

Matrix Concepts (BUY↔↔, EPS ↔↔)

 INDUSTRY: NEUTRAL
 EARNINGS EVALUATION

 November 18, 2014
 Price Target: RM3.74 (↔)
 Share price: RM2.87

9MFY14 Results In Line

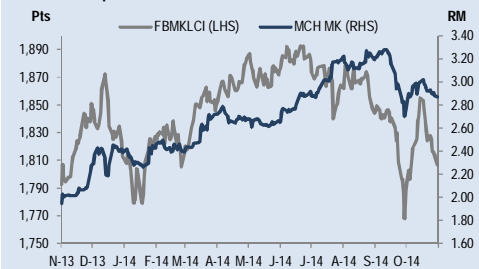
Results	<ul style="list-style-type: none"> ▪ Within Expectations: Matrix's 9MFY14 reported PATAMI of RM126.1m came in within expectations, accounting for 77.0% and 77.6% of ours and consensus' full year earnings, respectively.
Deviations	<ul style="list-style-type: none"> ▪ None.
Dividends	<ul style="list-style-type: none"> ▪ 3.75 sen net DPS was declared in 3Q14, bringing YTD DPS to 12.5 sen, or 75.5% of our 14.3 sen DPS forecast.
Highlights	<ul style="list-style-type: none"> ▪ Yoy: Revenue and PATAMI continued to record healthy growth on the back of higher sales in higher margins' residential and commercial property developments. ▪ Qoq: Revenue qoq declined 9% on the back of the inability to recognise the revenue from Hijayu 3A as development of the project has yet to reach a particular stage. PATAMI however improved by recording a growth of 6.2% from better margins fetched by the group's recently launched development properties. ▪ We understand that the group's 3QFY14's ongoing billings are largely coming from Hijayu 1A and 3A in Bandar Sri Sendayan (BSS), and Impiana Bayu 1, Impiana Avenue 3 (1) and Impiana Height (phase 1) in Taman Seri Impian (TSI). New sales during the quarter were RM159m vs. RM138m in 2QFY14. ▪ Apart from that, Matrix also launched several developments during the quarter, namely Hijayu 3A (phase 3) in BSS and another development in TSI. Its new launches totaled to RM146m. ▪ As at 9MFY14, the group's total unbilled sales stands at RM410.5m, representing 0.71x of FY13's property development revenue.
Forecasts	<ul style="list-style-type: none"> ▪ Maintained.
Rating	BUY ↔↔ <ul style="list-style-type: none"> ▪ Positives: 1) Further upside from escalating land prices in Seremban as more Greater KL residents continue to migrate to Seremban; (2) Optimism on its land replenishment for STV 3; (3) Undemanding FY15E P/E of 8.1x vs. more than 12-19x for mid to large-cap developers; and (4) Still attractive FY14E DY of 4.9%, based on 40% payout ratio. ▪ Negatives: (1) Lack of landbank diversification means the company's fate is completely tied to that of Seremban.
Valuation	<ul style="list-style-type: none"> ▪ Given the group's improved sales (Figure #4) and sustainable earnings in 3Q, we maintain our positive outlook for its future sales and earnings. We maintain our TP at RM3.74 (20% discount to RNAV), which implies FY15E P/E of 7.2x. This remains undemanding vs. 12-18x for mid to large-cap peers. ▪ Maintain BUY.

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KLCI	1,806.5
Expected share price return	30.3%
Expected dividend return	5.0%
Expected total return	35.3%

Share price

Information

Bloomberg Ticker	MCH MK
Bursa Code	5236
Issued Shares (m)	456.9
Market cap (RMm)	1,311.4
3-mth avg volume ('000)	732.3
SC Syariah-compliant	Yes

Price Performance	1M	3M	12M
Absolute %	4.0	-10.9	46.4
Relative %	3.0	-7.8	45.4

Major shareholders (%)

Lee Tian Hock	18.6
Shining Term Sdn Bhd	15.9
Supreme Interest Sdn Bhd	5.0

Summary Earnings Table

FYE 31 Dec (RM m)	2013A	2014E	2015E	2016E
Revenue	574.7	626.0	689.3	955.3
Rep net profit	152.9	163.8	183.3	246.0
Norm. net profit	152.9	163.8	183.3	246.0
Norm. EPS (sen)	50.8	43.2	40.1	53.8
EPS growth (%)	16.5	-14.8	-7.3	34.2
Norm. PER (x)	5.7	6.6	7.2	5.3
FD PER (x)	5.7	6.6	7.2	5.3
Net DPS (sen)	20.6	14.3	16.0	21.5
Div yield (%)	7.2	5.0	5.6	7.5
BVPS (RM)	1.8	1.7	1.7	2.0
P/B (x)	1.6	1.7	1.7	1.4

HLIB

Figure #1 Quarterly results comparison

FYE Dec	3Q13	2Q14	3Q14	Qoq (%)	Yoy (%)	Comments
Revenue	127.4	163.7	148.8	-9.1	16.8	Yoy: Higher revenue during the quarter due to higher sales of residential and commercial development properties. Qoq: Lower revenue from the group's Hijayu 3A development that has yet to reach a particular stage of completion whereby revenue can be recognised.
Cost of Sales	-64.3	-89.2	-65.1	-27.1	1.2	
Gross profit	63.1	74.6	83.8	12.3	32.7	Yoy: From sales of property developments which commences higher margin. Qoq: Margin expansion from the sale of development properties with better margins.
Other income	1.7	0.8	0.7	-17.2	-60.6	
Selling and marketing expenses	-1.3	-2.6	-3.2	27.1	>100	
Administrative expenses	-14.5	-13.9	-22.2	60.1	53.8	
Operating Profit	49.0	58.9	58.9	0.0	20.2	
Finance costs	-0.3	-0.4	-0.5	31.9	58.3	
Profit before taxation (PBT)	48.7	58.6	58.5	-0.2	19.9	Filtered down from gross profit.
Income tax expense	-12.5	-16.1	-13.4	-17.0	6.6	
Net profit	36.2	42.4	45.1	6.2	24.5	
PATAMI	36.2	42.4	45.1	6.2	24.5	Filtered down from PBT.
Minority interest	0.0	0.0	0.0			
EPS (sen)	8.0	14.0	10.5			
DPS (sen)	6.6	3.8	3.8			

Company: HLIB

Figure #2 Cumulative results comparison

FYE Dec	9MFY13	9MFY14	YoY (%)	HLIB	% HLIB	Comments
Revenue	430.3	447.3	3.9	626.0	71.4	In-line
Cost of Sales	-239.1	-221.2	-7.5			
Gross profit	191.2	226.1	18.3			
Other income	2.2	2.1	-5.9			
Selling and marketing expenses	-5.0	-9.2	83.0			
Administrative expenses	-36.9	-46.8	27.1			
Operating Profit	151.6	172.2	13.6			
Finance costs	-0.8	-1.3	61.5			
Profit before taxation	150.8	171.0	13.4	222.0	77.0	In-line
Income tax expense	-38.6	-44.9	16.3			
Net profit	112.2	126.1	12.3			
PATAMI	112.2	126.1	12.3	163.8	77.0	In-line
Minority interest	0.0	0.0	NM			
EPS (sen)	59.0	33.0	-44.1			
DPS (sen)	16.8	10.8	-35.8			

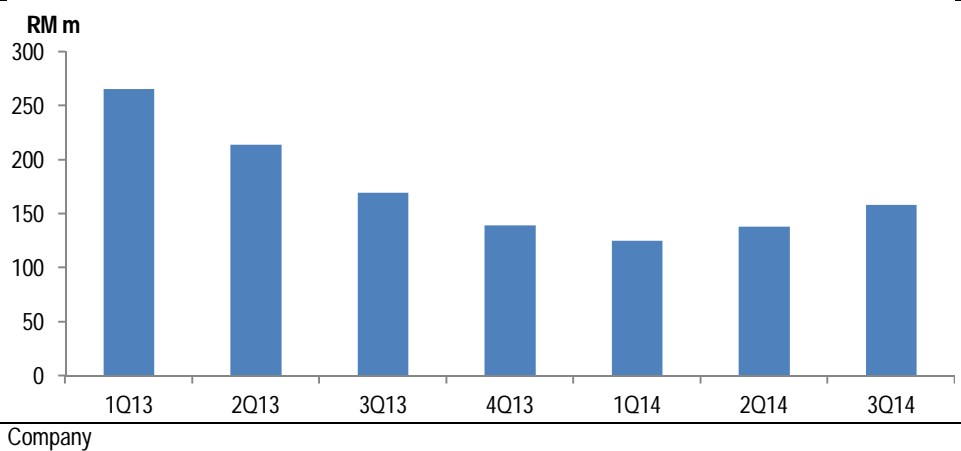
Company: HLIB

Figure #3 RNAV table

Project profits - DCF				RMm
Sendayan				
- Residential				308.15
- Commercial				716.28
- On-going				8.53
Seremban (ex-Sendayan)				
- Residential				101.47
- Commercial				1.54
Johor				
- Residential				49.74
- Commercial				27.90
- On-going				4.75
Unbilled Sales				
				46.23
Landbank revaluation surplus				
	Acres	Mkt price (RM psf)	Book value (RM psf)	
Sendayan Tech Valley	200.00	45.00	9.00	313.63
Total Surplus				
				1,578.23
Total Equity				
				582.00
Total RNAV				
				2,160.23
Shares outstanding (m)				
				457.22
RNAV per share (RM)				
				4.72
ESOS proceeds *				
				35.46
Diluted share base (m)				
				469.82
Diluted RNAV per share (RM)				
				4.67
Dicount to RNAV				
				20.0%
Target Price (RM)				
				3.74

HLIB

Figure #4 Matrix - Quarterly sales



Company

Financial Projections for Matrix Concepts (TP: RM3.74)

Income statement

FYE 31 Dec (RM m)	2012A	2013A	2014E	2015E	2016E
Revenue	456.1	574.7	626.0	689.3	955.3
COGS	-263.3	-305.0	-326.0	-352.0	-478.4
Gross profit	192.7	269.7	290.1	324.5	436.8
Opex	-46.6	-64.9	-70.1	-76.5	-105.0
Depreciation	-2.3	0.0	-2.0	-2.0	-2.0
Amortization	0.0	0.0	0.0	0.0	0.0
Finance costs	-1.0	-1.4	-0.9	-0.9	-0.9
Associates	0.0	0.0	0.0	0.0	0.0
Pretax profit	142.8	207.2	222.0	248.4	333.4
Taxation	-39.3	-54.3	-58.2	-65.1	-87.4
Minorities	0.0	0.0	0.0	0.0	0.0
Net profit	103.5	152.9	163.8	183.3	246.0
Basic shares (m)	237.5	301.2	457.2	457.2	457.2
Basic EPS (sen)	43.6	50.8	35.8	40.1	53.8

Balance sheet

FYE 31 Dec (RM m)	2012A	2013A	2014E	2015E	2016E
Inventories	2.4	1.6	0.5	0.6	0.8
Trade & other rec	101.0	140.8	74.5	82.0	113.6
Cash	168.2	115.9	69.0	86.1	157.7
Current Assets	679.4	702.1	587.8	612.4	715.9
PPE	11.5	11.9	108.9	204.9	299.8
Investment properties	1.4	67.7	67.7	67.7	67.7
Development props	30.3	111.9	111.9	111.9	111.9
Total assets	724.6	900.5	883.1	1,003.7	1,202.2
Shr Holder funds	479.4	552.4	650.6	760.6	908.2
Total Equity	479.4	552.4	650.6	760.6	908.2
Long-term borrowings	17.6	15.3	17.6	17.6	17.6
Short-term borrowings	3.9	35.2	0.0	0.0	0.0

Assumption metrics

FYE 31 Dec (RM m)	2014E	2015E	2016E
Gross margin	46.3	47.1	45.7
PBT margin	35.5	36.0	34.9
Net margin	26.2	26.6	25.7

Valuation ratios

FYE 31 Dec (RM m)	2012A	2013A	2014E	2015E	2016E
Reported basic EPS (sen)	43.6	50.8	43.2	40.1	53.8
Norm. basic EPS (sen)	43.6	50.8	43.2	40.1	53.8
Norm. FD EPS (sen)	43.6	50.8	43.2	40.1	53.8
Price	2.9	2.9	2.9	2.9	2.9
PER (x)	6.6	5.7	6.6	7.2	5.3
Net DPS (sen)	0.0	20.6	14.3	16.0	21.5
Net DY (%)	0.0	7.2	5.0	5.6	7.5
NTA/ share (sen)	201.9	183.4	171.7	166.4	198.6
P/NTA (x)	1.4	1.6	1.7	1.7	1.4
Enterprise value	534.9	799.0	1,035.9	1,243.7	1,172.1
EV/ EBITDA (x)	3.7	3.8	4.7	5.0	3.5
ROE (%)	21.6	27.7	25.2	24.1	27.1
Net gearing (x)	-0.3	-0.1	-0.1	-0.1	-0.2
BVPS (RM)	2.0	1.8	1.7	1.7	2.0

Cashflow

FYE 31 Dec (RM m)	2012A	2013A	2014E	2015E	2016E
PAT	103.5	152.9	163.8	183.3	246.0
Depreciation	2.3	0.0	2.0	2.0	2.0
Amortisation	0.0	0.0	0.0	0.0	0.0
Working cap & others	-10.9	18.5	-48.3	3.1	19.0
Operating cashflow	94.9	171.4	117.6	188.4	267.0
Capex	-100.0	-100.0	-99.0	-98.0	-97.0
Investing Cashflow	-100.0	-100.0	-99.0	-98.0	-97.0
Issue of shares	0	0	0	0	0
Dividends	0	-94	-66	-73	-98
Others	0	0	0	0	0
Financing cashflow	0.0	-98.1	-65.5	-73.3	-98.4
Net cash flow	-5.1	-26.7	-46.9	17.1	71.6

Quarterly financial summary

FYE 31 Dec (RM m)	3Q13	4Q13	1Q14	2Q14	3Q14
Revenue	127.4	144.3	134.7	163.7	148.8
Cost of sales	-64.3	-65.9	-66.9	-89.2	-65.1
Gross profit	63.1	78.5	67.8	74.6	83.8
Selling and mktg expenses	-1.3	-2.9	-3.4	-2.6	-3.2
Administrative expenses	-14.5	-20.2	-10.7	-13.9	-22.2
Operating Profit	49.0	57.0	54.4	58.9	58.9
Pretax profit	48.7	53.4	54.0	58.6	58.5
Net profit	36.2	40.7	38.6	42.4	45.1
Basic shares (m)	300.3	300.8	301.8	303.5	428.4
Basic EPS (sen)	12.1	13.5	12.8	14.0	10.5
DPS (sen)	10.0	5.0	5.0	3.8	3.8
FCF/ share (sen)	11.6	-37.4	28.4	-14.2	-2.7
Net cash/ share (sen)	63.9	21.6	26.8	8.5	0.0

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Published & Printed by
Hong Leong Investment Bank Berhad (10209-W)
 Level 23, Menara HLA
 No. 3, Jalan Kia Peng
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