



PP16795/03/2013(031743)

2QFY13

Matrix Concept

BUY ◀▶

Above

Spreading its wings

Price:

RM2.59

Target Price:

(+10.4%) RM2.86

Stock Data

Bloomberg Ticker	MCH MK	Altman Z-score	NA
Market Cap	777.9	YTD price chg	NA
Issued shares	300.4	YTD KLCI chg	2.0%
52-week range (H)	2.76	Beta	NA
2-week range (L)	2.20	Major Shareholders	
3-mth avg daily volume	NA	Hock Lee Tian	19.9%
Free Float	57.6%	Shining Term SB	16.1%
Shariah Compliant	Y	Magnitude Point SB	6.4%
Financial Derivatives	N		

Share Performance (%)

	1mth	3mth	12mth
Absolute	(4.4)	NA	NA
vs. KLCI	NA	NA	NA

Consensus

	2014	2015
Net Profit	125.8	147.5
EPS (sen)	0.4	0.5

Historical Price Ratio (x)

	FY 2010	FY 2011	FY 2012
Price Earnings	NA	NA	NA
Price to Book	NA	NA	NA

Financial Highlights

FYE 31 Dec	2010	2011	2012	2013E	2014E
Turnover	195.6	624.3	456.1	535.3	649.8
EBIT	31.0	106.9	143.3	168.2	199.7
Pretax profit	30.0	106.3	142.8	167.2	199.0
Net Profit	20.5	71.4	103.5	125.4	149.3
EPS (sen)	6.8	23.1	34.5	41.8	49.4
PER (x)	11%	238%	49%	21%	18%
DPS (sen)	32.2	9.5	6.4	5.3	4.5
Div. Yield (%)	0	0	9.1	16.7	19.9
NTA/share (RM)	0.0%	0.0%	4.1%	7.6%	9.0%

Margins

EBIT margin	16%	17%	31%	31%	31%
Pretax margin	15%	17%	31%	31%	31%
Effective tax rate	27%	23%	28%	25%	25%
ROE	10%	30%	30%	16%	16%
ROA	3%	14%	18%	7%	8%
Net Gearing (x)	1.55	0.01	NC	NC	NC

Growth ratios

Turnover	-4%	219%	-27%	17%	21%
EBIT	24%	245%	34%	17%	19%
Pretax profit	23%	255%	34%	17%	19%
Net profit	11%	248%	45%	21%	19%
	11%	238%	49%	21%	18%

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Matrix Concept's 2Q13 net profit of RM30m came in slightly above our and market expectations, making up 60% of projections. Nonetheless, its margin was lower from 39% to 26% due to different product mix during the quarter. A second interim dividend of 7sen was declared, this translates to a gross yield of 7.9% YTD. On a separate note, it has acquired lands in KL which we think will bode well for its brand name outside Negeri Sembilan and will capture a good market for it. Maintain Buy recommendation with a TP of RM2.86 based on a 20% discount to RNAV.

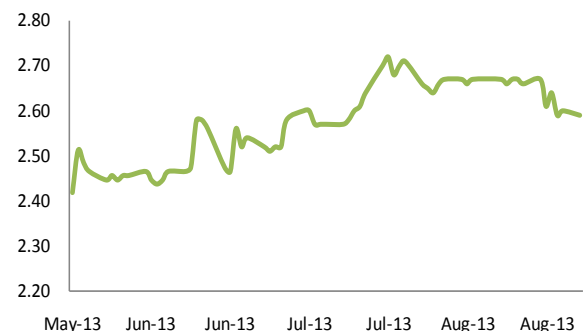
Above expectation. Matrix's 2Q13 net profit decreased by 35% QoQ to RM30m. Despite that, it is slightly above ours and market expectations which makes up 60% of ours and consensus' estimates. Sales were also slower as it declined by 5% QoQ, mainly due to the higher revenue recognition from the sale of Impiana Casa, Kluang and Nusari Aman, Bandar Sri Sendayan in the last quarter. Land sale was also lower as revenue contribution has fallen from 5% to 3%.

Lower 2Q margin. Its net profit was also lower by 35% on QoQ basis. As a result, the overall EBIT margin was down to 26% from 39%. This was attributable to the decrease in industrial land sale which commanded a substantially better margin. Furthermore, the margin was also affected as the majority of sales were from single storey units which provides lower margin. Aside from that, the company also incurred immediate impact on the staff cost of RM0.9m due to the ESOS granted during the quarter.

Second interim dividend announced. The company has announced a second interim dividend of 7 sen, totaling to a gross dividend of 20.5sen year to date. This translates to a gross yield of 7.9%.

Recommendation. We maintain our earnings forecast at this juncture and retain a Buy recommendation with a TP of RM2.86 based on a 20% discount to RNAV. Given the 10.4% upside to the stock, we recommend a Buy to the stock.

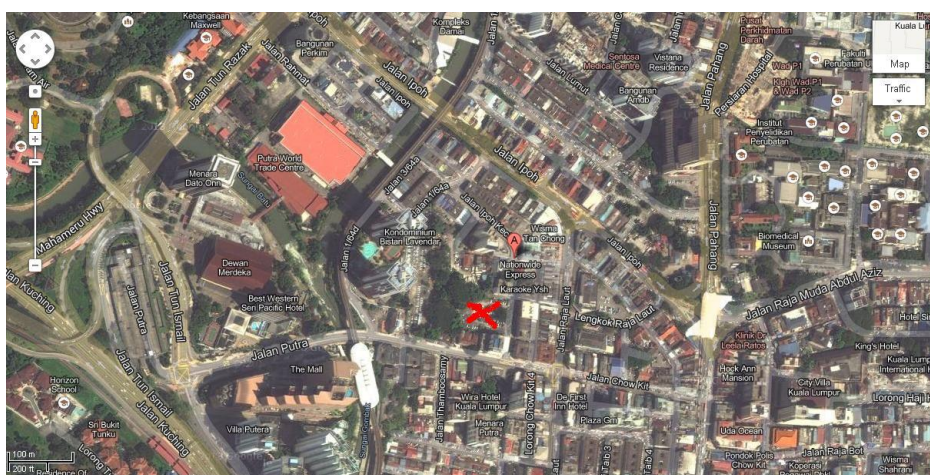
Share Price Chart



Acquired a piece of land near PWTC. On a separate note, Matrix Concepts has acquired two pieces of freehold land in Section 46, Kuala Lumpur for a total consideration of RM43.6m (RM950 psf). The land is located near the Putra World Trade Centre (PWTC) along the Jalan Ipoh Kecil. The lands are planned for a mixed development which consists of high rise development, retails, and F&B units and serviced apartments to be developed in 2014.

Our thoughts. The land deal will expand its geographical reach aside from its existing projects in Negeri Sembilan and Johor. We like the acquisition as the land has a ready catchment and it is located near the city centre. We also think that the project may appeal to young urban dwellers given the good accessibility via the LRT and monorail station as well hotels, shop offices, convention center and the upcoming Sunway Putra Mall which is all within walking distance. We expect good take up rates as the average selling price would range from RM544-907psf (based on its estimated GDV of RM250m and an estimated plot ratio of 6-10x) which is in line, if not cheaper than the current surrounding projects such as the Condominium Bistari Lavender and Begonia (RM450 psf), Regalia (RM796 psf) and Sime Darby Brunfield Kenny Hills (RM1000psf). We also think the land price of RM950 psf is fair if we compare against the land prices in the surrounding area which is asking in the range of RM700-1500 psf. Moreover, the land cost is 13% of its GDV. The acquisition will be 60% funded by bank borrowings and remaining by cash. The company will still maintain its net cash position after completion of the deal. This new acquisition will add to its current remaining GDV at RM4.8b that will last them till 2022.

Figure 1: Location of land acquired



Source: Google map, BIMB Securities

Quarterly figures

FY 31 Dec (RMm)	2QFY12	3QFY12	4QFY12	1QFY13	2QFY13	QoQ Chg	YoY Chg	YTD FY12	YTD FY13	YTD Chg
Revenue	NA	NA	NA	155.6	147.3	-5%	NA	NA	302.9	NA
EBIT	NA	NA	NA	61.4	40.5	-34%	NA	NA	102.0	NA
Pretax profit	NA	NA	NA	61.5	40.6	-34%	NA	NA	102.1	NA
Taxation	NA	NA	NA	-15.5	-10.5	-32%	NA	NA	-26.0	NA
Minority interest	NA	NA	NA	0.0	0.0	NM	NA	NA	0.0	NA
Net Profit	NA	NA	NA	46.0	30.0	-35%	NA	NA	76.0	NA
EPS (sen)	NA	NA	NA	15.3	10.0	-35%	NA	NA	25.34	NA
Net gearing (x)	NA	NA	NA	NC	NC	N/A	NA	NA	NC	NA
EBIT margin (%)	NA	NA	NA	39%	26%	-34%	NA	NA	66%	NA
PBT margin (%)	NA	NA	NA	40%	26%	-34%	NA	NA	66%	NA
Net margin (%)	NA	NA	NA	30%	19%	-35%	NA	NA	49%	NA
Effective tax rate	NA	NA	NA	-25%	-26%	3%	NA	NA	-26%	NA

Source: BIMB Securities

DEFINITION OF RATINGS

BIMB Securities uses the following rating system:

STOCK RECOMMENDATION

BUY	Total return (price appreciation plus dividend yield) is expected to exceed 10% in the next 12 months.
TRADING BUY	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain.
NEUTRAL	Share price may fall within the range of +/- 10% over the next 12 months
TAKE PROFIT	Target price has been attained. Fundamentals remain intact. Look to accumulate at lower levels.
TRADING SELL	Share price may fall by more than 15% in the next 3 months.
SELL	Share price may fall by more than 10% over the next 12 months.
NOT RATED	Stock is not within regular research coverage.

SECTOR RECOMMENDATION

OVERWEIGHT	The Industry as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months
NEUTRAL	The Industry as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months
UNDERWEIGHT	The Industry as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months

Applicability of ratings

The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

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