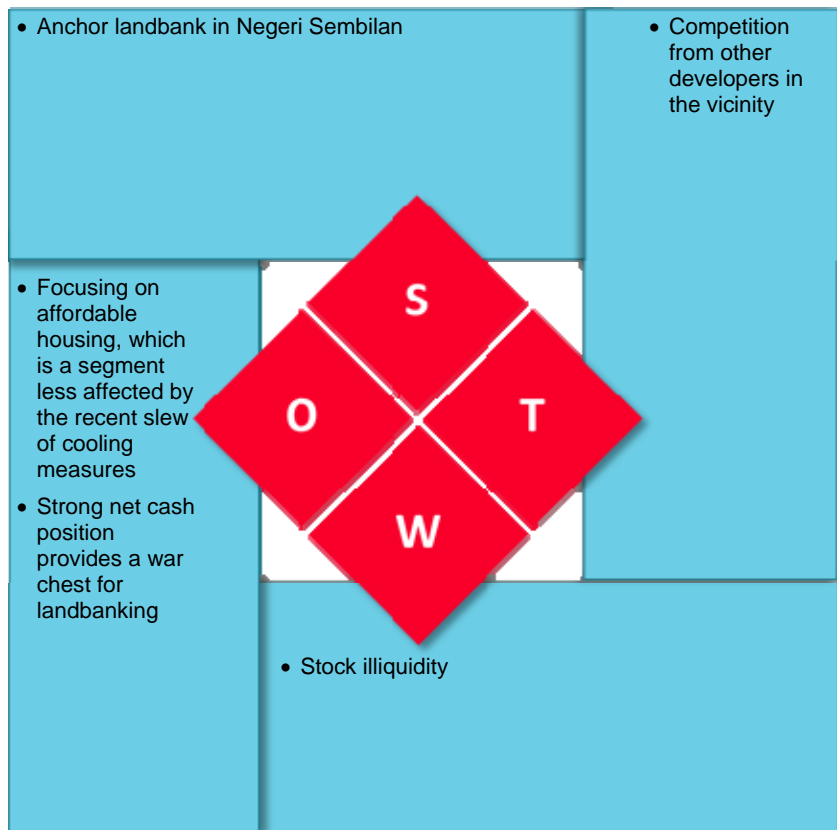
Balance Sheet (MYRm)	Dec-11	Dec-12	Dec-13	Dec-14F	Dec-15F
Total cash and equivalents	-	31	116	107	99
Inventories	-	2	2	2	2
Accounts receivable	-	120	141	162	189
Other current assets	-	389	444	511	595
Total current assets	-	542	702	783	884
Total investments	-	43	192	241	291
Total other assets	-	2	7	7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

Source: Company data, RHB

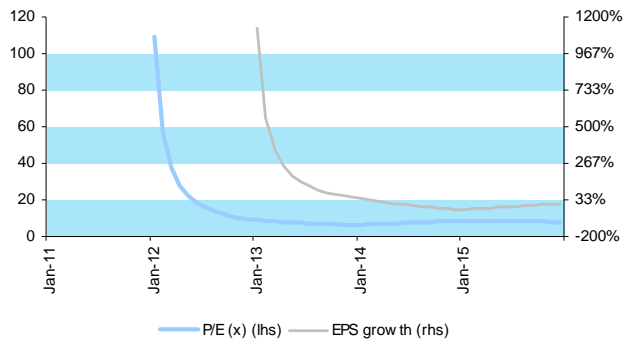
Key Ratios (MYR)	Dec-11	Dec-12	Dec-13	Dec-14F	Dec-15F
Revenue growth (%)	0.0	0.0	26.0	15.2	16.3
Operating profit growth (%)	0.0	0.0	45.1	8.6	11.7
Net profit growth (%)	0.0	0.0	47.7	8.2	11.8
EPS growth (%)	0.0	0.0	47.2	(28.7)	10.7
Bv per share growth (%)	0.0	0.0	60.9	(22.0)	16.5
Operating margin (%)	0.0	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

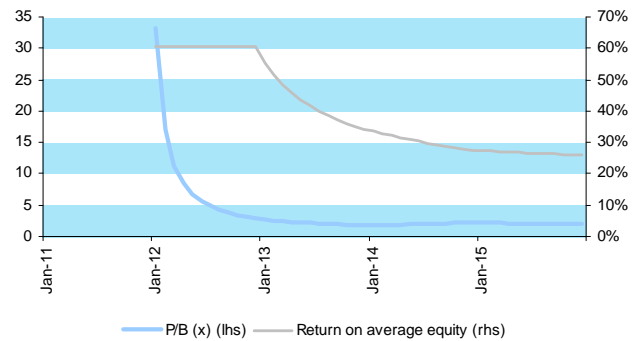


P/E (x) vs EPS growth



Source: Company data, RHB

P/BV (x) vs ROAE

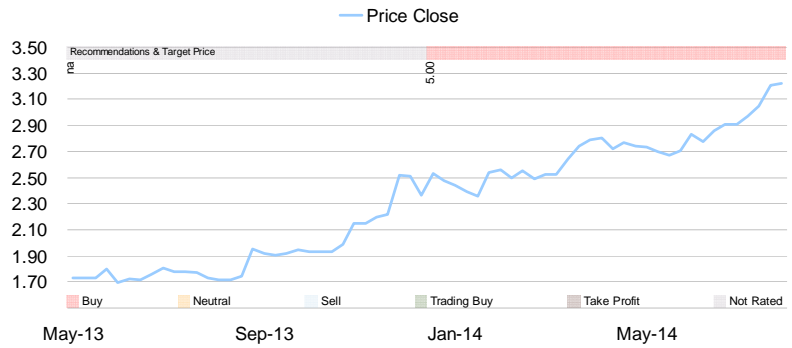


Source: Company data, RHB

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 in developing residential and commercial properties, as well as industrial land sale.

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2014-08-19	Buy	3.80	3.20
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

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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