

18 November 2015

MATRIX CONCEPTS

9M15 Results Broadly Inline

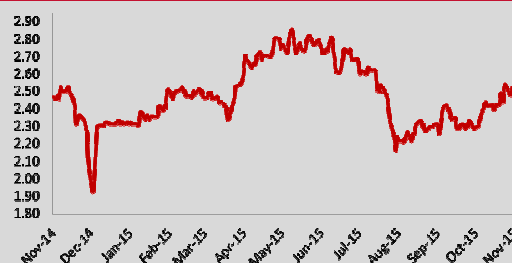
By Adrian Ng | adrian.ng@kenanga.com.my, Sarah Lim | sarahlim@kenanga.com.my

- | | |
|--------------------------------|---|
| Period | ▪ 3Q15/9M15 |
| Actual vs. Expectations | <ul style="list-style-type: none"> ▪ Matrix Concepts (MATRIX)'s 9M15net profit of RM176.4m accounts for 93% and 90% of our and consensus full-year estimates. However, we deem the performance as broadly within both our and consensus expectations as we are expecting a weaker 4Q15 given that MATRIX has enjoyed the accelerated recognition of its on-going residential and industrial projects prior to the implementation of GST. ▪ In terms of sales, MATRIX has performed exceptionally well, recording total sales of RM612m for 9M15which accounted for 98% of our total estimates of RM625m. ▪ On a separate announcement, MATRIX announced that they are changing their financial year-end from Dec-15 to Mar-16. |
| Dividends | ▪ 3 rd interim dividend of 3.5sen declared, as expected. |
| Key Results Highlights | <ul style="list-style-type: none"> ▪ YoY, 9M15 net profit of RM176.4m grew by 40% due to the strong growth in revenue of 25%, where the significant improvements are mainly due to accelerated recognition of its on-going residential and industrial properties (which generally command superior margins vs. residential and commercial properties) prior the implementation of GST. That said, the recognition of its industrial properties also lifted its EBITDA margin by 7ppt to 58%. ▪ QoQ, 3Q15 net profit of RM31.1m still saw a marginal growth of 4% mainly due to a lower effective tax rate of 23% registered in 3Q15 vis-à-vis 28% in 2Q15. |
| Outlook | ▪ Its unbilled sales remain healthy at RM640.5m, sufficient to sustain the group for another 1–1.5 years, and we remain positive on MATRIX's outlook, which is underpinned by strong demand for affordable housing within Greater Klang Valley. |
| Change to Forecasts | ▪ Following the change in financial year-end from Dec-15 to Mar-16, we adjusted our FY15E sales and earnings higher to RM854.0m and RM243.0m factoring in 15 months of financial reporting. |
| Rating Valuation | <p style="text-align: center;">MARKET PERFORM</p> <ul style="list-style-type: none"> ▪ MARKET PERFORM maintained. We are reiterating our MARKET PERFORM call on MATRIX with an unchanged Target Price of RM2.46 with a discount of 30% to its FD RNAV of RM3.51. Our TP of RM2.46 implies FY16E PER of 7.5x which is still below its peers' average of 8.4x. The assigned 30% discount to RNAV is the thinnest compared to the RNAV discount applied to the mid-cap peers averaging at 62%, due to its affordable landed residential offerings in Seremban (<RM500k). Furthermore, downside risk is limited given that at our TP of RM2.46, it still commands better yield of 6.0% vs. its peers' average of only 5.5% |
| Risks | ▪ (i) Weaker-than-expected property sales, (ii) Higher-than-expected sales and administrative costs, (iii) Negative real estate policies, (iv) Tighter lending environments |

MARKET PERFORM ↔

Price: RM2.44
Target Price: RM2.46 ↔

Share Price Performance



KLCI	1,661.53
YTD KLCI chg	-5.7%
YTD stock price chg	5.9%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MCH MK Equity
Market Cap (RM m)	1,343.2
Issued shares	550.5
52-week range (H)	2.87
52-week range (L)	1.88
3-mth avg daily vol:	399,276
Free Float	62%
Beta	0.9

Major Shareholders

HOCK LEE TIAN	17.7%
SHINING TERM SDN BHD	15.4%
AMBANG KUSSA	4.8%

Summary Earnings Table

FYE Dec (RM m)	2014A	2015E	2016E
Turnover	598	839	672
EBIT	246	330	267
PBT	245	329	265
Net Profit (NP)	183	243	199
Consensus (CNP)	n.a.	196	211
Earnings Revision	n.a.	28%	4%
EPS (sen)	29.9	39.8	32.6
EPS growth (%)	19%	33%	-18%
NDPS (sen)	12.9	17.9	14.7
BV/Share (RM)	1.12	1.34	1.52
PER (x)	8.2	6.1	7.5
Price/BV (x)	2.17	1.82	1.60
Net Gearing (x)	0.0	0.3	0.1
Dividend Yield (%)	5.3	7.3	6.0

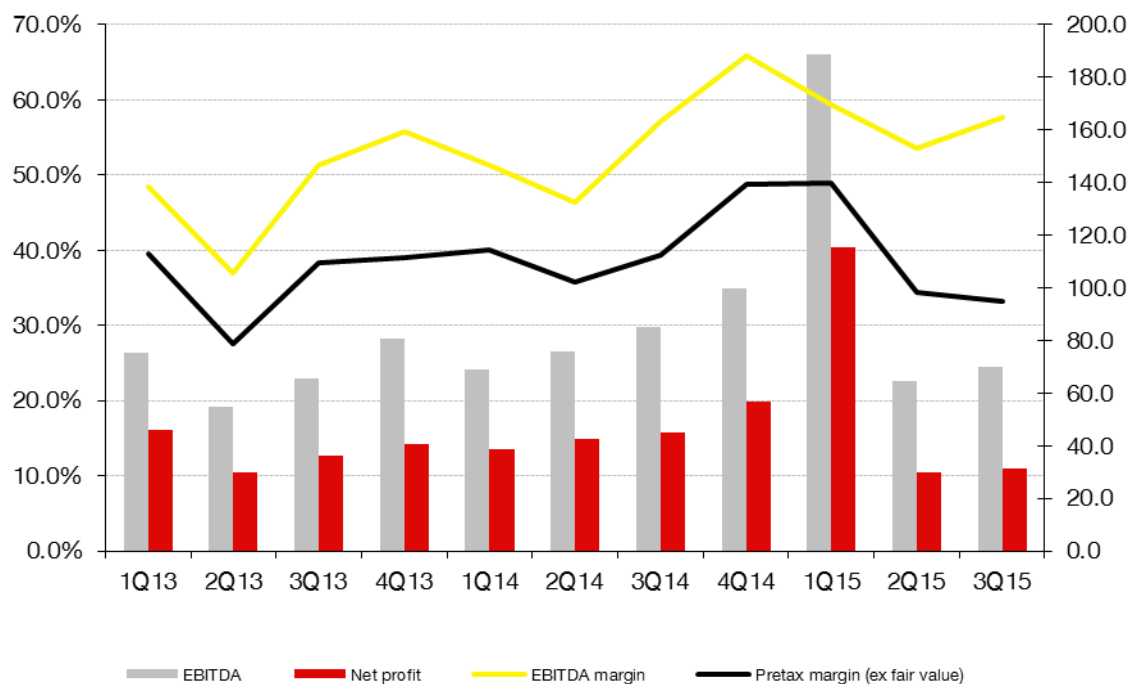
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Result Highlight

	3Q15	2Q15	QoQ	3Q14	YoY	9M15	9M14	YoY
Revenue								
Revenue	121.4	120.4	1%	148.8	-18%	559.4	447.3	25%
Op costs w/o depn/amort	-52.5	-56.8	-8%	-64.5	-19%	-239.2	-219.4	9%
Other Op Income	1.2	1.0	20%	0.7	80%	3.0	2.1	41%
EBITDA	70.0	64.6	8%	85.0	-18%	323.1	230.0	41%
EBIT	69.4	64.0	9%	84.4	-18%	321.4	228.2	41%
Net interest	0.1	-1.6	-105%	-0.5	-119%	-2.2	-1.3	71%
Selling & Marketing, Admin Cost	-29.3	-21.0	39%	-25.5	15%	-82.3	-56.0	47%
Fair Value Adjustments on IP	0.0	0.0	n.m.	0.0	n.m.	0.0	0.0	n.m.
Pretax profit	40.2	41.4	-3%	58.5	-31%	236.9	171.0	39%
Taxation	-9.1	-11.5	-21%	-13.4	-32%	-60.6	-44.9	35%
Minority Interests	0.0	0.0	n.m.	0.0	n.m.	0.0	0.0	n.m.
Net profit	31.1	29.9	4%	45.1	-31%	176.4	126.1	40%
Core net profit	31.1	29.9	4%	45.1	-31%	176.4	126.1	40%
EPS (sen)	5.9	6.5		9.9		37.4	36.5	
DPS (sen)	3.5	3.5		3.8		11.3	12.5	
NTA/share (RM)	1.5	1.7		1.4		1.5	1.4	
Net gearing/(cash) (x)	0.1	0.0		0.0		0.1	0.0	
EBITDA margin	58%	54%		57%		58%	51%	
Pretax margin	33%	34%		39%		42%	38%	
Effective tax rate	23%	28%		23%		26%	26%	

Source: Company, Kenanga Research

Earnings Trend



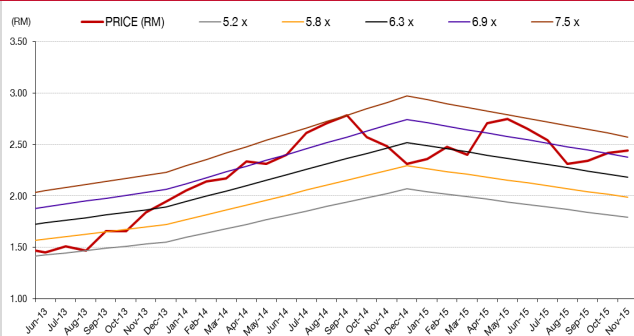
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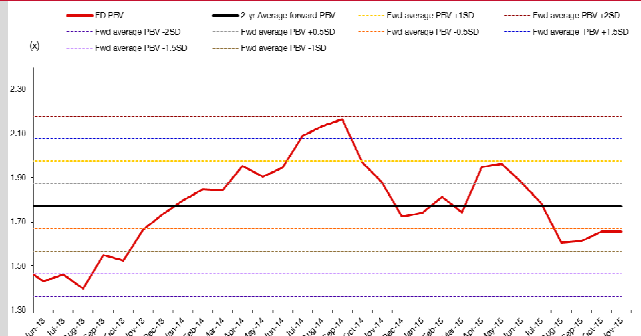
Income Statement						Financial Data & Ratios					
FY Mar (RM'm)	2012A	2013A	2014A	2015E	2016E	FY Mar (RM'm)	2012A	2013A	2014A	2015E	2016E
Revenue	456	575	598	839	672	Growth					
EBITDA	146	211	249	332	269	Turnover (%)	-27%	26%	4%	40%	-20%
Depreciation	-2	-3	-3	-3	-3	EBITDA (%)	34%	45%	18%	33%	-19%
Operating Profit	144	209	246	330	267	Operating Profit (%)	34%	45%	18%	34%	-19%
Interest Exp	-1	-1	-2	-1	-1	PBT (%)	34%	45%	18%	34%	-19%
PBT	143	207	245	329	265	Core Net Profit (%)	49%	48%	19%	33%	-18%
Taxation	-39	-54	-62	-85	-66	Profitability					
Minority Interest	0	0	0	0	0	EBITDA Margin	32%	37%	42%	40%	40%
Net Profit	103	153	183	243	199	Operating Margin	32%	36%	41%	39%	40%
Core Net Profit	103	153	183	243	199	PBT Margin	31%	36%	41%	39%	39%
						Core Net Margin	23%	27%	31%	29%	30%
						Effective Tax Rate	28%	25%	26%	26%	25%
						ROA	17%	19%	19%	21%	15%
						ROE	29%	30%	29%	32%	23%
						DuPont Analysis					
						Net Margin (%)	23%	27%	31%	29%	30%
						Leverage Factor (x)	1.5	1.6	1.5	1.6	1.5
						ROE (%)	29%	30%	29%	32%	23%
						Leverage					
						Debt/Asset (x)	0.0	0.1	0.1	0.1	0.1
						Debt/Equity (x)	0.0	0.1	0.1	0.2	0.2
						(Net Cash)/Debt	-75.6	-96.7	-25.6	188.6	77.0
						Net Debt/Equity (x)	-0.2	-0.1	0.0	0.3	0.1
						Valuations					
						EPS (sen)	16.9	25.0	29.9	39.8	32.6
						NDPS (sen)	4.2	30.4	12.9	17.9	14.7
						BVPS (RM)	0.77	0.90	1.12	1.34	1.52
						PER (x)	14.40	9.74	8.16	6.13	7.49
						N. Div. Yield (%)	1.7	12.4	5.3	7.3	6.0
						PBV (x)	3.15	2.70	2.17	1.82	1.60
						EV/EBITDA (x)	0.0	6.7	5.9	5.1	5.8

Source: Kenanga Research

Fwd PER Band



Fwd PBV Band



Source: Bloomberg, Kenanga Research

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Peer Comparison

NAME	Price (17/11/15)	Mkt Cap (RMm)	PER (x)			Est. NDiv. Yld. (%)	Historical ROE (%)	P/BV (x)	Net Profit (RMm)			FY15/16 NP Growth (%)	FY16/17 NP Growth (%)	Target Price (RM)	Rating
	(RM)		FY14/15	FY15/16	FY16/17				FY14/15	FY15/16	FY16/17				
DEVELOPERS UNDER COVERAGE															
S P SETIA BHD*	3.20	8,411	22.5	11.6	10.2	4.3%	7.1%	1.3	361.0	701.5	795.6	94.3%	13.4%	3.50	MARKET PERFORM
IOI PROPERTIES GROUP BHD*	2.13	8,023	10.6	17.1	16.7	2.8%	3.9%	0.6	528.6	552.4	562.8	4.5%	1.9%	2.09	MARKET PERFORM
UEM SUNRISE BHD*	1.25	5,672	11.8	14.7	13.1	2.0%	7.8%	0.8	479.9	385.6	434.3	-19.7%	12.6%	1.38	MARKET PERFORM
SUNWAY BHD	3.06	5,474	8.9	9.2	10.7	3.2%	13.2%	0.8	592.2	570.2	492.6	-3.7%	-13.6%	3.27	MARKET PERFORM
MAH SING GROUP BHD^	1.37	3,301	9.7	8.8	8.5	4.6%	16.1%	1.1	339.2	372.4	388.6	9.8%	4.3%	1.47	MARKET PERFORM
ECO WORLD DEVELOPMENT GROUP BHD	1.35	3,192	444.8	85.7	27.9	0.0%	2.2%	1.0	7.2	37.2	114.6	419.1%	207.5%	1.90	OUTPERFORM
UOA DEVELOPMENT BHD*	2.15	3,267	11.0	10.9	10.2	6.0%	12.2%	1.1	279.1	281.7	301.6	0.9%	7.1%	2.10	OUTPERFORM
MALAYSIAN RESOURCES CORP BHD	1.36	2,430	77.2	66.0	36.2	0.9%	1.8%	1.4	29.1	34.0	62.1	17.1%	82.3%	1.63	MARKET PERFORM
KSL HOLDINGS BHD	1.53	1,509	4.8	5.4	5.3	7.4%	15.3%	0.8	252.0	271.7	276.5	7.8%	1.8%	1.72	OUTPERFORM
TROPICANA CORP BHD	0.96	1,383	3.5	5.5	7.8	3.2%	11.9%	0.5	304.5	194.3	136.3	-36.2%	-29.9%	0.99	MARKET PERFORM
MATRIX CONCEPTS HOLDINGS BHD	2.44	1,343	8.2	6.1	7.5	7.3%	29.5%	1.8	182.6	243.1	198.9	33.1%	-18.2%	2.46	MARKET PERFORM
CRESCENDO CORPORATION BHD*	1.87	425	9.9	22.3	21.0	1.8%	15.3%	0.5	43.3	19.1	20.3	-55.9%	6.3%	1.90	UNDERPERFORM
HUA YANG BHD	1.85	488	4.4	4.4	4.2	7.1%	25.9%	0.9	110.6	111.6	115.2	0.9%	3.3%	2.20	OUTPERFORM
CREST BUILDER HOLDINGS BHD	1.01	176	12.0	10.6	8.6	2.4%	8.9%	0.5	13.9	15.7	19.5	13.1%	23.8%	1.10	MARKET PERFORM
CONSENSUS NUMBERS															
IGB CORPORATION BHD	2.43	3,244	15.4	13.3	12.0	3.1%	4.9%	0.7	211.0	244.3	271.0	15.7%	10.9%	4.10	NEUTRAL
YNH PROPERTY BHD	1.89	760	33.0	13.7	10.2	3.2%	2.8%	0.9	23.0	55.5	74.4	140.8%	34.1%	1.48	SELL
GLOMAC BHD	0.92	664	7.6	7.0	6.4	5.7%	9.3%	0.7	87.4	94.3	104.5	8.0%	10.8%	1.01	BUY
PARAMOUNT CORP BHD	1.62	684	10.9	9.0	8.5	4.9%	7.7%	0.8	62.7	76.0	80.2	21.2%	5.6%	2.40	BUY
TAMBUN INDAH LAND BHD	1.40	594	5.9	5.6	5.2	6.2%	25.6%	1.4	100.1	106.0	114.5	5.9%	8.0%	1.69	BUY

* Core NP and Core PER

** Crescendo per share data is based on non-Fully Diluted

^ Last price and TP is Ex-rights and Ex-Bonus.

Source: Kenanga Research

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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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KENANGA INVESTMENT BANK BERHAD (15678-H)
8th Floor, Kenanga International, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia
Telephone: (603) 2166 6822 Facsimile: (603) 2166 6823 Website: www.kenanga.com.my



Chan Ken Yew
Head of Research