

Matrix Concepts Holdings (MCH MK)

Buy (Maintained)

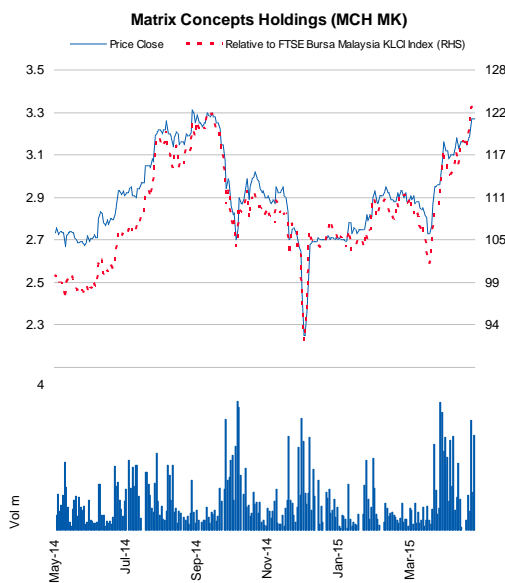
Property - Real Estate

Target Price: MYR3.65

Market Cap: USD417m

Price: MYR3.27

Dividend Payout Ratio Will Be Consistent

 Macro
 Risks
 Growth
 Value


Source: Bloomberg

Avg Turnover (MYR/USD)	2.24m/0.62m
Cons. Upside (%)	11.3
Upside (%)	11.6
52-wk Price low/high (MYR)	2.25 - 3.31
Free float (%)	43
Share outstanding (m)	462
Shareholders (%)	
Dato' Lee Tian Hock & family	60.0

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	21.1	10.5	12.8	12.8	19.6
Relative	18.6	12.6	11.9	13.4	22.9

Shariah compliant

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During a briefing, Matrix's management reaffirmed that although its dividend payout ratio in 1Q15 was only at 16.8%, its full-year payout ratio will remain at a minimum of 40%. Maintain BUY, with a MYR3.65 TP (12% upside). While new sales in April will likely be weak from the GST impact, full-year sales should be on track to meet its target of MYR600m for the property development segment.

- ◆ **Consistent dividend payout.** Matrix Concepts (Matrix) announced a 4.25 sen DPS despite its bumper earnings in 1Q15, which translates to only a 16.8% payout ratio (its quarterly payout ratio is typically around 35-40%). However, management has reaffirmed that the full-year dividend payout ratio will be kept at a minimum of 40%, and any upside in earnings (and hence, dividends) would be a bonus to shareholders. The indication is in line with our forecast.
- ◆ **Sector earnings trend.** Although Matrix's 1Q15 earnings were partly lifted by a higher contribution from industrial land sales, the quarter also saw accelerated billings from property development as the company completed more properties before the goods and services tax (GST) kicked in to minimise the impact on its cost components. We expect to see the same trend for other developers when they release their 1Q15 numbers this month. Generally, it should be easier for township developers to speed up construction works compared with those building high-rise projects.
- ◆ **On track to meet sales target.** Matrix's new sales in April will likely be weak as the impact of cooling measures and the GST work their way through. The company's sales team has, therefore, stepped up efforts to closely follow up with a targeted group of potential buyers to market the unsold units in the recently-launched phases. Despite the slow period, we believe management's full-year target of MYR600m in new sales from the property development segment can be achieved, given its MYR1bn value of new launches for the year – which mainly comprise affordable landed houses and some shop lots in Bandar Sri Sendayan and Taman Sri Impian, where demand should be rather resilient.
- ◆ **Maintain BUY.** We maintain BUY on Matrix and a MYR3.65 TP, based on a 15% discount to its RNAV. The company's AGM will be held in June to approve the recently-announced bonus issue and warrants exercise.

Forecasts and Valuations	Dec-13	Dec-14	Dec-15F	Dec-16F	Dec-17F
Total turnover (MYRm)	575	598	634	736	824
Reported net profit (MYRm)	153	183	210	229	253
Recurring net profit (MYRm)	153	183	210	229	253
Recurring net profit growth (%)	47.7	19.4	15.0	9.0	10.7
Recurring EPS (MYR)	0.33	0.40	0.45	0.49	0.53
DPS (MYR)	0.16	0.17	0.19	0.20	0.21
Recurring P/E (x)	9.78	8.18	7.22	6.73	6.17
P/B (x)	2.71	2.18	1.86	1.61	1.40
Dividend Yield (%)	4.8	5.3	5.7	6.1	6.4
Return on average equity (%)	34.2	29.5	27.9	25.8	24.4
Return on average assets (%)	20.6	19.3	19.1	17.8	17.2
Net debt to equity (%)	(11.8)	(2.7)	(10.1)	(10.4)	(4.2)
Our vs consensus EPS (adjusted) (%)			5.3	0.6	4.0

Figure 1: Matrix Concepts' RNAV

Projects	Remaining landbank (acres)	GDV (MYR m)	Stake	NPV @ 13%
<i>Bandar Sri Sendayan, Negeri Sembilan</i>				
Ongoing & future developments	1,289.5	3,718.6	100%	320.4
Taman Seri Impian, Kluang, Johor	309.9	857.2	100%	102.8
KL land	1.1	250	100%	14.9
Taman Desa PD 3	4.3	5.5	100%	0.8
Kota Gadong Perdana	294.6	926.4	100%	110.2
Third 9 Residence	41.8	144.7	100%	17.6
Lobak Commercial Centre	7.3	45.5	100%	6.5
Labu land	236.9	760	100%	63.4
Rasah Kemayan land	194.4	800	100%	69.4
Puchong	5.8	500	100%	42.9
	Remaining landbank (acres)	Market price (MYR psf)	BV (MYR psf)	Net surplus
Sendayan TechValley 1&2	217	45	10	248.1
New industrial land	164.1	33	13	64.3
Sendayan TechValley 3	79.0	40	15	64.5
Unbilled sales				148.3
Total				1,274.1
Shareholders' fund				686.0
Total RNAV				1,960.1
Share base				457.1
RNAV/share				4.29
Discount				15%
Target price				3.65

Source: RHB * Share base excludes ESOS

Financial Exhibits

Profit & Loss (MYRm)	Dec-13	Dec-14	Dec-15F	Dec-16F	Dec-17F
Total turnover	575	598	634	736	824
Cost of sales	(305)	(275)	(280)	(332)	(370)
Gross profit	270	324	354	404	454
Selling expenses	(62)	(78)	(69)	(95)	(114)
Other operating costs	1	1	3	3	3
Operating profit	209	246	289	312	343
Operating EBITDA	209	246	289	312	343
Operating EBIT	209	246	289	312	343
Interest expense	(1)	(2)	(4)	(5)	(5)
Pre-tax profit	207	245	285	307	338
Taxation	(54)	(62)	(75)	(78)	(84)
Profit after tax & minorities	153	183	210	229	253
Reported net profit	153	183	210	229	253
Recurring net profit	153	183	210	229	253

Source: Company data, RHB

Cash flow (MYRm)	Dec-13	Dec-14	Dec-15F	Dec-16F	Dec-17F
Operating profit	209	246	289	312	343
Change in working capital	(1)	(127)	(17)	(76)	(64)
Other operating cash flow	(112)	20	37	38	39
Operating cash flow	95	140	309	275	318
Interest paid	(1)	(2)	(4)	(5)	(5)
Tax paid	(54)	(62)	(75)	(78)	(84)
Cash flow from operations	40	76	230	191	228
Capex	(3)	(51)	(50)	(50)	(150)
Other investing cash flow	(66)	(5)	-	-	1
Cash flow from investing activities	(69)	(57)	(50)	(50)	(149)
Dividends paid	-	(71)	(79)	(86)	(94)
Proceeds from issue of shares	129	30	-	-	-
Increase in debt	29	27	-	-	-
Other financing cash flow	(111)	22	(42)	(41)	(40)
Cash flow from financing activities	47	8	(121)	(127)	(134)
Cash at beginning of period	31	116	97	211	228
Total cash generated	18	27	59	15	(55)
Implied cash at end of period	49	143	156	226	173

Source: Company data, RHB

Financial Exhibits

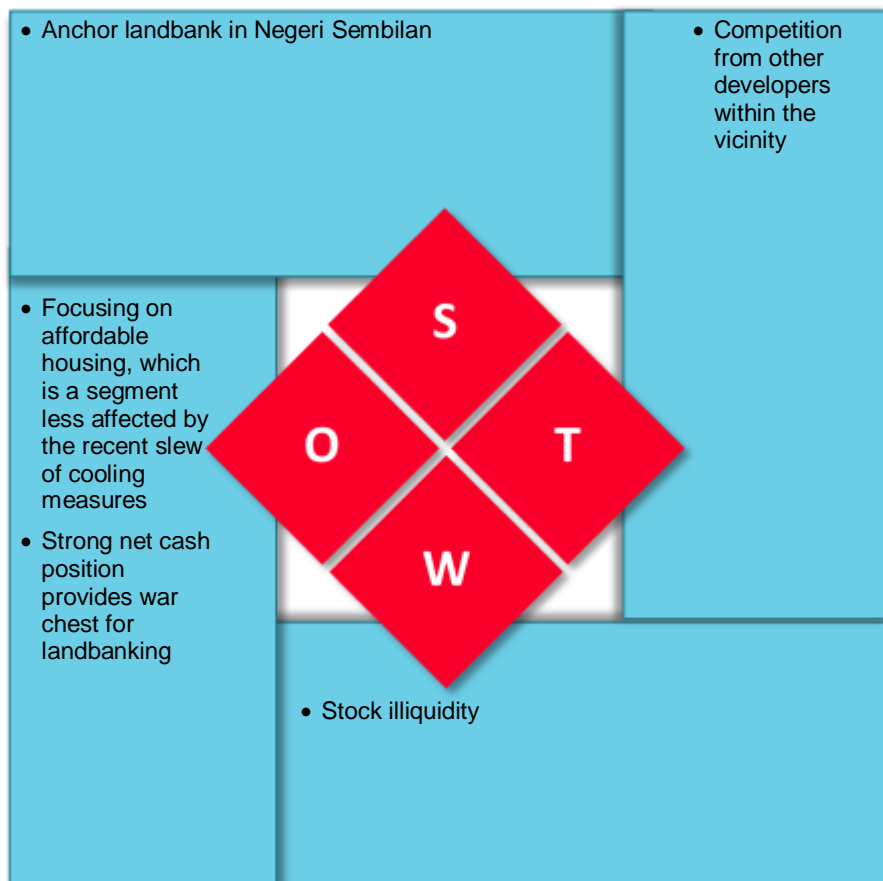
Balance Sheet (MYRm)	Dec-13	Dec-14	Dec-15F	Dec-16F	Dec-17F
Total cash and equivalents	116	97	211	228	175
Inventories	2	2	2	3	3
Accounts receivable	141	79	84	98	109
Other current assets	444	566	600	697	779
Total current assets	702	745	898	1,025	1,066
Total investments	192	245	295	344	493
Total other assets	7	6	6	6	6
Total non-current assets	198	252	301	350	499
Total assets	900	996	1,199	1,375	1,565
Short-term debt	35	42	42	42	42
Accounts payable	246	196	217	252	282
Other current liabilities	52	36	36	36	36
Total current liabilities	333	274	296	331	361
Total long-term debt	15	36	86	86	86
Total non-current liabilities	15	36	86	86	86
Total liabilities	348	310	382	417	447
Share capital	301	457	464	471	478
Retained earnings reserve	181	221	345	480	633
Other reserves	70	8	8	8	8
Shareholders' equity	552	686	817	959	1,119
Total equity	552	686	817	959	1,119
Total liabilities & equity	900	996	1,199	1,375	1,565

Source: Company data, RHB

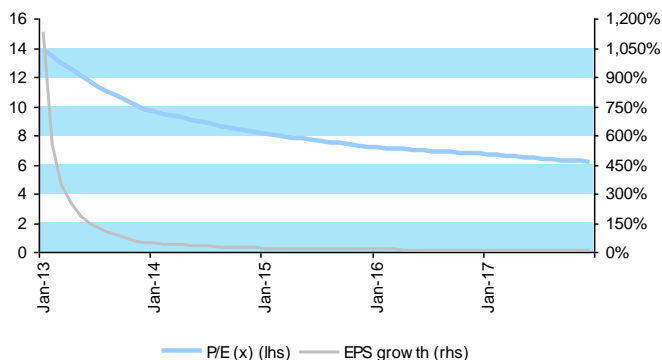
Key Ratios (MYR)	Dec-13	Dec-14	Dec-15F	Dec-16F	Dec-17F
Revenue growth (%)	26.0	4.1	6.0	16.1	11.8
Operating profit growth (%)	45.1	18.2	17.1	8.2	9.8
Net profit growth (%)	47.7	19.4	15.0	9.0	10.7
EPS growth (%)	47.7	19.4	13.3	7.4	9.1
BVPS growth (%)	61.5	24.2	17.3	15.6	15.0
Operating margin (%)	36.3	41.2	45.5	42.4	41.7
Net profit margin (%)	26.6	30.5	33.1	31.1	30.8
Return on average assets (%)	20.6	19.3	19.1	17.8	17.2
Return on average equity (%)	34.2	29.5	27.9	25.8	24.4
Net debt to equity (%)	(11.8)	(2.7)	(10.1)	(10.4)	(4.2)
DPS	0.16	0.17	0.19	0.20	0.21
Recurrent cash flow per share	0.09	0.17	0.50	0.41	0.48

Source: Company data, RHB

SWOT Analysis

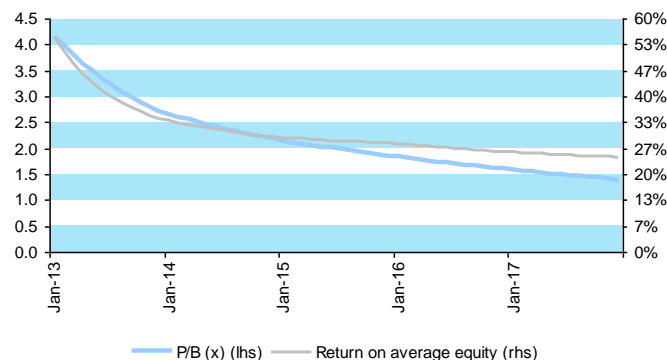


P/E (x) vs EPS growth



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 on developing residential and commercial properties, as well as industrial land sales.

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2015-05-13	Buy	3.65	3.27
2015-04-21	Buy	3.65	3.10
2015-04-15	Buy	3.60	3.16
2015-03-12	Buy	3.48	2.92
2015-02-12	Buy	3.36	2.90
2014-12-16	Buy	3.00	2.25
2014-11-18	Buy	3.93	2.89
2014-09-21	Buy	3.93	3.25
2014-08-20	Buy	3.80	3.20
2014-08-19	Buy	3.80	3.20

Source : RHB, Bloomberg

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