

# MATRIX CONCEPTS

## Staying On Track

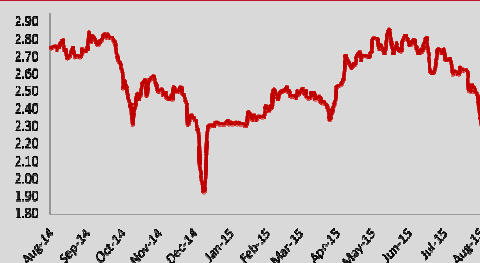
By **Adrian Ng** | [adrian.ng@kenanga.com.my](mailto:adrian.ng@kenanga.com.my); **Sarah Lim** | [sarahlim@kenanga.com.my](mailto:sarahlim@kenanga.com.my)

- Period** ■ 2Q15/1H15
- Actual vs. Expectations** ■ Matrix Concepts (MATRIX)'s 1H15 net profit of RM145.3m makes up 76% and 74% of our and consensus full-year estimates, respectively. However, we deem this as broadly in-line as we are expecting slower quarters ahead given that MATRIX has enjoyed the acceleration on the recognition of its on-going residential and industrial projects prior to the implementation of GST.
- In term of sales, MATRIX recorded total sales of RM367m in 1H15, making up 53% our full-year sales target of RM697m.
- Dividends** ■ Second interim dividend of 3.5 sen was declared, as expected.
- Key Results Highlights** ■ **YoY**, 1H15 net profit surged by 79% underpinned by strong revenue growth of 47% coupled with improvements in EBITDA margins (+9ppt) to 58%. The strong revenue growth and improvements in margins are due to accelerated recognition of its on-going residential and industrial properties (generally gets superior margins vs. residential and commercial properties) prior the implementation of GST.
- **QoQ**, its 2Q15 net profit decreased by 74% to RM29.9m, driven by a sharp decrease in revenue (-62%) as MATRIX had a lumpy progress billing in 1Q15 whereby they accelerated their billing for on-going projects prior GST.
- Outlook** ■ As of 2Q15, its unbilled sales stand at RM540.0m providing at least 1 – 1.5 year visibility.
- For FY15, 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** ■ Moving forward, we reduced our FY15E sales by 10% to RM625.0m, while we bumped up our FY16E sales by 5% to RM728.0m as we pushed forward some of FY15E land sales into FY16E.
- Further to our revision in sales estimates as above, we are still maintaining our FY15E net profit, even after we as it is backed by strong unbilled sales of RM540.0m, while we increased our FY16E net profit by 4% to RM198m following the upward adjustment in our FY16E sales.
- Rating Valuation** ■ **MARKET PERFORM**
- We maintain our MARKET PERFORM call with a lower TP of RM2.46 as we have factored in the dilution impact from its free warrants, lowered our GDV replenishment assumptions of RM1.2b to RM600.0m coupled with a wider discount of 30% to its FD RNAV of RM3.51 (previously, RM2.80 based on 25.0% discount to its FD RNAV of RM3.74). We lowered our GDV replenishment assumptions by half as landbanking has been challenging thus far. Our RNAV discount has widened given valuations de-rating in mid-cap property players. Our new TP implies FY16E PER of 7.6x which is still in line with its peers' average of 7.1x. The 30% discount is the narrowest compared to the RNAV discount applied to the mid-cap peers' that averages at 62%, due to its affordable landed residential offerings in Seremban (<RM500.0k). However, downside risk is cushioned given that at our TP of RM2.46, it still commands better yield of 5.9% vs. its peers' average of only 5.0%.
- Risks** ■ (i) Weaker-than-expected property sales, (ii) Higher-than-expected sales and administrative costs, (iii) Negative real estate policies, (iv) Tighter lending environments

# MARKET PERFORM ↔

**Price:** RM2.26  
**Target Price:** RM2.46 ↓

### Share Price Performance



KLCI	1,654.37
YTD KLCI chg	-6.1%
YTD stock price chg	-1.9%

### Stock Information

Bloomberg Ticker	MCH MK Equity
Market Cap (RM m)	1,222.2
Issued shares	540.8
52-week range (H)	2.87
52-week range (L)	1.88
3-mth avg daily vol:	744,420
Free Float	63%
Beta	1.1

### Major Shareholders

HOCK LEE TIAN	16.3%
SHINING TERM SDN BHD	15.6%
AMBANG KUSSA	4.8%

### Summary Earnings Table

FYE Dec (RM m)	2014A	2015E	2016E
Turnover	598	627	645
EBIT	246	255	266
PBT	245	254	264
<b>Net Profit (NP)</b>	<b>183</b>	<b>190</b>	<b>198</b>
Consensus (CNP)	n.a.	197	222
Earnings Revision	n.a.	0%	4%
EPS (sen)	29.9	31.2	32.5
EPS growth (%)	19%	4%	4%
NDPS (sen)	12.9	14.0	14.6
BV/Share (RM)	1.12	1.30	1.47
PER (x)	7.5	7.2	6.9
Price/BV (x)	2.00	1.74	1.53
Net Gearing (x)	0.0	0.1	0.1
Dividend Yield (%)	5.7	6.2	6.5

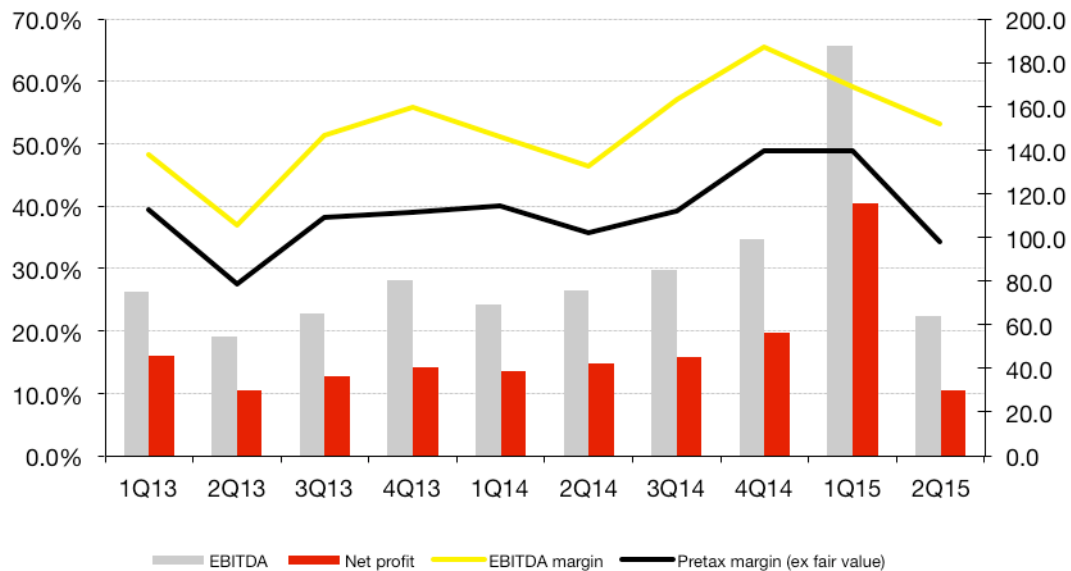
11 August 2015

### Result Highlight

	2Q15	1Q15	QoQ	2Q14	YoY	1H15	1H14	YoY
<b>Revenue</b>								
Revenue	120.4	317.6	-62%	163.7	-26%	438.0	298.4	47%
Op costs w/o deprn/amort	-57.4	-130.5	-56%	-88.6	-35%	-187.9	-154.9	21%
Other Op Income	1.0	0.8	19%	0.8	25%	1.8	1.5	24%
<b>EBITDA</b>	<b>64.0</b>	<b>188.0</b>	<b>-66%</b>	<b>75.9</b>	<b>-16%</b>	<b>252.0</b>	<b>145.0</b>	<b>74%</b>
<b>EBIT</b>	<b>64.0</b>	<b>188.0</b>	<b>-66%</b>	<b>75.3</b>	<b>-15%</b>	<b>252.0</b>	<b>143.8</b>	<b>75%</b>
Net interest	-1.6	-0.6	149%	-0.4	351%	-2.2	-0.8	183%
Selling & Marketing, Admin Cost	-21.0	-31.9	-34%	-16.4	28%	-53.0	-30.5	74%
Fair Value Adjustments on IP	0.0	0.0	n.m.	0.0	n.m.	0.0	0.0	n.m.
<b>Pretax profit</b>	<b>41.4</b>	<b>155.4</b>	<b>-73%</b>	<b>58.6</b>	<b>-29%</b>	<b>196.7</b>	<b>112.5</b>	<b>75%</b>
Taxation	-11.5	-39.9	-71%	-16.1	-29%	-51.4	-31.5	63%
Minority Interests	0.0	0.0	n.m.	0.0	n.m.	0.0	0.0	n.m.
<b>Net profit</b>	<b>29.9</b>	<b>115.4</b>	<b>-74%</b>	<b>42.4</b>	<b>-30%</b>	<b>145.3</b>	<b>81.0</b>	<b>79%</b>
<b>Core net profit</b>	<b>29.9</b>	<b>115.4</b>	<b>-74%</b>	<b>42.4</b>	<b>-30%</b>	<b>145.3</b>	<b>81.0</b>	<b>79%</b>
EPS (sen)	6.5	25.0		14.0		31.5	26.7	
DPS (sen)	3.5	4.3		3.8		7.8	8.8	
NTA/share (RM)	1.7	1.6		2.0		3.3	3.9	
Net gearing/(cash) (x)	0.0	0.0		0.0		0.1	-0.2	
EBITDA margin	53%	59%		46%		58%	49%	
Pretax margin	34%	49%		36%		45%	38%	
Effective tax rate	28%	26%		28%		26%	28%	

Source: Company, Kenanga Research

### Earnings Trend



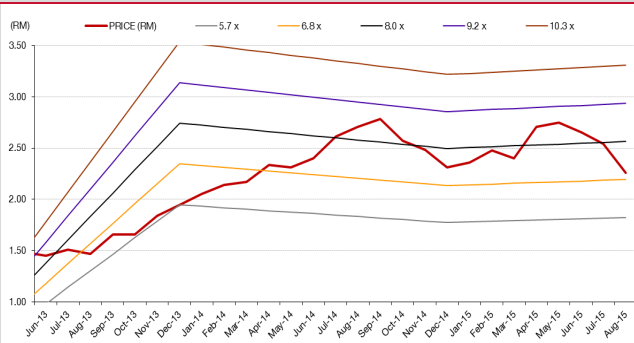
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11 August 2015

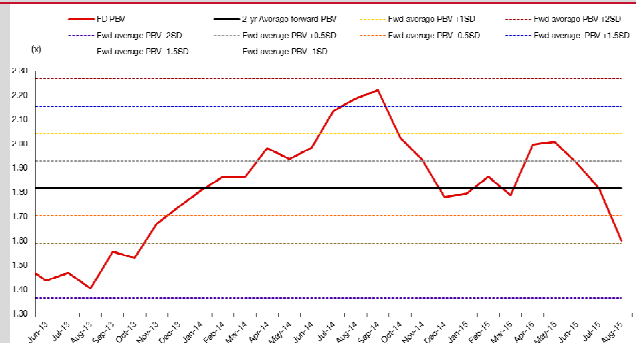
Income Statement						Financial Data & Ratios					
FY Dec (RM'm)	2012A	2013A	2014A	2015E	2016E	FY Dec (RM'm)	2012A	2013A	2014A	2015E	2016E
Revenue	456	575	598	627	645	<b>Growth</b>					
EBITDA	146	211	249	258	268	Turnover (%)	-27	26	4	5	3
Depreciation	-2	-3	-3	-3	-3	EBITDA (%)	34	45	18	3	4
EBIT	144	209	246	255	266	Operating Profit (%)	34	45	18	3	4
Interest Exp	-1	-1	-2	-1	-1	PBT (%)	34	45	18	4	4
PBT	143	207	245	254	264	Core Net Profit (%)	49	48	19	4	4
Taxation	-39	-54	-62	-63	-66	<b>Profitability</b>					
Minority Interest	0	0	0	0	0	EBITDA Margin	32	37	42	41	42
Net Profit	103	153	183	190	198	Operating Margin	32	36	41	41	41
Core Net Profit	103	153	183	190	198	PBT Margin	31	36	41	41	41
						Core Net Margin	23	27	31	30	31
						Effective Tax Rate	28	25	26	25	25
						ROA	17	19	19	17	16
						ROE	29	30	29	26	23
						<b>DuPont Analysis</b>					
						Net Margin (%)	23	27	31	30	31
						Leverage Factor (x)	1.5	1.6	1.5	1.5	1.5
						ROE (%)	29	30	29	26	23
						<b>Leverage</b>					
						Debt/Asset (x)	0.0	0.1	0.1	0.2	0.1
						Debt/Equity (x)	0.0	0.1	0.1	0.2	0.2
						(Net Cash)/Debt	-75.6	-96.7	-25.6	71.8	73.8
						Net Debt/Equity (x)	-0.2	-0.1	0.0	0.1	0.1
						<b>Valuations</b>					
						EPS (sen)	16.9	25.0	29.9	31.2	32.5
						NDPS (sen)	4.2	30.4	12.9	14.0	14.6
						BVPS (RM)	0.77	0.90	1.12	1.30	1.47
						PER (x)	13.28	8.99	7.52	7.21	6.93
						N. Div. Yield (%)	1.9	13.5	5.7	6.2	6.5
						PBV (x)	2.90	2.49	2.00	1.74	1.53
						EV/EBITDA (x)	0.0	6.2	5.4	5.6	5.4

Source: Kenanga Research

### Fwd PER Band



### Fwd PBV Band



Source: Bloomberg, Kenanga Research

11 August 2015

### Peer Comparison

NAME	Price (10/8/15)	Mkt Cap (RMm)	PER (x)			Est. NDiv. Yld. (%)	Historical ROE (%)	P/BV (x)	Net Profit (RMm)			FY15/16 NP Growth (%)	FY16/17 NP Growth (%)	Target Price (RM)	Rating
	(RM)		FY14/15	FY15/16	FY16/17				FY14/15	FY15/16	FY16/17				
<b>DEVELOPERS UNDER COVERAGE</b>															
S P SETIA BHD*	2.99	7,760	21.0	10.8	9.5	4.6%	7.1%	1.2	361.0	701.5	795.6	94.3%	13.4%	3.95	OUTPERFORM
IOI PROPERTIES GROUP BHD*	1.86	7,006	14.7	17.0	16.0	3.8%	4.3%	0.6	479.2	414.4	438.6	-13.5%	5.8%	2.00	MARKET
UEM SUNRISE BHD*	0.96	4,333	10.1	12.5	11.1	2.6%	7.8%	0.7	479.9	385.6	434.3	-19.7%	12.6%	1.10	PERFORM
SUNWAY BHD	3.40	5,993	9.9	9.7	9.4	3.0%	13.2%	0.9	592.2	606.3	620.5	2.4%	2.3%	3.78	MARKET
MAH SING GROUP BHD^	1.50	3,614	10.6	9.6	9.0	4.3%	16.1%	1.2	339.2	375.6	399.4	10.7%	6.3%	1.74	PERFORM
ECO WORLD DEVELOPMENT GROUP BHD	1.46	3,452	481.1	92.6	20.9	0.0%	2.2%	1.1	7.2	37.3	165.5	419.8%	343.8%	2.05	OUTPERFORM
UOA DEVELOPMENT BHD*	1.89	2,873	9.7	9.6	9.0	6.9%	12.2%	1.0	279.1	281.7	301.6	0.9%	7.1%	2.10	MARKET
MALAYSIAN RESOURCES CORP BHD	1.00	1,787	12.3	18.1	22.9	1.2%	2.6%	1.0	41.6	62.1	72.1	49.5%	16.1%	1.27	PERFORM
KSL HOLDINGS BHD	1.47	1,405	4.6	5.1	4.7	7.8%	15.3%	0.8	252.0	272.3	300.1	8.1%	10.2%	2.15	OUTPERFORM
TROPICANA CORP BHD	0.97	1,393	3.5	5.6	8.1	3.2%	11.9%	0.4	304.5	189.5	131.5	-37.7%	-30.6%	1.10	MARKET
MATRIX CONCEPTS HOLDINGS BHD	2.26	1,222	7.6	7.2	7.0	6.2%	29.5%	1.7	182.6	190.2	198.0	4.1%	4.1%	2.46	PERFORM
CRESCENDO CORPORATION BHD*	2.14	487	11.3	11.0	10.7	3.6%	18.4%	0.6	43.3	44.5	45.7	2.7%	2.9%	2.46	MARKET
HUA YANG BHD	1.83	483	4.4	4.3	4.2	7.2%	25.9%	0.9	110.6	111.6	115.2	0.9%	3.3%	2.20	OUTPERFORM
CREST BUILDER HOLDINGS BHD	1.02	174	8.6	10.7	8.7	2.3%	8.9%	0.4	13.9	15.7	19.5	13.1%	23.8%	1.27	PERFORM
<b>CONSENSUS NUMBERS</b>															
IGB CORPORATION BHD	2.70	3,604	16.2	14.8	13.3	2.8%	5.2%	0.8	222.9	244.3	271.0	9.6%	10.9%	4.10	NEUTRAL
YNH PROPERTY BHD	1.80	718	21.4	10.6	8.8	2.4%	3.9%	0.9	33.5	67.8	81.8	102.3%	20.6%	1.58	SELL
GLOMAC BHD	0.81	589	6.8	6.2	5.5	5.7%	9.5%	0.6	87.0	94.5	106.1	8.6%	12.3%	0.95	BUY
PARAMOUNT CORP BHD	1.79	756	10.8	10.5	9.9	4.5%	8.2%	0.9	69.9	71.8	76.0	2.7%	5.9%	2.30	BUY
TAMBUN INDAH LAND BHD	1.57	664	6.1	5.6	5.2	6.2%	28.0%	1.5	109.6	118.5	128.2	8.1%	8.2%	2.28	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.

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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**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