

Matrix Concepts (BUY↔, EPS ↔)

 INDUSTRY: NEUTRAL
 EARNINGS EVALUATION

 November 20, 2013
 Price Target: RM4.51 (↑)
 Share price: RM3.24

Good set of results; raising our TP

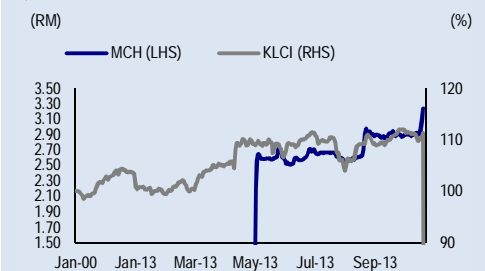
Results	<ul style="list-style-type: none"> 3Q net profit came in at RM36m, bringing 9M earnings to RM112.2m, making up 74% and 79% of HLIB and consensus estimates respectively.
Deviations	<ul style="list-style-type: none"> None.
Dividends	<ul style="list-style-type: none"> 10.0 sen net DPS was declared in 3Q13, bringing YTD DPS to 25.4 sen, or 97.6% of our 26 sen DPS forecast.
Highlights	<ul style="list-style-type: none"> Qoq drop in revenue, from RM147m in 2Q to RM127m in 3Q, mainly due to the higher revenue recognition from residential properties sold for the Hijayu 1B development project in 2Q, whilst Hijayu 3D had yet to reach its milestone for revenue recognition in 3Q. Qoq margin expansion. However, gross profit margin experience sequential qoq expansion due to a change in product mix, rising from 36% to 50%. We attribute this to a higher proportion of revenue derived from sales of industrial properties and commercial land, which command substantially better margins. Focus remains on Seremban and Johor. MCH still remains very much focused on these two areas, with Seremban accounting for more than 90% of future GDV.
Risks	<ul style="list-style-type: none"> Slowdown in sales; escalation in construction and raw material costs; downturn in Seremban and Johor.
Forecasts	<ul style="list-style-type: none"> Maintained.
Rating	<ul style="list-style-type: none"> BUY (↔) Positives: Offers great exposure to the thriving satellite town of Seremban. Negatives: Lack of landbank diversification means the company's fate is completely tied to that of Seremban.
Valuation	<ul style="list-style-type: none"> Despite share price performing strongly (up 25% since our 2Q results note), we raise our TP from RM3.46 to RM4.51 (35% discount to RNAV). We continue to keep MCH as our sector top pick on back of: (1) Our conviction that more upside remains thanks to escalating land prices in Seremban as more Greater KL residents continue to migrate to Seremban; (2) Undemanding FY14E PER of 5.7x vs. more than 10x for mid to large cap developers; and (3) Still attractive FY14E DY of 7.0%, based on 40% payout ratio.

Sean Lim

slim@hlib.hongleong.com.my

+603-2168 1161

KLCI	1807.2
Expected share price return	38.7%
Expected dividend return	8.0%
Expected total return	46.7%

Share price

Information

Bloomberg Ticker	MCH MK
Bursa Code	5236
Issued Shares (m)	301
Market cap (RMm)	974
3-mth avg volume ('000)	432

Price Performance	1M	3M	12M
Absolute %	11.0	21.3	nm
Relative %	10.5	19.4	Nm

Major shareholders (%)

LEE TIAN HOCK	19.96
SHINING TERM SDN BHD	16.11
MAGNITUDE POINT SDN BHD	6.37
SUPREME INTEREST SDN BHD	5.06
TARGET VENUE SDN BHD	5.06
AMBANG KUSSA	4.98

Summary Earnings Table

FYE 31 Dec (RM m)	2012A	2013E	2014E	2015E
Revenue	456.1	774.7	838.8	917.7
Reported net profit	103.5	151.2	170.4	193.9
Norm. net profit	103.5	151.2	170.4	193.9
Norm. EPS (sen)	43.6	50.4	56.8	64.6
EPS growth (%)	49.1	15.6	12.7	13.8
Norm. PER (x)	7.5	6.5	5.7	5.0
FD PER (x)	7.5	6.5	5.7	5.0
Net DPS (sen)	0.0	26.0	22.7	25.9
Dividend yield (%)	0.0	8.0	7.0	8.0
BVPS (RM)	2.0	1.8	2.2	2.6
P/B (x)	1.6	1.8	1.5	1.3

HLIB

Figure #1 Quarterly results comparison

FYE 31 DEC	3Q12	2Q13	3Q13	QoQ (%)	YoY (%)	Remarks
Revenue	nm	147.3	127.4	-13.5	nm	
Cost of Sales	nm	-93.7	-64.3	-31.4	nm	
Gross profit	nm	53.6	63.1	17.8	nm	GP margin experience sequential qoq expansion due to change in product mix, namely higher sales in industrial properties and commercial land.
Other income	nm	0.4	1.7	356.9	nm	
Selling and marketing expenses	nm	-1.5	-1.3	-12.1	nm	
Administrative expenses	nm	-11.6	-14.5	24.6	nm	
Operating Profit	nm	40.9	49.0	19.9	nm	
Finance costs	nm	-0.3	-0.3	-4.8	nm	
Profit before taxation	nm	40.6	48.7	20.1	nm	
Income tax expense	nm	-10.5	-12.5	18.9	nm	Flow-down from revenue and gross profit.
Net profit	nm	30.0	36.2	20.5	nm	
PATAMI	nm	30.0	36.2	20.5	nm	Flow-down from PBT.
Minority interest	nm	0.0	0.0	nm	nm	
EPS (sen)	nm	13.1	12.1	-7.6	nm	
DPS (sen)	nm	5.3	10.0	90.5	nm	

Company, HLIB

Figure #2 Cumulative results comparison

	FY12	FY13	YoY (%)	HLIB	% HLIB	Remarks
Revenue	nm	430.3	nm	774.7	55.5	YTD breakdown of revenue between residential / commercial properties, industrial properties and the sale of land was 66.77%, 27.8% and 5.5% respectively.
Cost of Sales	nm	-239.1	nm			
Gross profit	nm	191.2	nm			
Other income	nm	2.2	nm			
Selling and marketing expenses	nm	-5.0	nm			
Administrative expenses	nm	-36.9	nm			
Operating Profit	nm	151.6	nm			
Finance costs	nm	-0.8	nm			
Profit before taxation	nm	150.8	nm	201.5	74.8	In-line
Income tax expense	nm	-38.6	nm			
Net profit	nm	112.2	nm			
PATAMI	nm	112.2	nm	151.2	74.2	In-line
Minority interest	nm	nm	nm			
EPS (sen)	nm	88.9	nm			
DPS (sen)	nm	25.4	nm			

Company, HLIB

Figure #3 RNAV table

Project profits - DCF		RMm		
Sendayan				
- Residential		282.13		
- Commercial		775.71		
- Industrial		18.50		
- On-going		41.92		
- Unbilled Sales		46.56		
Seremban (ex-Sendayan)				
- Residential		82.36		
- Commercial		1.57		
Johor				
- Residential		34.16		
- Commercial		29.85		
- On-going		3.98		
- Unbilled Sales		6.38		
Landbank revaluation surplus				
	Acres	Mkt price (RM psf)	Book value (RM psf)	
Sendayan Tech Valley	200.00	35.00	9.00	226.51
Total Surplus				1,549.63
Total Equity				552.59
Total RNAV				2,102.21
Shares outstanding (m)				300.00
RNAV per share (RM)				7.01
ESOS proceeds *				2.23
Diluted share base (m)				303.45
Diluted RNAV per share (RM)				6.94
Dicount to RNAV				35.0%
Target Price (RM)				4.51

Source: HLIB

Figure #4 Sector peers comparison table

	Mkt Cap (RM m)	Price	Target (RM)	+/- (%)	Rec.	EPS (sen)		P/E (x)		P/B (x)		ROE (%)		Net DY (%)
						FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	
UEM Sunrise	10,047	2.31	2.43	5.0	HOLD	14.6	12.1	15.8	19.1	1.6	1.5	9.7	9.4	1.4
SP Setia	7,671	3.12	3.35	7.5	HOLD	21.3	24.3	14.7	12.9	1.7	1.6	9.5	10.3	3.6
IGB	3,719	2.72	na	na	na	15.3	15.8	17.8	17.2	0.9	0.8	5.0	5.1	2.6
IJM Land	3,991	2.56	na	na	na	19.0	24.5	13.5	10.4	1.3	1.1	9.9	11.4	2.0
Mah Sing	3,027	2.18	2.12	-2.8	HOLD	20.9	23.0	10.5	9.5	0.5	0.6	19.4	18.9	3.8
KSL	765	1.98	2.04	3.3	HOLD	60.5	42.9	3.3	4.6	0.0	0.0	15.0	14.1	2.5
YNH Property	745	1.77	2.22	25.4	BUY	13.5	14.1	13.1	12.5	0.9	0.9	7.4	7.4	2.3
Matrix	974	3.24	4.51	39.1	BUY	50.4	56.8	6.4	5.7	1.8	1.5	23.4	22.8	5.8
Glomac	807	1.11	1.16	4.6	HOLD	24.7	26.7	4.5	4.2	0.7	0.7	15.7	15.5	5.1

Source: HLIB

Income statement

FYE 31 Dec (RM m)	2011A	2012A	2013E	2014E	2015E
Revenue	631.6	456.1	774.7	838.8	917.7
COGS	-475.8	-263.3	-575.0	-614.2	-662.8
Gross profit	155.7	192.7	240.2	260.0	284.5
Opex	-46.8	-46.6	-41.9	-37.0	-31.3
Depreciation	-2.0	-2.3	-2.0	-2.0	-2.0
Amortization	0.0	0.0	0.0	0.0	0.0
Finance costs	-0.6	-1.0	-1.1	-0.9	-0.9
Associates	0.0	0.0	0.0	0.0	0.0
Pretax profit	106.3	142.8	201.5	227.2	258.6
Taxation	-26.4	-39.3	-50.4	-56.8	-64.6
Minorities	-10.5	0.0	0.0	0.0	0.0
Net profit	69.4	103.5	151.2	170.4	193.9
Basic shares (m)	237.5	237.5	300.0	300.0	300.0
Basic EPS (sen)	29.2	43.6	50.4	56.8	64.6

Balance sheet

FYE 31 Dec (RM m)	2011A	2012A	2013E	2014E	2015E
Inventories	0.8	2.4	0.9	1.0	1.1
Trade & other receivable	75.1	101.0	92.1	99.8	109.2
Cash	151.5	168.2	164.2	173.1	198.1
Current Assets	599.2	679.4	665.0	681.5	716.0
PPE	11.0	11.5	109.5	206.4	302.4
Investment properties	1.4	1.4	1.4	1.4	1.4
Development properties	30.2	30.3	30.3	30.3	30.3
Total assets	643.9	724.6	808.2	921.7	1,052.2
Shr Holder funds	375.1	479.1	552.3	654.5	770.9
Total Equity	375.1	479.4	552.6	654.8	771.2
Long-term borrowings	12.2	17.6	17.6	17.6	17.6
Short-term borrowings	0.0	3.9	0.0	0.0	0.0

Assumption metrics

FYE 31 Dec (RM m)	2013E	2014E	2015E
Gross margin	31.0	31.0	31.0
PBT margin	26.0	27.1	28.2
Net margin	19.5	20.3	21.1

Valuation ratios

FYE 31 Dec (RM m)	2011A	2012A	2013E	2014E	2015E
Reported basic EPS (sen)	29.2	43.6	50.4	56.8	64.6
Norm. basic EPS (sen)	29.2	43.6	50.4	56.8	64.6
Norm. FD EPS (sen)	29.2	43.6	50.4	56.8	64.6
Price	3.3	3.3	3.3	3.3	3.3
PER (x)	11.1	7.5	6.5	5.7	5.0
Net DPS (sen)	0.0	0.0	26.0	22.7	25.9
Net DY (%)	0.0	0.0	8.0	7.0	8.0
NTA/ share (sen)	157.9	201.9	184.2	218.3	257.1
P/NTA (x)	2.1	1.6	1.8	1.5	1.3
Enterprise value	636.2	625.1	828.3	819.5	794.5
EV/ EBITDA (x)	5.8	4.3	4.2	3.7	3.1
ROE (%)	18.5	21.6	27.4	26.0	25.1
Net gearing (x)	-0.4	-0.3	-0.3	-0.2	-0.2
BVPS (RM)	1.6	2.0	1.8	2.2	2.6

Cashflow

FYE 31 Dec (RM m)	2011A	2012A	2013E	2014E	2015E
PAT		103.5	151.2	170.4	193.9
Depreciation		2.3	2.0	2.0	2.0
Amortisation		0.0	0.0	0.0	0.0
Working cap & others		-10.9	24.7	3.6	4.6
Operating cashflow		94.9	177.9	176.0	200.6
Capex		-100.0	-100.0	-99.0	-98.0
Investing Cashflow		-100.0	-100.0	-99.0	-98.0
Issue of shares		0	0	0	0
Dividends		0	-78	-68	-78
Others		0	0	0	0
Financing cashflow		0.0	-81.9	-68.1	-77.6
Net cash flow		-5.1	-4.0	8.8	25.0

Quarterly financial summary

FYE 31 Dec (RM m)	1Q13	2Q13	3Q13
Revenue	155.6	147.3	127.4
Cost of sales	-81.1	-93.7	-64.3
Gross profit	74.5	53.6	63.1
Selling and marketing ex	-2.3	-1.5	-1.3
Administrative expenses	-10.8	-11.6	-14.5
Operating Profit	61.7	40.9	49.0
Pretax profit	61.5	40.6	48.7
Net profit	46.0	30.0	36.2
Basic shares (m)	72.1	228.8	300.3
Basic EPS (sen)	63.7	13.1	12.1
DPS (sen)	10.1	5.3	10.0
FCF/ share (sen)	12.7	17.1	11.6
Net cash/ share (sen)	24.3	81.5	63.9

Company, HLIB

Disclaimer

The information contained in this report is based on data obtained from sources believed to be reliable. However, the data and/or sources have not been independently verified and as such, no representation, express or implied, is made as to the accuracy, adequacy, completeness or reliability of the info or opinions in the report.

Accordingly, neither Hong Leong Investment Bank Berhad nor any of its related companies and associates nor person connected to it accept any liability whatsoever for any direct, indirect or consequential losses (including loss of profits) or damages that may arise from the use or reliance on the info or opinions in this publication.

Any information, opinions or recommendations contained herein are subject to change at any time without prior notice. Hong Leong Investment Bank Berhad has no obligation to update its opinion or the information in this report.

Investors are advised to make their own independent evaluation of the info contained in this report and seek independent financial, legal or other advice regarding the appropriateness of investing in any securities or the investment strategies discussed or recommended in this report. Nothing in this report constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable or appropriate to your individual circumstances or otherwise represent a personal recommendation to you.

Under no circumstances should this report be considered as an offer to sell or a solicitation of any offer to buy any securities referred to herein.

Hong Leong Investment Bank Berhad and its related companies, their associates, directors, connected parties and/or employees may, from time to time, own, have positions or be materially interested in any securities mentioned herein or any securities related thereto, and may further act as market maker or have assumed underwriting commitment or deal with such securities and provide advisory, investment or other services for or do business with any companies or entities mentioned in this report. In reviewing the report, investors should be aware that any or all of the foregoing among other things, may give rise to real or potential conflict of interests.

This research report is being supplied to you on a strictly confidential basis solely for your information and is made strictly on the basis that it will remain confidential. All materials presented in this report, unless specifically indicated otherwise, is under copyright to Hong Leong Investment Bank Berhad. This research report and its contents may not be reproduced, stored in a retrieval system, redistributed, transmitted or passed on, directly or indirectly, to any person or published in whole or in part, or altered in any way, for any purpose.

This report may provide the addresses of, or contain hyperlinks to, websites. Hong Leong Investment Bank Berhad takes no responsibility for the content contained therein. Such addresses or hyperlinks (including addresses or hyperlinks to Hong Leong Investment Bank Berhad own website material) are provided solely for your convenience. The information and the content of the linked site do not in any way form part of this report. Accessing such website or following such link through the report or Hong Leong Investment Bank Berhad website shall be at your own risk.

1. As of 20 November 2013, Hong Leong Investment Bank Berhad has proprietary interest in the following securities covered in this report:

(a) -.

2. As of 20 November 2013, the analyst, Sean Lim who prepared this report, has interest in the following securities covered in this report:

(a) -.

Published & Printed by
Hong Leong Investment Bank Berhad (10209-W)
 (Formerly known as MIMB Investment Bank Berhad)
 Level 8, Menara HLA
 No. 3, Jalan Kia Peng
 50450 Kuala Lumpur
 Tel 603 2168 1168 / 603 2710 1168
 Fax 603 2161 3880

Equity rating definitions

BUY	Positive recommendation of stock under coverage. Expected absolute return of more than +10% over 12-months, with low risk of sustained downside.
TRADING BUY	Positive recommendation of stock not under coverage. Expected absolute return of more than +10% over 6-months. Situational or arbitrage trading opportunity.
HOLD	Neutral recommendation of stock under coverage. Expected absolute return between -10% and +10% over 12-months, with low risk of sustained downside.
TRADING SELL	Negative recommendation of stock not under coverage. Expected absolute return of less than -10% over 6-months. Situational or arbitrage trading opportunity.
SELL	Negative recommendation of stock under coverage. High risk of negative absolute return of more than -10% over 12-months.
NOT RATED	No research coverage, and report is intended purely for informational purposes.

Industry rating definitions

OVERWEIGHT	The sector, based on weighted market capitalization, is expected to have absolute return of more than +5% over 12-months.
NEUTRAL	The sector, based on weighted market capitalization, is expected to have absolute return between -5% and +5% over 12-months.
UNDERWEIGHT	The sector, based on weighted market capitalization, is expected to have absolute return of less than -5% over 12-months.