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IPO Price: MYR2.20
Target price: MYR2.88

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Matrix Concepts Holdings

Enter The Matrix!

The IPO of Matrix Concepts is attractively priced, at an FY13 PER of just 5.3x. With a dividend payout policy of at least 40%, Matrix offers an appealing FY13/14 dividend yield of 7.3%/9.1%. We understand that investors would also be entitled to the final FY12 dividend payment of ~10sen in June. We recommend that investors subscribe for the IPO – our fair value of MYR2.88/share is based on a 30% discount to an estimated RNAV of MYR4.12/share. At MYR2.88/share, the stock would trade at an FY13 PER of 6.9x, still at a discount to the 7.8x PER average for small/mid-cap property stocks listed on Bursa Malaysia.

Proxy to KL-Seremban urban conurbation. Matrix is a proxy to the growth of Seremban as a satellite city within the Greater Klang Valley. The KL-Seremban urban conurbation has become more significant in recent years, with 100,000 people commuting daily from Negeri Sembilan to KL, due to increasing demand for affordable housing and improved accessibility to major highways.

Earnings will sustain through to 2019. Matrix has 1,550 acres of available landbank with an estimated GDV of MYR5.1b to sustain earnings until 2019, as it leverages on substantially completed infrastructure. The group achieved a net profit CAGR of 75% over 2009-12. We expect earnings growth of 21%/16% in FY13/14, driven by MYR445m in unbilled sales, ~MYR800m worth of annual sales launches and take-up rates of ~75%. Profits are expected to continue growing in double digits as margins expand following the launch of higher-priced products, and on accelerated sales of industrial land at Sendayan TechValley (STV). Its flagship development Bandar Sri Sendayan (BSS) in Seremban currently enjoys net margins of 20-25% due to a low locked-in land cost of MYR9psf, and cost savings from in-house procurement and construction.

Strong balance sheet. Following the sale of a 750-acre piece of land in BSS to 1MDB for MYR294m in 2011, Matrix's balance sheet strengthened considerably, to a net cash position of MYR10m at end-2012. This provides gearing headroom of up to MYR400m for future landbanking before hitting its net gearing limit of 0.5x.

Matrix Concepts Holdings – Summary Earnings Table

FYE Dec (MYR m)	2010A	2011A	2012A	2013F	2014F
Revenue	195.6	624.3	456.1	560.0	650.0
EBITDA	33.2	109.1	146.2	170.5	196.0
Pretax Profit	30.0	106.3	142.8	167.7	192.4
Recurring Net Profit	20.5	69.4	103.5	125.0	145.0
Basic EPS (sen)*	6.8	23.1	34.5	41.7	48.3
EPS growth (%)	10.6	238.4	49.1	20.8	16.1
DPS (sen)	-	-	10.0	16.0	20.0
BVPS (MYR)	0.68	0.79	1.14	1.73	2.02
PER (x)	32.2	9.5	6.4	5.3	4.6
EV/EBITDA (x)	10.1	5.8	4.2	2.6	1.9
Div Yield (%)	-	-	4.5	7.3	9.1
P/BV(x)	3.3	2.8	1.9	1.3	1.1
Net Gearing (%)	149.8	0.7	net cash	net cash	net cash
ROE (%)	10.6	31.5	30.3	24.0	24.0
ROA (%)	3.21	11.9	18.9	18.2	17.5

* Based on 300m enlarged share capital; Source: Maybank KE, Company

IPO STATISTICS

Issue size	100m (62.5m new, 37.5m vendor) <ul style="list-style-type: none"> 48.7m private placement 10m public offering 32.5m MITI investors 8.8m for management
IPO price	MYR2.20
Lock-up period	NA
Use of IPO proceeds	<ul style="list-style-type: none"> MYR55m Working capital MYR55m Infrastructure & common facilities at BSS MYR10m Construction of clubhouse MYR11m Repayment of bank borrowings MYR6.5m Estimated listing expenses
Timetable	Public Offer: 8-15 May 2013 Listing Date: 28 May 2013
Issue manager	Hong Leong IB
Underwriter	Hong Leong IB, Kenanga Investments
Placement agent	Hong Leong IB, Kenanga Investments

STOCK DATA

Issued shares	300m
Market cap	MYR660.0m
Major shareholders	<ul style="list-style-type: none"> Dato' Lee Tian Hock (26.9%) Shining Term (20.4%) Ambang Kuasa (12.6%) Magnitude Point (11.6%)
Free float	33.0%

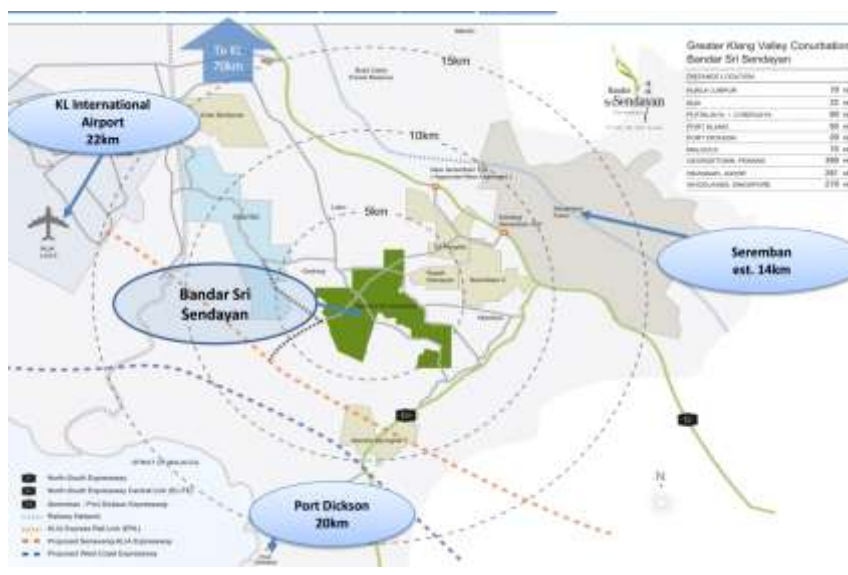
Corporate background

Established developer with vast landbank. Matrix Concepts Holdings Berhad (Matrix), founded in 1996, is a reputable property developer in Negeri Sembilan and Johor, focusing mainly on the development of affordable and quality housing for the mass market. To date, Matrix has completed 20,079 units of residential and commercial properties with an estimated GDV of MYR2.1b. The group has about 1,550 acres of available land bank for development which is expected to last until 2019. It is on the lookout for additional parcels of land in the Klang Valley, Negeri Sembilan and Johor.

Developing two townships in Seremban and Kluang. Matrix is currently undertaking several projects, including two township developments i.e. Bandar Sri Sendayan (BSS) in Seremban, Negeri Sembilan (via a JV with Menteri Besar Incorporated Negeri Sembilan) and Taman Seri Impian (TSI) in Kluang, Johor (via a JV with Koperasi Kemajuan Tanah Negeri Johor Berhad). BSS sits on a total land area of 1,492.2 acres, which is expected to last until end-2018. The project's estimated GDV is MYR5b, of which MYR494.4m has been completed. The group is currently developing properties with a GDV of MYR1.2b at this township. TSI is a 636.6-acre development with an estimated GDV of MYR1.3b expected to last until mid-2019. Matrix has completed properties worth MYR340.6m at this township; development of properties worth MYR147.7m is currently ongoing.

Strong demand for industrial land at STV. The industrial portion of the BSS development, Sendayan TechValley (STV), comprises 685 acres of industrial land located close to KLIA/LCCT, Port Klang and Nilai Inland Port. STV will attract those in the automotive and aviation-related industries due to the development of Sendayan Auto City as an automotive hub and its proximity to TUDM City. As at Dec 2012, Matrix had sold 347 acres to various foreign and local corporations including Hino Motors, MBM Resources, Nippon Kayaku, Akashi-Kikai/Daihatsu and Meditop Corp. The most recent transaction was done at MYR1.31m/acre or MYR30psf. Matrix plans to sell the remaining land in STV for an estimated MYR770m over the next five years.

Figure 1: Bandar Sri Sendayan is strategically located



Source: Company

Diversifying into high-end properties. As the BSS and TSI townships are now maturing, Matrix has started to diversify its portfolio to fulfil the demand for high-end residential and commercial properties. This serves as a natural hedge when its low to medium-cost housing projects experience a decline in sales, hence boosting its margins. Land clearing has been completed at Sendayan Merchant Square and the group plans to embark on its MYR10b flagship retail/commercial Sendayan Icon Park project in 2016.

Matrix Concepts Holdings – RNAV estimates

	Remaining GDV (MYR m)	Discount Rate (%)	NPV (MYR m)
<u>Bandar Sri Sendayan</u>			
Ongoing	1,023.1	13.0	151.9
Future	3,186.9	13.0	413.8
<u>Taman Sri Impian</u>			
Ongoing	147.6	13.0	27.7
Future	810.9	13.0	83.2
<u>Others</u>			
Ongoing	5.5	13.0	0.8
Future	1,116.6	13.0	116.0
<u>Unbilled Sales</u>			
Bandar Sri Sendayan	393.3	13.0	89.4
Taman Sri Impian	47.3	13.0	9.5
Others	4.5	13.0	0.9
Total	6,735.7	13.0	893.3
Shareholders' Equity			341.9
RNAV			1,235.2
Shares Outstanding			300
RNAV per share			4.12
Discount			30%
Target Price			2.88

Source: Maybank KE

Matrix Concepts Holdings - Peer Valuation (based on 13 May share price)

Stock	Shr Price	Mkt Cap (MYRm)	PER (x)		EPS Growth (%)		NTA CY13	P/NTA CY13	DY (%) CY13	Price Chg YTD (%)
			CY13	CY14	CY13	CY14				
KSL Hldgs	2.26	873.3	6.5	5.8	5.8	10.9	2.20	1.0	1.5	56.9
YNH	2.04	859.9	10.2	7.2	69.8	42.5	2.15	1.0	3.9	7.9
Glomac	1.15	814.9	7.1	5.4	21.0	30.5	1.14	1.0	4.3	38.6
Crescendo	3.06	596.0	9.3	7.6	10.9	21.9	3.31	0.9	4.3	68.1
Paramount	1.59	537.1	8.4	7.6	13.7	10.5	2.20	0.7	5.3	6.0
Hua Yang	2.55	504.9	5.8	4.9	19.2	18.2	2.16	1.2	5.4	56.4
Tambun Indah	1.22	380.7	7.6	7.2	7.2	6.3	0.80	1.3	5.4	61.6
Average			7.8	6.5	21.1	20.1		1.0	4.3	42.2
Matrix Concepts	2.20	660.0	5.3	4.6	20.9	15.8	1.7	1.3	7.3	NA

Source: Maybank KE, Bloomberg

Figure 2: The Sendayan Techvalley



Source: Company

Figure 3: Taman Sri Impian



Source: Company

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Malaysia

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BV = Book Value	FV = Fair Value	PEG = PE Ratio To Growth
CAGR = Compounded Annual Growth Rate	FY = Financial Year	PER = PE Ratio
Capex = Capital Expenditure	FYE = Financial Year End	QoQ = Quarter-On-Quarter
CY = Calendar Year	MoM = Month-On-Month	ROA = Return On Asset
DCF = Discounted Cashflow	NAV = Net Asset Value	ROE = Return On Equity
DPS = Dividend Per Share	NTA = Net Tangible Asset	ROSF = Return On Shareholders' Funds
EBIT = Earnings Before Interest And Tax	P = Price	WACC = Weighted Average Cost Of Capital
EBITDA = EBIT, Depreciation And Amortisation	P.A. = Per Annum	YoY = Year-On-Year
EPS = Earnings Per Share	PAT = Profit After Tax	YTD = Year-To-Date
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