

20 August 2014

# MATRIX CONCEPTS

## Steady Performance

By Sarah Lim | [sarahlim@kenanga.com.my](mailto:sarahlim@kenanga.com.my), Adrian Ng | [adrian.ng@kenanga.com.my](mailto:adrian.ng@kenanga.com.my)

- Period** ■ 2Q14/1H14
- Actual vs. Expectations** ■ Matrix Concepts (MATRIX)'s 1H14 core earnings of RM81.0m came in within consensus and our expectations, at 48% of both estimates for FY14.  
 ■ In 1H14, MATRIX registered total sales of RM291m making up 36% of our full-year sales estimates of RM800m. The lower-than-expected sales number was mainly due to the lack of Sendayan Tech Valley (STV) land sale in 1H14 where only RM18.9m STV land sales were recorded in 1H14.
- Dividends** ■ Second interim dividend of 3.75 sen was declared, which is within our expectations, and for the full year, we would expect a total net dividend of 16.7 sen giving a net dividend yield of 5.2%.
- Key Results Highlights** ■ **YoY**, MATRIX's 1H14 core earnings improved marginally by 7% to RM81.0m despite a slight dip in revenue to RM298.4m (-1%) as the group recorded better EBITDA margin of 48% (+6ppt) as it was finally able to recognise billings from one of its project namely Hijayu 1A (Phase 1) which further contributed to better margins.  
 ■ **QoQ**, its 2Q14 earnings improved by 10% to RM42.4m underpinned by the increase in revenue (+22%) similar to the reasons mentioned above. However, its pre-tax margins slide to 36% (-4ppt) due to higher administration costs (+17%) incurred for the Matrix Global Schools and the clubhouse constructed for its Bandari Sri Sendayan township residents.
- Outlook** ■ For FY14, MATRIX aspires to launch approximately RM800m worth of projects despite all the property cooling measures put in place. To recap, MATRIX has already launched RM409m worth of projects in 1H14. However, we believe that MATRIX would continue to launch its remaining RM400m worth of projects post Budget 2015 which is closer to 4Q14.  
 ■ As for landbanking activities, it is on the lookout for more land in Seremban and we expect some deals to be cut this year given their light balance sheet.  
 ■ Its 2Q14 unbilled sales currently stands at RM434.7m providing at least one-year earnings visibility.
- Change to Forecasts** ■ No changes to our earnings estimates for now as we might look to finetune post its analysts' briefing today.
- Rating Valuation** ■ **UNDER REVIEW**  
 ■ We will review our CALL/TP pending the briefing today. Our previous recommendation was OUTPERFORM with a TP of RM3.20 based on 20% discount to its FD RNAV of RM4.00.
- Risks** ■ Unable to meet sales targets or delays in property launches. Sharp escalation of raw material prices.

# UNDER REVIEW

**Price:** RM3.20  
**Target Price:** Under Review

### Share Price Performance



KLCI	1,872.16
YTD KLCI chg	0.3%
YTD stock price chg	40.8%

### Stock Information

Bloomberg Ticker	MCH MK Equity
Market Cap (RM m)	1,460.5
Issued shares	456.4
52-week range (H)	3.28
52-week range (L)	1.65
3-mth avg daily vol:	690,808
Free Float	59%
Beta	n.a.

### Major Shareholders

TIAN HOCK LEE	19.8%
SHINING TERM SDN BHD	15.9%
SUPREME INTEREST SDN	5.0%

### Summary Earnings Table

FYE Dec (RM m)	2013A	2014E	2015E
Turnover	574.7	647.3	725.1
EBIT	208.6	226.7	257.8
PBT	207.2	225.9	256.6
<b>Net Profit (NP)</b>	<b>152.9</b>	<b>167.2</b>	<b>190.2</b>
Consensus (CNP)	n.a.	166.0	190.0
Earnings Revision	n.a.	0.0%	0.0%
EPS (sen)	33.8	37.0	42.1
EPS growth (%)	48%	9%	14%
NDPS (sen)	30.4	16.7	18.9
BV/Share (RM)	1.22	1.43	1.66
PER (x)	9.5	8.6	7.6
Price/BV (x)	2.6	2.2	1.9
Net Gearing (x)	(0.1)	0.1	0.0
Dividend Yield (%)	9.5	5.2	5.9

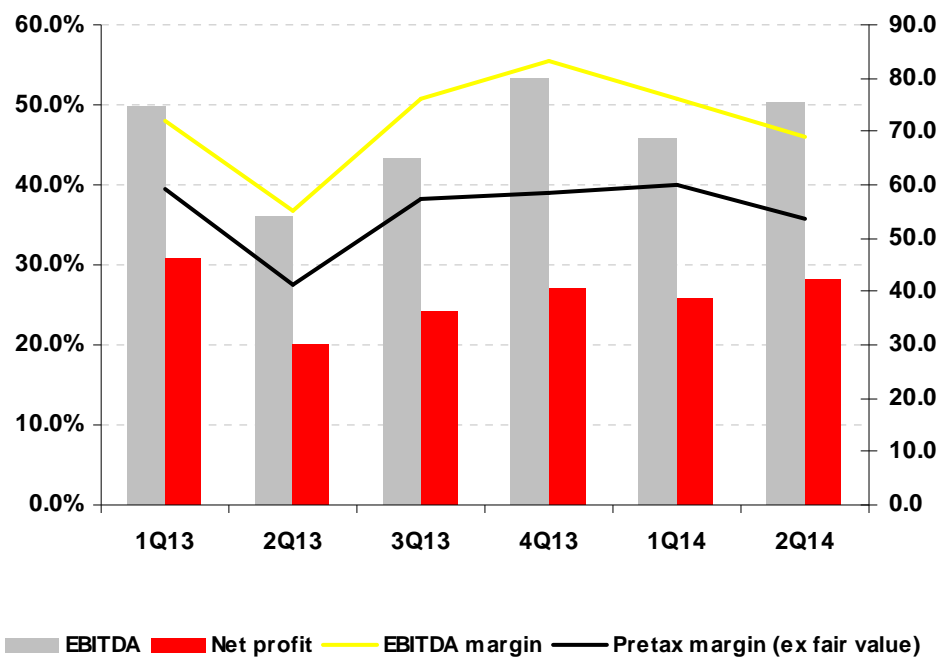
20 August 2014

**Result Highlight**

	2Q14	1Q14	QoQ	2Q13	YoY	1H14	1H13	YoY
<b>Revenue</b>								
Revenue	163.7	134.7	22%	147.3	11%	298.4	302.9	-1%
Op costs w/o depr/amort	(89.2)	(66.9)	33%	(93.7)	-5%	(156.1)	(174.8)	-11%
Other Op Income	0.8	0.7	17%	0.4	117%	1.5	0.6	149%
<b>EBITDA</b>	<b>75.3</b>	<b>68.5</b>	<b>10%</b>	<b>54.0</b>	<b>40%</b>	<b>143.8</b>	<b>128.7</b>	<b>12%</b>
<b>EBIT</b>	<b>75.3</b>	<b>68.5</b>	<b>10%</b>	<b>54.0</b>	<b>40%</b>	<b>143.8</b>	<b>128.7</b>	<b>12%</b>
Net interest	(0.4)	(0.4)	-19%	(0.3)	14%	(0.8)	(0.5)	64%
Selling & Marketing, Admin Cost	(16.4)	(14.1)	17%	(13.1)	26%	(30.5)	(26.1)	17%
Fair Value Adjustments on IP	0.0	0.0		0.0		0.0	0.0	
<b>Pretax profit</b>	<b>58.6</b>	<b>54.0</b>	<b>9%</b>	<b>40.6</b>	<b>44%</b>	<b>112.5</b>	<b>102.1</b>	<b>10%</b>
Taxation	(16.1)	(15.4)	5%	(10.5)	53%	(31.5)	(26.0)	21%
Minority Interests	0.0	0.0		0.0		0.0	0.0	
<b>Net profit</b>	<b>42.4</b>	<b>38.6</b>	<b>10%</b>	<b>30.0</b>	<b>41%</b>	<b>81.0</b>	<b>76.0</b>	<b>7%</b>
<b>Core net profit</b>	<b>42.4</b>	<b>38.6</b>	<b>10%</b>	<b>30.0</b>	<b>41%</b>	<b>81.0</b>	<b>76.0</b>	<b>7%</b>
EPS (sen)	14.0	12.7		10.0		26.7	29.4	
DPS (sen)	3.8	5.0		7.0		8.8	20.5	
NTA/share (RM)	2.0	1.9		1.7		3.9	3.4	
Net gearing/(cash) (x)	n.c.	n.c.		n.c.		n.c.	n.c.	
EBITDA margin	46%	51%		37%		48%	42%	
Pretax margin	36%	40%		28%		38%	34%	
Effective tax rate	28%	29%		26%		28%	26%	

Source: Company, Kenanga Research

**Earnings Trend**



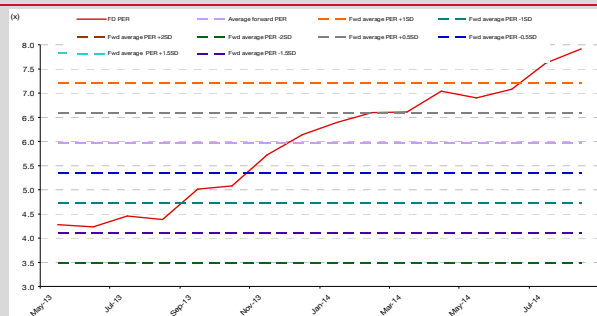
Source: Company, Kenanga Research

20 August 2014

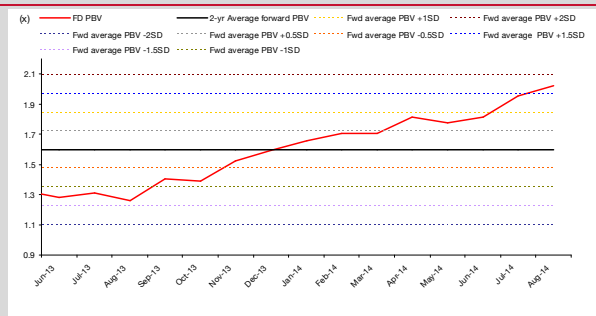
Income Statement						Financial Data & Ratios					
<b>FY Dec (RM'm)</b>	<b>2011A</b>	<b>2012A</b>	<b>2013A</b>	<b>2014E</b>	<b>2015E</b>	<b>FY Dec (RM'm)</b>	<b>2011A</b>	<b>2012A</b>	<b>2013A</b>	<b>2014E</b>	<b>2015E</b>
Revenue	624.3	456.1	574.7	647.3	725.1	<b>Growth</b>					
EBITDA	108.9	146.1	211.2	231.0	263.0	Turnover (%)	219%	-27%	26%	13%	12%
Depreciation	(2.0)	(2.3)	(2.6)	(4.3)	(5.2)	EBITDA (%)	232%	34%	45%	9%	14%
Operating Profit	106.9	143.8	208.6	226.7	257.8	Operating Profit (%)	245%	34%	45%	9%	14%
Interest Exp	(0.6)	(1.0)	(1.4)	(0.8)	(1.2)	PBT (%)	255%	34%	45%	9%	14%
PBT	106.3	142.8	207.2	225.9	256.6	Core Net Profit (%)	238%	49%	48%	9%	14%
Taxation	(26.4)	(39.3)	(54.3)	(58.7)	(66.4)	<b>Profitability</b>					
Minority Interest	(10.5)	0.0	0.0	0.0	0.0	EBITDA Margin	17%	32%	37%	36%	36%
Net Profit	69.4	103.5	152.9	167.2	190.2	Operating Margin	17%	32%	36%	35%	36%
Core Net Profit	69.4	103.5	152.9	167.2	190.2	PBT Margin	17%	31%	36%	35%	35%
						Core Net Margin	11%	23%	27%	26%	26%
						Effective Tax Rate	25%	28%	25%	26%	26%
						ROA	12%	17%	19%	17%	16%
						ROE	32%	29%	30%	28%	27%
						<b>DuPont Analysis</b>					
						Net Margin (%)	11%	23%	27%	26%	26%
						Leverage Factor (x)	2.1	1.5	1.6	1.7	1.7
						ROE (%)	32%	29%	30%	28%	27%
						<b>Leverage</b>					
						Debt/Asset (x)	0.03	0.01	0.06	0.14	0.13
						Debt/Equity (x)	0.07	0.02	0.09	0.24	0.21
						(Net Cash)/Debt	306.8	(75.6)	(96.7)	38.0	25.1
						Net Debt/Equity (x)	0.01	(0.16)	(0.12)	0.07	0.04
						<b>Valuations</b>					
						EPS (sen)	15.4	22.9	33.8	37.0	42.1
						NDPS (sen)	4.5	5.7	30.4	16.7	18.9
						BVPS (RM)	0.53	1.05	1.22	1.43	1.66
						PER (x)	20.8	14.0	9.5	8.6	7.6
						N. Div. Yield (%)	1.4	1.8	9.5	5.2	5.9
						PBV (x)	6.1	3.1	2.6	2.2	1.9
						EV/EBITDA (x)	n.a.	n.a.	6.5	6.4	5.6

Source: Kenanga Research

### Fwd PER Band



### Fwd PBV Band



Source: Bloomberg, Kenanga Research

Peer Comparison															
NAME	Price (19/08/14)	Mkt Cap	PER (x)			Est. NDiv. Yld.	Historical ROE	P/BV	Net Profit (RMm)			FY13/14 NP Growth	FY14/15 NP Growth	Target Price	Rating
	(RM)	(RMm)	FY13/14	FY14/15	FY15/16	(%)	(%)	(x)	FY13/14	FY14/15	FY15/16	(%)	(%)	(RM)	
<b>DEVELOPERS UNDER COVERAGE</b>															
UEM Sunrise*	1.98	8,984	19.6	15.4	16.4	2.0%	10.2%	1.4	459.1	585.0	546.9	27.4%	-6.5%	2.40	OUTPERFORM
IOI Properties*	2.40	7774	14.4	17.4	13.2	0.0%	5.2%	0.7	538.9	446.5	589.4	-17.1%	32.0%	2.95	OUTPERFORM
SP Setia*	3.55	8,956	20.9	22.9	16.6	3.2%	8.7%	1.4	417.9	382.0	527.0	-8.6%	38.0%	3.30	MARKET PERFORM
Sunway Berhad	3.14	5413	11.2	10.0	9.5	2.5%	33.6%	0.9	482.7	540.0	572.2	11.9%	6.0%	3.70	OUTPERFORM
IJM Land*	3.35	5,222	15.6	14.2	13.0	1.8%	17.7%	1.5	335.2	368.0	400.2	9.8%	8.7%	3.55	ACCEPT OFFER
Mah Sing Group	2.44	3,578	12.3	10.3	8.9	3.9%	17.6%	1.6	280.6	334.6	385.5	19.2%	15.2%	2.71	OUTPERFORM
UOA Development*	2.12	3,034	8.2	8.3	7.7	6.6%	16.0%	1.1	344.6	342.0	368.8	-0.8%	7.8%	2.13	MARKET PERFORM
Tropicana	1.38	1,890	10.5	6.6	7.4	3.0%	15.3%	0.5	145.3	233.1	207.3	60.4%	-11.1%	1.65	MARKET PERFORM
Matrix Concepts	3.20	1,461	9.5	8.6	7.6	5.2%	29.8%	2.2	152.9	167.2	190.2	9.4%	13.8%	Under Review	UNDER REVIEW
Crescendo*	2.86	650	7.8	7.7	7.0	5.3%	18.4%	0.8	84.2	84.4	93.2	0.3%	10.5%	3.15	OUTPERFORM
Hua Yang	2.50	660	8.0	6.4	5.8	5.3%	22.8%	1.4	82.2	102.9	113.7	25.2%	10.5%	2.60	OUTPERFORM
* Core NP and Core PER															
** Crescendo per share data is based on non-Fully Diluted															
<b>CONSENSUS NUMBERS</b>															
BERJAYA LAND BHD	0.85	4,230	41.9	n.a.	n.a.	n.a.	1.9%	0.8	101.0	n.a.	n.a.	n.a.	n.a.	0.93	BUY
IGB CORPORATION BHD	2.88	3,845	18.1	16.9	16.0	2.3%	5.1%	0.9	212.0	226.9	240.3	7.1%	5.9%	3.14	NEUTRAL
YNH PROPERTY BHD	2.08	851	17.8	12.6	11.6	2.2%	5.7%	1.0	47.8	67.5	73.7	41.3%	9.1%	2.22	NEUTRAL
YTL LAND & DEVELOPMENT BHD	1.02	846	31.7	60.0	46.4	n.a.	3.2%	0.8	26.7	14.1	18.2	-47.2%	29.4%	n.a.	BUY
GLOMAC BHD	1.16	843	7.8	7.2	6.3	4.4%	12.9%	0.9	108.4	117.7	133.0	8.7%	13.0%	1.23	BUY
KSL HOLDINGS BHD	3.88	1,499	8.1	7.2	7.5	0.8%	19.1%	1.2	185.6	208.7	200.9	12.4%	-3.7%	n.a.	BUY
PARAMOUNT CORP BHD	1.70	861	9.3	10.0	10.0	5.3%	7.5%	0.9	92.6	86.1	86.1	-7.0%	0.0%	1.76	BUY
IVORY PROPERTIES GROUP BHD	0.62	274	17.2	n.a.	n.a.	n.a.	1.5%	0.7	15.9	n.a.	n.a.	n.a.	n.a.	n.a.	BUY
TAMBUN INDAH LAND BHD	2.40	984	10.8	10.3	8.3	3.7%	22.0%	2.9	91.1	95.6	118.1	4.9%	23.6%	2.58	BUY
Source: Kenanga Research															

20 August 2014

**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.**

---

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies.

---

Published and printed by:

**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](http://www.kenanga.com.my)



Chan Ken Yew  
Head of Research