

13 May 2015

MATRIX CONCEPTS

Accelerated Performance...

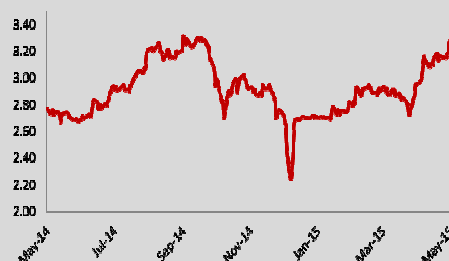
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- Period**
- 1Q15
- Actual vs. Expectations**
- Matrix Concepts (MATRIX)'s 1Q15 net profit of RM115.4m makes up 61.0% and 59.0% of our and consensus full-year estimates of RM190.0m and RM197.0m, respectively. However, we deem the results as broadly inline as we expect weaker subsequent quarters given that MATRIX has enjoyed the acceleration of the recognition of on-going residential and industrial projects prior to the implementation of GST.
 - Its property sales of RM156.8m for 1Q15 was also inline, making up 23.0% of our full-year sales estimate of RM697.0m.
- Dividends**
- MATRIX declared first interim dividend of 4.25 sen, within our full-year expectations of 18.9 sen.
- Key Results Highlights**
- YoY**, 1Q15 net profit surged by 199.0% underpinned by a substantial improvement in revenue of RM317.6m (+136.0%) coupled with 8ppt expansion on its EBITDA margins to 59.0%. The improvements in revenue and EBITDA margins were mainly driven by the accelerated recognition of its on-going residential projects, i.e. Hijayu 1A, Hijayu 3D, and Impiana Bayu 1 coupled with a significant increase in revenue from its industrial properties, which generally commands better margins compared to residential and commercial properties.
 - QoQ**, The sharp increase in 1Q15 net profit of 104.0% was largely due to the reasons mentioned above i.e. accelerated revenue recognition for its on-going residential and industrial properties. For 1Q15, its industrial property revenue makes up 30.0% of its total revenue of RM317.6m.
- Outlook**
- As of 1Q15, its unbilled sales stand at RM392.0m providing at least one-year visibility.
 - Moving forward, we are still maintaining our sales estimates of RM697.0m which we believe is highly achievable, as management has planned RM1.1b worth of project launches in FY15 which consists of residential and commercial products, i.e. Bandar Sri Sendayan, (GDV: RM670.0m), Taman Seri Impian (GDV: RM206.0m), Residency SIGC (GDV: RM229.0m) of which 58.0% are residential products priced close to RM500.0k per unit excluding industrial land sales.
- Change to Forecasts**
- No changes to our FY15-16E net profits, as we expect weaker quarters ahead, given that MATRIX has accelerated a bulk of its revenue recognition from its on-going residential and industrial properties.
- Rating Valuation**
- UNDER REVIEW**
- Our CALL/TP is UNDER REVIEW, pending an analysts' briefing today. Our previous recommendation was MARKET PERFORM and Target Price of RM3.05 (ex-bonus, RM2.62) based on 30.0% discount to its FD RNAV (thinnest under our coverage vs. sector average of 53.0%). Note that our FD RNAV includes new GDV replenishment of RM1.2b. Also, our applied FD RNAV discount of 30.0% for MATRIX is also one of the thinnest within our coverage (range: 30.0%-72.0%, average: 53.0%).
- Risks**
- Weaker-than-expected property sales
 - Higher-than-expected sales and administrative costs
 - Negative real estate policies
 - Tighter lending environments

UNDER REVIEW

Cum-Price/Ex-Price: **RM3.27/RM2.80**
Cum-TP/Ex-TP: **UNDER REVIEW**

Share Price Performance



KLCI	1,798.61
YTD KLCI chg	2.1%
YTD stock price chg	21.6%

Stock Information

Bloomberg Ticker	MCH MK Equity
Market Cap (RM m)	1,509.7
Issued shares	461.7
52-week range (H)	3.31
52-week range (L)	2.19
3-mth avg daily vol:	754,477
Free Float	61%
Beta	0.9

Major Shareholders

TIAN HOCK LEE	18.6%
SHINING TERM SDN BHD	15.9%
SUPREME INTEREST SDN	5.0%

Summary Earnings Table

FYE Dec (RM m)	2014A	2015E	2016E
Turnover	598	627	639
EBIT	246	257	258
PBT	245	257	258
Net Profit (NP)	183	190	191
Consensus (CNP)	n.a.	197	222
Earnings Revision	n.a.	n.a.	n.a.
EPS (sen)	40.4	42.1	42.2
EPS growth (%)	19%	4%	0%
NDPS (sen)	17.4	18.9	19.0
BV/Share (RM)	1.52	1.75	1.98
PER (x)	8.1	7.8	7.8
Price/BV (x)	2.15	1.87	1.65
Net Gearing (x)	0.0	0.0	0.0
Dividend Yield (%)	5.3	5.8	5.8

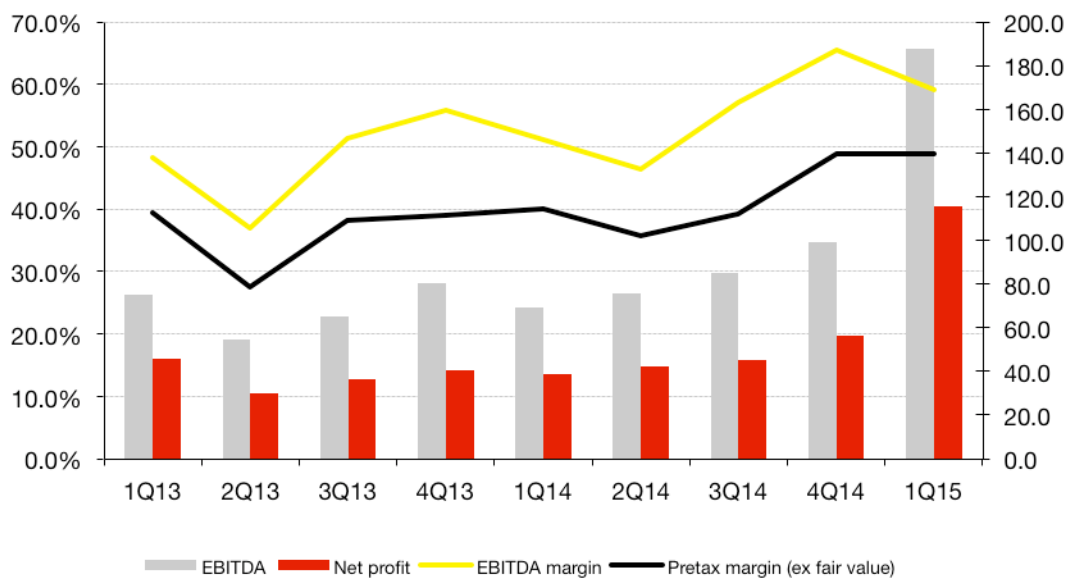
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Result Highlight

	1Q15	4Q14	QoQ	1Q14	YoY
Revenue					
Revenue	317.6	151.0	110%	134.7	136%
Op costs w/o depn/amort	-130.5	-53.5	144%	-66.3	97%
Other Op Income	0.8	1.5	-44%	0.7	23%
EBITDA	188.0	99.0	90%	69.0	172%
EBIT	188.0	99.0	90%	68.5	175%
Net interest	-0.6	-0.5	42%	-0.4	46%
Selling & Marketing, Admin Cost	-31.9	-24.7	29%	-14.1	127%
Fair Value Adjustments on IP	0.0	0.0	n.m.	0.0	n.m.
Pretax profit	155.4	73.8	111%	54.0	188%
Taxation	-39.9	-17.3	131%	-15.4	159%
Minority Interests	0.0	0.0	n.m.	0.0	n.m.
Net profit	115.4	56.5	104%	38.6	199%
Core net profit	115.4	56.5	104%	38.6	199%
EPS (sen)	0.0	12.4		12.7	
DPS (sen)	4.3	6.5		5.0	
NTA/share (RM)	1.6	1.5		1.9	
Net gearing/(cash) (x)	0.0	0.0		-0.1	
EBITDA margin	59%	66%		51%	
Pretax margin	49%	49%		40%	
Effective tax rate	26%	23%		29%	

Source: Company, Kenanga Research

Earnings Trend



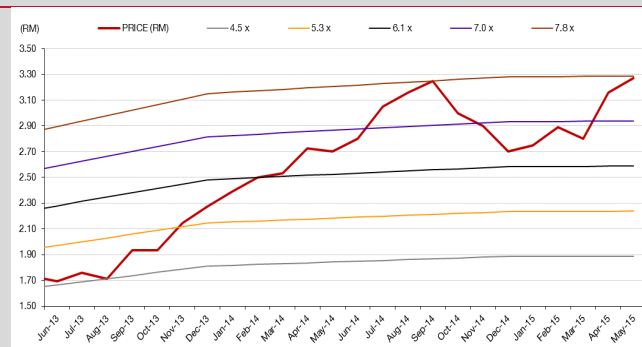
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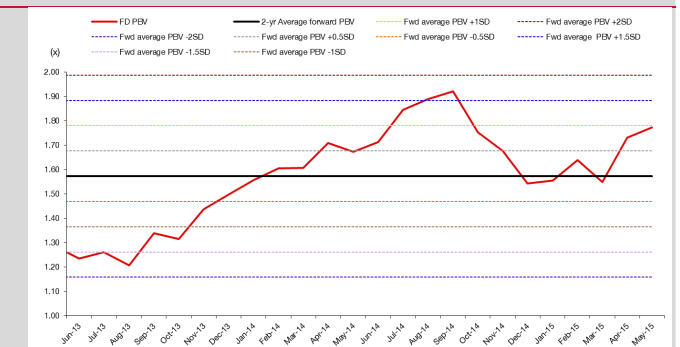
Income Statement						Financial Data & Ratios					
FY Dec (RM'm)	2012A	2013A	2014A	2015E	2016E	FY Dec (RM'm)	2012A	2013A	2014A	2015E	2016E
Revenue	456	575	598	627	639	Growth					
EBITDA	146	211	249	260	261	Turnover (%)	-27%	26%	4%	5%	2%
Depreciation	-2	-3	-3	-3	-3	EBITDA (%)	34%	45%	18%	4%	1%
Operating Profit	144	209	246	257	258	Operating Profit (%)	34%	45%	18%	4%	1%
Interest Exp	-1	-1	-2	-1	-1	PBT (%)	34%	45%	18%	5%	1%
PBT	143	207	245	257	258	Core Net Profit (%)	49%	48%	19%	4%	0%
Taxation	-39	-54	-62	-66	-67	Profitability					
Minority Interest	0	0	0	0	0	EBITDA Margin	32%	37%	42%	41%	41%
Net Profit	103	153	183	190	191	Operating Margin	32%	36%	41%	41%	40%
Core Net Profit	103	153	183	190	191	PBT Margin	31%	36%	41%	41%	40%
						Core Net Margin	23%	27%	31%	30%	30%
						Effective Tax Rate	28%	25%	26%	26%	26%
						ROA	17%	19%	19%	18%	17%
						ROE	29%	30%	29%	26%	23%
						DuPont Analysis					
						Net Margin (%)	23%	27%	31%	30%	30%
						Leverage Factor (x)	1.5	1.6	1.5	1.4	1.3
						ROE (%)	29%	30%	29%	26%	23%
						Leverage					
						Debt/Asset (x)	0.0	0.1	0.1	0.1	0.1
						Debt/Equity (x)	0.0	0.1	0.1	0.1	0.1
						(Net Cash)/Debt	-75.6	-96.7	-25.6	-41.2	-38.4
						Net Debt/Equity (x)	-0.2	-0.1	0.0	0.0	0.0
						Valuations					
						EPS (sen)	22.9	33.8	40.4	42.1	42.2
						NDPS (sen)	5.7	30.4	17.4	18.9	19.0
						BVPS (RM)	1.05	1.22	1.52	1.75	1.98
						PER (x)	14.3	9.7	8.1	7.8	7.8
						N. Div. Yield (%)	1.8	9.3	5.3	5.8	5.8
						PBV (x)	3.12	2.67	2.15	1.87	1.65
						EV/EBITDA (x)	0.0	6.7	5.8	5.5	5.5

Source: Kenanga Research

Fwd PER Band



Fwd PBV Band



Source: Bloomberg, Kenanga Research

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Peer Comparison

NAME	Price (12/5/15)	Mkt Cap	PER (x)			Est. NDiv. Yld.	Historical ROE	P/BV	Net Profit (RMm)			FY15/16 NP Growth	FY16/17 NP Growth	Target Price	Rating
	(RM)	(RMm)	FY14/15	FY15/16	FY16/17	(%)	(%)	(x)	FY14/15	FY15/16	FY16/17	(%)	(%)	(RM)	
DEVELOPERS UNDER COVERAGE															
S P SETIA BHD*	3.45	8,771	24.3	14.7	11.3	3.4%	6.8%	1.3	361.0	595.5	772.8	64.9%	29.8%	3.95	OUTPERFORM
IOI PROPERTIES GROUP BHD*	2.19	8,276	17.3	19.9	18.9	3.2%	4.3%	0.7	479.2	414.0	439.0	-13.6%	6.0%	2.12	MARKET PERFORM
UEM SUNRISE BHD*	1.32	5,989	13.9	17.3	15.4	1.9%	7.8%	0.9	479.9	385.6	434.3	-19.7%	12.6%	1.47	MARKET PERFORM
SUNWAY BHD	3.42	5,977	10.0	9.7	9.5	3.0%	13.2%	0.9	592.2	606.3	620.5	2.4%	2.3%	3.78	OUTPERFORM
MAH SING GROUP BHD^	1.72	4,129	12.2	11.0	10.3	3.7%	16.1%	1.1	339.2	375.6	399.4	10.7%	6.3%	1.74	MARKET PERFORM
ECO WORLD DEVELOPMENT GROUP BHD	1.76	3,468	579.9	111.6	25.1	0.0%	7.9%	1.3	7.2	37.3	165.5	419.8%	343.8%	2.05	OUTPERFORM
UOA DEVELOPMENT BHD*	2.26	3,234	11.6	11.5	10.7	5.8%	12.2%	1.1	279.1	281.7	301.6	0.9%	7.1%	2.10	MARKET PERFORM
MALAYSIAN RESOURCES CORP BHD	1.33	2,376	16.3	24.0	30.5	0.9%	2.6%	1.3	41.6	62.1	72.1	49.5%	16.1%	1.27	UNDERPERFORM
KSL HOLDINGS BHD	1.80	1,719	5.6	5.2	4.7	7.7%	15.3%	0.8	252.0	271.5	301.9	7.8%	11.2%	2.48	OUTPERFORM
TROPICANA CORP BHD	1.10	1,567	4.0	6.4	9.3	2.8%	11.9%	0.5	304.5	189.5	131.5	-37.7%	-30.6%	1.10	MARKET PERFORM
MATRIX CONCEPTS HOLDINGS BHD^^	2.80	1,510	6.9	6.7	6.6	6.7%	29.5%	1.6	182.6	190.2	190.5	4.1%	0.2%	2.62	MARKET PERFORM
CRESCENDO CORPORATION BHD*	2.36	537	12.5	12.1	11.8	3.3%	18.4%	0.6	43.3	44.5	45.7	2.7%	2.9%	2.46	MARKET PERFORM
HUA YANG BHD	2.09	552	6.7	5.4	5.4	6.3%	22.8%	1.2	82.2	102.9	102.8	25.2%	-0.1%	2.20	OUTPERFORM
CREST BUILDER HOLDINGS BHD	1.17	196	9.8	12.3	9.9	2.0%	8.9%	0.5	13.9	15.7	19.5	13.1%	23.8%	1.27	MARKET PERFORM
CONSENSUS NUMBERS															
IGB CORPORATION BHD	2.89	3,858	17.8	15.8	14.2	2.6%	5.0%	0.9	216.9	244.3	271.0	12.6%	10.9%	4.10	NEUTRAL
YNH PROPERTY BHD	1.92	788	17.2	12.4	9.4	2.2%	5.3%	0.9	45.9	63.6	84.2	38.6%	32.3%	1.58	SELL
GLOMAC BHD	0.95	687	8.6	9.7	7.2	4.4%	8.8%	0.7	79.5	70.5	95.9	-11.3%	36.1%	0.96	SELL
PARAMOUNT CORP BHD	1.62	684	9.8	10.1	9.5	4.9%	7.9%	0.8	69.6	67.6	71.8	-3.0%	6.3%	1.54	NEUTRAL
TAMBUN INDAH LAND BHD	1.83	772	7.1	6.5	6.0	5.3%	30.2%	2.0	109.3	118.2	127.9	8.1%	8.2%	2.16	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.

^^ Last price and TP is 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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