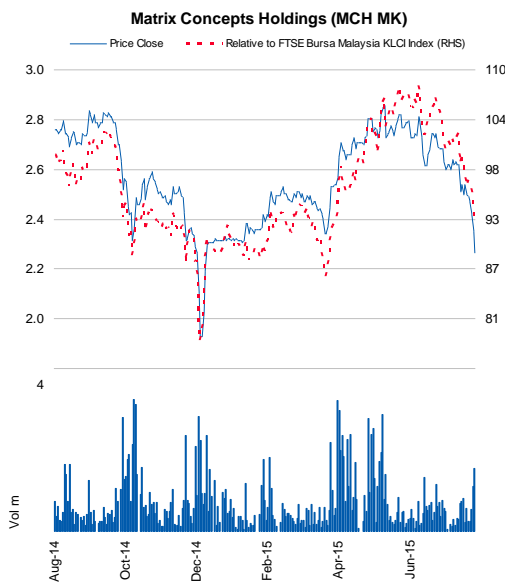


**Matrix Concepts Holdings(MCH MK)**
**Buy** (Maintained)

 Property- Real Estate  
 Market Cap: USD310m

 Target Price: MYR2.73  
 Price: MYR2.26

## Ready To Ride Through The Storm

 Macro   
 Risks   
 Growth   
 Value 


Source: Bloomberg

Avg Turnover (MYR/USD)	1.93m/0.52m
Cons. Upside (%)	29.2
Upside (%)	20.8
52-wk Price low/high (MYR)	1.93 - 2.85
Free float (%)	43
Share outstanding (m)	541
<b>Shareholders (%)</b>	
Dato' Lee & Family	60.0

**Share Performance (%)**

	YTD	1m	3m	6m	12m
Absolute	(2.3)	(15.8)	(19.4)	(6.5)	(17.9)
Relative	3.8	(12.2)	(10.9)	2.2	(7.8)

**Shariah compliant**

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After attending a briefing today, we believe Matrix's management is well-prepared to face the current challenging market conditions. We maintain a BUY with an unchanged MYR2.73 TP (21% upside). The company has brought in external agents in order to push sales and has lined up more affordable property products. The careful assessment of buyers' financial ability by internal sales staff has also helped to move products faster, resulting in a loan rejection rate of <2%, significantly lower than the average rate of 40-50% for other developers.

- ◆ **Delaying pipeline launches as expected.** During the briefing, Matrix Concepts' (Matrix) Chairman Dato' Haslah and CEO Dato' Lee Tian Hock shared that outlook for property market continues to be challenging, given the recent sell down in equity market, currency depreciation and concerns over political issues. As a result, a few pipeline projects will be delayed, including the higher end Hijayu Resort Homes (Ph.1B), Hijayu 3C (terraces), Impiana Height (Ph 2) and Impiana Bayu 2. As Hijayu 3B (Ph.1) and Hijayu Resorts Homes (Ph. 1A) were only put into the market in 2Q, the remaining launch in 2H is only for Residency SIGC, a landed project worth MYR229m GDV.
- ◆ **Political uncertainties affecting industrial land sales.** Dato' Lee also announced that FY15 land sales target was revised down to MYR50m from MYR100m, but property sales target was raised to MYR650m from MYR600m; the full-year target remains unchanged at MYR700m. While property sales should be on track to meet, especially considering the 1H sales achieved of MYR367m, we are cautious that the ongoing political concerns could affect foreign direct investments and hence would result in lengthier negotiations and lower industrial land sales for Matrix. We understand that the number of interested parties has fallen to only two from four last year.
- ◆ **More affordable housing products to withstand the softening market.** Plans were made in the event of further weakening in economic growth and the housing market. Dato' Lee mentioned that the company is ready to launch next year the Kota Gadong Perdana project, which comprises 3,200 affordable homes, worth about MYR1bn GDV which is located at the northern side of Bandar Sri Sendayan. With unit pricing of <MYR400k, this should help sustain property sales in the current challenging market.
- ◆ **Maintain BUY and TP at MYR2.73**, based on a 20% discount to RNAV.

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	0.41	0.41	0.44
DPS (MYR)	0.16	0.17	0.15	0.17	0.19
Recurring P/E (x)	6.76	5.66	5.54	5.54	5.13
P/B (x)	1.87	1.51	1.33	1.20	1.07
Dividend Yield (%)	6.9	7.7	6.6	7.5	8.4
Return on average equity (%)	34.2	29.5	26.9	23.7	22.3
Return on average assets (%)	20.6	19.3	18.6	16.8	16.2
Net debt to equity (%)	(11.8)	(2.7)	(16.2)	(18.7)	(11.7)
Our vs consensus EPS (adjusted) (%)			11.0	(1.2)	2.5



## Financial Exhibits

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

Source: Company data, RHB

<b>Cash flow (MYRm)</b>	<b>Dec-13</b>	<b>Dec-14</b>	<b>Dec-15F</b>	<b>Dec-16F</b>	<b>Dec-17F</b>
<b>Operating profit</b>	<b>209</b>	<b>246</b>	<b>289</b>	<b>312</b>	<b>343</b>
<b>Change in working capital</b>	<b>(1)</b>	<b>(127)</b>	<b>(17)</b>	<b>(76)</b>	<b>(64)</b>
Other operating cash flow	(112)	20	37	38	39
<b>Operating cash flow</b>	<b>95</b>	<b>140</b>	<b>309</b>	<b>275</b>	<b>318</b>
Interest paid	(1)	(2)	(4)	(5)	(5)
Tax paid	(54)	(62)	(75)	(78)	(84)
<b>Cash flow from operations</b>	<b>40</b>	<b>76</b>	<b>230</b>	<b>191</b>	<b>228</b>
Capex	(3)	(51)	(50)	(50)	(150)
Other investing cash flow	(66)	(5)	-	-	1
<b>Cash flow from investing activities</b>	<b>(69)</b>	<b>(57)</b>	<b>(50)</b>	<b>(50)</b>	<b>(149)</b>
Dividends paid	-	(71)	(79)	(77)	(95)
Proceeds from issue of shares	129	30	-	-	-
Increase in debt	29	27	-	-	-
Other financing cash flow	(111)	22	(42)	(41)	(40)
<b>Cash flow from financing activities</b>	<b>47</b>	<b>8</b>	<b>(121)</b>	<b>(118)</b>	<b>(135)</b>
Cash at beginning of period	31	116	97	270	326
<b>Total cash generated</b>	<b>18</b>	<b>27</b>	<b>59</b>	<b>24</b>	<b>(56)</b>
<b>Implied cash at end of period</b>	<b>49</b>	<b>143</b>	<b>156</b>	<b>294</b>	<b>270</b>

Source: Company data, RHB

## Financial Exhibits

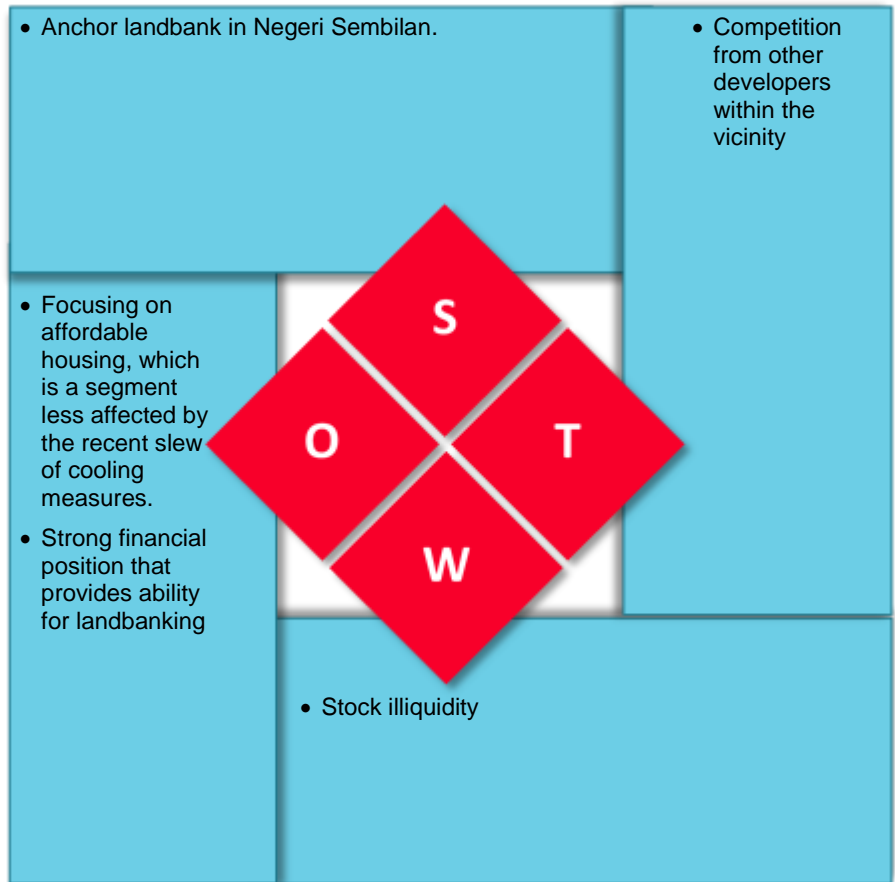
<b>Balance Sheet (MYRm)</b>	<b>Dec-13</b>	<b>Dec-14</b>	<b>Dec-15F</b>	<b>Dec-16F</b>	<b>Dec-17F</b>
Total cash and equivalents	116	97	270	326	270
Inventories	2	2	2	3	3
Accounts receivable	141	79	84	98	109
Other current assets	444	566	600	697	779
<b>Total current assets</b>	<b>702</b>	<b>745</b>	<b>957</b>	<b>1,123</b>	<b>1,162</b>
Total investments	192	245	295	344	493
Total other assets	7	6	6	6	6
Total non-current assets	198	252	301	350	499
<b>Total assets</b>	<b>900</b>	<b>996</b>	<b>1,258</b>	<b>1,473</b>	<b>1,661</b>
Short-term debt	35	42	42	42	42
Accounts payable	246	196	217	252	282
Other current liabilities	52	36	36	36	36
<b>Total current liabilities</b>	<b>333</b>	<b>274</b>	<b>296</b>	<b>331</b>	<b>361</b>
Total long-term debt	15	36	86	86	86
<b>Total non-current liabilities</b>	<b>15</b>	<b>36</b>	<b>86</b>	<b>86</b>	<b>86</b>
<b>Total liabilities</b>	<b>348</b>	<b>310</b>	<b>382</b>	<b>417</b>	<b>447</b>
Share capital	301	457	514	561	575
Retained earnings reserve	181	221	354	487	632
Other reserves	70	8	8	8	8
<b>Shareholders' equity</b>	<b>552</b>	<b>686</b>	<b>876</b>	<b>1,056</b>	<b>1,215</b>
<b>Total equity</b>	<b>552</b>	<b>686</b>	<b>876</b>	<b>1,056</b>	<b>1,215</b>
<b>Total liabilities &amp; equity</b>	<b>900</b>	<b>996</b>	<b>1,258</b>	<b>1,473</b>	<b>1,661</b>

Source: Company data, RHB

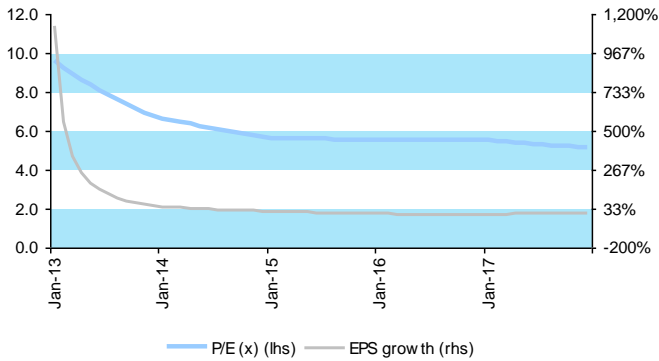
<b>Key Ratios (MYR)</b>	<b>Dec-13</b>	<b>Dec-14</b>	<b>Dec-15F</b>	<b>Dec-16F</b>	<b>Dec-17F</b>
Revenue growth (%)	26.0	4.1	6.0	16.1	11.8
Operating profit growth (%)	45.1	18.2	17.1	8.2	9.8
Net profit growth (%)	47.7	19.4	15.0	9.0	10.7
EPS growth (%)	47.7	19.4	2.2	(0.1)	8.0
BVPS growth (%)	61.5	24.2	13.5	10.5	12.2
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	18.6	16.8	16.2
Return on average equity (%)	34.2	29.5	26.9	23.7	22.3
Net debt to equity (%)	(11.8)	(2.7)	(16.2)	(18.7)	(11.7)
DPS	0.16	0.17	0.15	0.17	0.19
Recurrent cash flow per share	0.09	0.17	0.45	0.34	0.40

Source: Company data, RHB

# SWOT Analysis

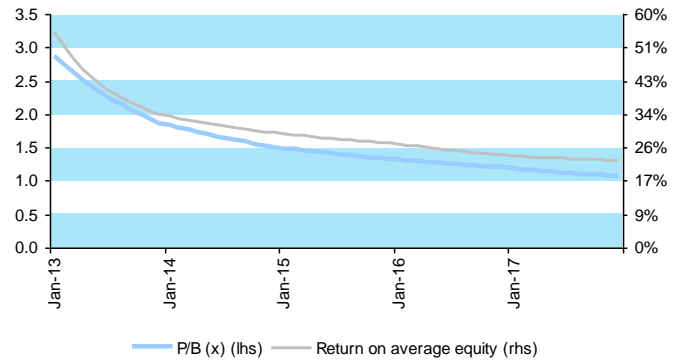


P/E (x) vs EPS growth



Source: Company data, RHB

P/BV (x) vs ROAE



Source: Company data, RHB

## Company Profile

atrix 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 in developing residential and commercial properties, as well as industrial land sale.

## Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2015-08-10	Buy	2.73	2.26
2015-05-13	Buy	3.65	2.75
2015-04-21	Buy	3.65	2.66
2015-04-15	Buy	3.60	2.71
2015-03-12	Buy	3.48	2.50
2015-02-12	Buy	3.36	2.49
2014-12-16	Buy	3.00	1.93
2014-11-18	Buy	3.93	2.48
2014-09-21	Buy	3.93	2.79
2014-08-20	Buy	3.80	2.74

Source : RHB, Bloomberg

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**Buy:** Share price may exceed 10% over 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. Look to accumulate at lower levels

**Sell:** Share price may fall by more than 10% over the next 12 months

**Not Rated:** Stock is not within regular research coverage

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