

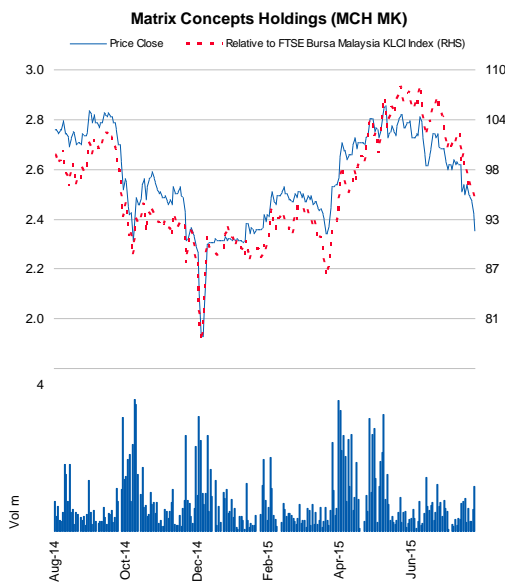
# Matrix Concepts Holdings (MCH MK)

**Buy** (Maintained)

 Property- Real Estate  
 Market Cap: USD324m

 Target Price: MYR2.73  
 Price: MYR2.35

## Still Paying Good Dividend

 Macro   
 Risks   
 Growth   
 Value 


Source: Bloomberg

|                            |             |
|----------------------------|-------------|
| Avg Turnover (MYR/USD)     | 1.99m/0.54m |
| Cons. Upside (%)           | 24.3        |
| Upside (%)                 | 16.2        |
| 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 | 1.6 | (14.3) | (14.1) | (2.8) | (14.1) |
| Relative | 6.1 | (12.6) | (7.3)  | 4.4   | (4.2)  |

### Shariah compliant

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**Matrix's 2Q15 results came in line with our and market expectations. We maintain our BUY rating with a revised TP of MYR2.73 (24% upside) as we take into account the bonus issue adjustment and weak market sentiment. The QoQ drop in earnings was within expectations as the spike in 1Q is not expected to recur in the upcoming quarters. 1H sales of MYR367m are on track to meet management's MYR600m target.**

- ◆ **Within expectation.** Matrix Concepts' (Matrix) 2Q15 earnings were within our and market expectations. 1H15 earnings made up 69% of our full-year forecast, but the QoQ drop in earnings were not a surprise, as we had previously highlighted that the spike in 1Q earnings will not be recurring – as it was largely frontloaded due to the accelerated payments by industrial land buyers to settle the transactions before the goods and services tax (GST) kicked in in April. Of the total revenue of MYR438m for 1H15, property development and industrial land sales contributed MYR338m and MYR95m respectively. The new school and clubhouse operations, meanwhile, contributed MYR5.5m, but the bottomline was, however, affected by the operating loss of MYR4.7m due to start-up expenses. A 3.5 sen single-tier DPS was declared for the quarter.
- ◆ **MYR210m new sales in 2Q.** New sales hit MYR210m in 2Q15, from MYR156.8m in 1Q15. The amount was solely from the property development segment (none from industrial land sales). 1H15 sales of MYR367m are on track to hit management's MYR600m target, on top of MYR100m-150m in industrial land sales. Despite the weak market, the take-up rate for new launches in 2Q was still decent, ie Hijayu 3B (Phase1) at 37% and Hijayu Resorts Homes (Phase 1A) at 35%. Sales for projects launched earlier improved further, with Hijayu 3A (Phase 3) at 86% (1Q15: 68%), and Hijayu 3A (Phase 4) at 96% (1Q15: 32%).
- ◆ **Forecast.** We make no changes in our earnings forecast. Unbilled sales increased to MYR540m from MYR392m in 1Q15.
- ◆ **Maintain BUY.** After adjusting for the recent bonus issue, our TP is revised to MYR2.73 (from MYR3.65), as we also raise the discount to RNAV to 20% (from 15%) in view of the negative sentiment in the equity market, which will likely affect demand in the property sector. The 6% dividend yield should help to support valuations.

| 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)                   | 7.03   | 5.88   | 5.76    | 5.76    | 5.33    |
| P/B (x)                             | 1.94   | 1.57   | 1.38    | 1.25    | 1.11    |
| Dividend Yield (%)                  | 6.6    | 7.4    | 6.4     | 7.2     | 8.1     |
| 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     |

Figure 1: Quarterly results

| FYE Dec (MYRm)    | 2Q14   | 1Q15   | 2Q15   | QoQ (%) | YoY (%) | 1H14   | 1H15   | YoY (%) | Comments  |
|-------------------|--------|--------|--------|---------|---------|--------|--------|---------|---|
| Turnover          | 163.7  | 317.6  | 120.4  | (62.1)  | (26.4)  | 298.4  | 438.0  | 46.8    | The QoQ drop in 2Q was due to the accelerated completion of projects as well as the substantial increase in industrial land sale revenue in 1Q15, which typically commanded higher margins. |
| EBIT              | 58.9   | 156.0  | 43.0   | (72.5)  | (27.1)  | 113.3  | 199.0  | 75.6    |   |
| EBIT margin (%)   | 36.0   | 49.1   | 35.7   |         |         | 38.0   | 45.4   |         |   |
| Net interest      | (0.4)  | (0.6)  | (1.6)  | 148.5   | 351.4   | (0.8)  | (2.2)  | 182.6   |   |
| Pretax profit     | 58.6   | 155.4  | 41.4   | (73.4)  | (29.4)  | 112.5  | 196.7  | 74.9    |   |
| Pretax margin (%) | 35.8   | 48.9   | 34.3   |         |         | 37.7   | 44.9   |         |   |
| Taxation          | (16.1) | (39.9) | (11.5) | (71.2)  | (28.6)  | (31.5) | (51.4) | 63.2    |   |
| Tax rate (%)      | 27.5   | 25.7   | 27.8   |         |         | 28.0   | 26.1   |         |   |
| Minority interest | 0.0    | 0.0    | 0.0    | n.m.    | n.m.    | 0.0    | 0.0    | n.m.    |   |
| Net profit        | 42.4   | 115.4  | 29.9   | (74.1)  | (29.7)  | 81.0   | 145.3  | 79.4    | Within expectations   |
| Net margin (%)    | 25.9   | 36.3   | 24.8   |         |         | 27.1   | 33.2   |         |   |
| EPS (sen)         | 14.0   | 25.2   | 6.5    |         |         | 26.8   | 31.7   |         |   |
| Gross DPS (sen)   | 3.8    | 4.3 *  | 3.5    |         |         | 7.1    | 7.8    |         |   |
| NTA/share (MYR)   | 2.0    | 1.6    | 1.7    |         |         | 2.0    | 1.7    |         |   |

\*3.6 sen after being adjusted for bonus issue

Source: RHB

Figure 2: MCH's RNAV

| Projects  | Remaining landbank (acres) | GDV (MYR m)            | Stake        | NPV @ 13%   |
|---|----------------------------|------------------------|--------------|-------------|
| <i>Bandar Sri Sendayan, Negeri Sembilan</i>     |                            |                        |              |             |
| Ongoing & future developments                   | 1,289.5                    | 3,718.6                | 100%         | 320.4       |
| Taman Seri Impian, Kluang, Johor                | 309.9                      | 857.2                  | 100%         | 102.8       |
| KL land   | 1.1                        | 250                    | 100%         | 14.9        |
| Taman Desa PD 3                                 | 4.3                        | 5.5                    | 100%         | 0.9         |
| Kota Gadong Perdana                             | 294.6                      | 926.4                  | 100%         | 116.3       |
| Third 9 Residence                               | 41.8                       | 144.7                  | 100%         | 19.7        |
| Lobak Commercial Centre                         | 7.3                        | 45.5                   | 100%         | 6.2         |
| Labu land                                       | 236.9                      | 760                    | 100%         | 69.7        |
| Rasah Kemayan land                              | 194.4                      | 800                    | 100%         | 76.3        |
| Puchong   | 5.8                        | 500                    | 100%         |             |
|   | Remaining landbank (acres) | Market price (MYR psf) | BV (MYR psf) | Net surplus |
| Sendayan TechValley 1&2                         | 217                        | 45                     | 10           | 248.1       |
| New industrial land                             | 164.1                      | 33                     | 13           | 64.3        |
| Sendayan TechValley 3                           | 79.0                       | 40                     | 15           | 64.5        |
| Unbilled sales                                  |                            |                        |              | 148.3       |
| Total   |                            |                        |              | 1,252.4     |
| Shareholders' fund                              |                            |                        |              | 686.0       |
| Warrants conversion (exercice price at MYR2.40) |                            |                        |              | 186.8       |
| Total RNAV                                      |                            |                        |              | 2,125.2     |
| Share base                                      |                            |                        |              | 622.7       |
| RNAV/share                                      |                            |                        |              | 3.41        |
| Discount  |                            |                        |              | 20%         |
| Target price                                    |                            |                        |              | 2.73        |

Source: RHB

## 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

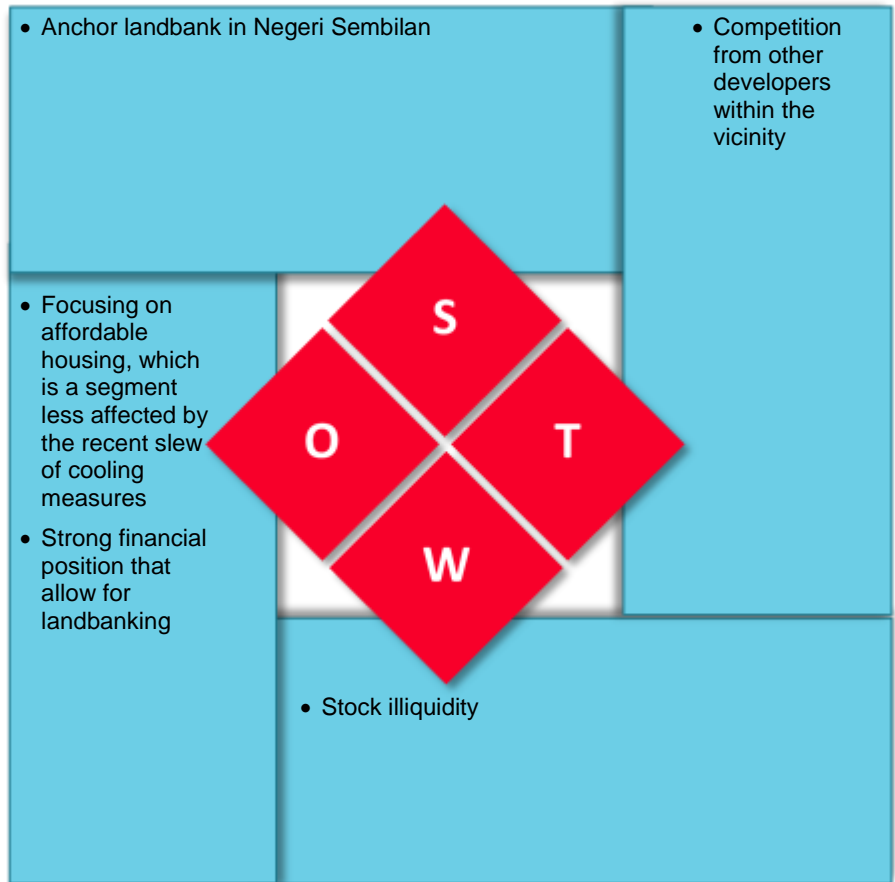
| <b>Balance Sheet (MYRm)</b>           | <b>Dec-13</b> | <b>Dec-14</b> | <b>Dec-15F</b> | <b>Dec-16F</b> | <b>Dec-17F</b> |
|---------------------------------------|---------------|---------------|----------------|----------------|----------------|
| Total cash and equivalents            | 116           | 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

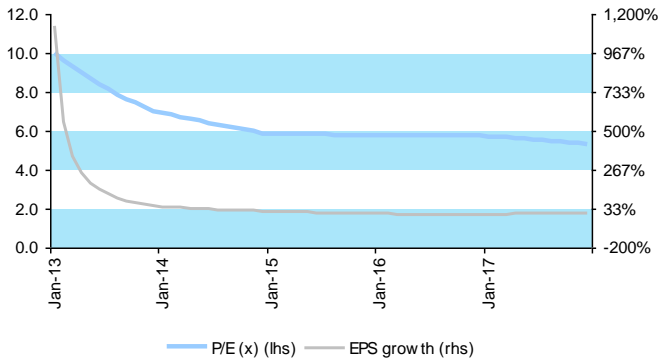
| <b>Key Ratios (MYR)</b>       | <b>Dec-13</b> | <b>Dec-14</b> | <b>Dec-15F</b> | <b>Dec-16F</b> | <b>Dec-17F</b> |
|-------------------------------|---------------|---------------|----------------|----------------|----------------|
| Revenue growth (%)            | 26.0          | 4.1           | 6.0            | 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

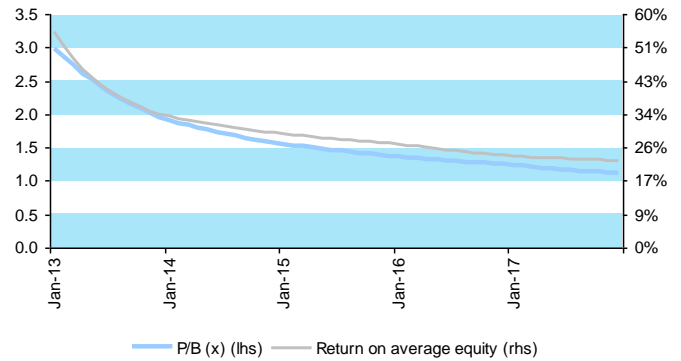


P/E (x) vs EPS growth



Source: Company data, RHB

P/BV (x) vs ROAE



Source: Company data, RHB

## Company Profile

Matrix 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 on developing residential and commercial properties, as well as on industrial land sales.

## Recommendation Chart



Source: RHB, Bloomberg

| Date       | Recommendation | Target Price | Price |
|------------|----------------|--------------|-------|
| 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  |
| 2014-08-19 | 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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