



BIMB SECURITIES RESEARCH MARKET INSIGHT

PP16795/03/2013(031743)

3QFY13

Matrix Concept

Neutral ▼

Above

Dividends galore

Price:

RM3.19

Target Price:

(-11.5%) RM2.86

Stock Data

Bloomberg Ticker	MCH MK	Altman Z-score	NA
Market Cap	974.3	YTD price chg	NA
Issued shares	300.7	YTD KLCI chg	7.0%
52-week range (H)	3.27	Beta	NA
2-week range (L)	2.20	Major Shareholders	
3-mth avg daily volume	431,997	HOCK LEE TIAN	19.9%
Free Float	57.7%	SHINING TERM SDN BHD	16.1%
Shariah Compliant	Y	MAGNITUDE POINT SDN	6.4%
Financial Derivatives	N		

Share Performance (%)

	1mth	3mth	12mth
Absolute	11.0	24.3	NA
vs. KLCI	NA	19.4	NA

Consensus

	2014	2015
Net Profit	142.7	157.0
EPS (sen)	0.5	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	557.4	658.6
EBIT	31.0	106.9	143.3	200.5	224.5
Pretax profit	30.0	106.3	142.8	199.4	223.8
Net Profit	20.5	71.4	103.5	149.6	167.8
EPS (sen)	6.8	23.1	34.5	49.9	55.6
PER (x)	46.7	13.8	9.2	6.4	5.7
DPS (sen)	0	0	9.1	29.9	33.6
Div. Yield (%)	0.0%	0.0%	2.9%	9.4%	10.5%
NTA/share (RM)	1.58	0.15	0.15	0.17	0.19

Margins

EBIT margin	16%	17%	31%	36%	34%
Pretax margin	15%	17%	31%	36%	34%
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%	22%	18%
EBIT	24%	245%	34%	40%	12%
Pretax profit	23%	255%	34%	40%	12%
Net profit	11%	248%	45%	45%	12%

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Matrix Concept's 3Q13 net profit of RM36.2m came in above our expectation but was in line with consensus estimates. Its margin expanded from 28% to 32% due to improved mix of products with better margin i.e. industrial and commercial properties during the quarter. A third interim dividend of 5sen and a special dividend of 5sen were declared, this translates to a gross yield of 8% YTD. Looking at the strong numbers, we revise our FY13-14 earnings forecasts higher by 12-19% after adjusting for its improved margins. As a result, our TP is higher from RM2.86 to RM3.57 on RNAV. We downgrade from Buy to Neutral recommendation.

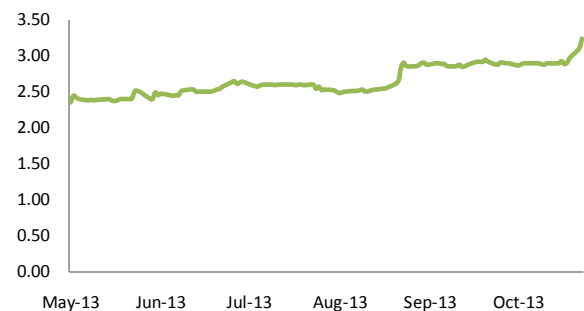
Above expectation. Matrix's 3Q13 net profit increased by 21% on a QoQ basis to RM36.2m. The figures are above our expectation which makes up 89% of our estimates but was in line with market expectations. Sales were slower by 14% QoQ, mainly due to the higher revenue recognition from the sale of Hijayu 1B in 2Q and that sales from Hijayu 3D were not captured during the quarter. Revenue from the land sale has increased from 3% to 5.5%.

Higher 3Q margin. Its net profit improved by 21% on QoQ basis. As a result, the overall EBIT margin increased to 32% from 28%. This was attributable to the increase in industrial and commercial properties which commanded a substantially better margin.

Third interim dividend announced. The company has also announced a third interim single tier dividend of 5sen and a special dividend of 5sen, totaling to a net dividend of 25sen as at year to date. This translates to a gross yield of 8%.

Recommendation. Looking at the good numbers and with a GDV of at least RM2.4bn to be launched in 2013-2014, we revise our FY13 and FY14 earnings forecasts higher by 12-19% to RM149.6m and RM167.8m respectively after adjusting for higher margins on more sales of industrial and commercial properties over the last 2 quarters and the forecast on land sale. We maintain our TP at RM2.86 at 20% discount to RNAV. Given the limited upside potential, we downgrade from Buy to Neutral recommendation.

Share Price Chart



Quarterly figures

FY 31 Dec (RMm)	3QFY12	4QFY12	1QFY13	2QFY13	3QFY13	QoQ Chg	YoY Chg	YTD FY12	YTD FY13	YTD Chg
Revenue	NA	NA	155.6	147.3	127.4	-14%	NA	NA	430.3	NA
EBIT	NA	NA	61.4	40.5	47.4	17%	NA	NA	149.3	NA
Pretax profit	NA	NA	61.5	40.6	48.7	20%	NA	NA	150.8	NA
Taxation	NA	NA	-15.5	-10.5	-12.5	19%	NA	NA	-38.6	NA
Minority interest	NA	NA	0.0	0.0	0.0	NM	NA	NA	0.0	NA
Net Profit	NA	NA	46.0	30.0	36.2	21%	NA	NA	112.2	NA
EPS (sen)	NA	NA	15.33	10.01	12.07	21%	NA	NA	37.41	NA
Net gearing (x)	NA	NA	NC	NC	NC	N/A	NA	NA	NC	NA
EBIT margin (%)	NA	NA	42%	28%	32%	17%	NA	NA	101%	NA
PBT margin (%)	NA	NA	42%	28%	33%	20%	NA	NA	102%	NA
Net margin (%)	NA	NA	31%	20%	25%	21%	NA	NA	76%	NA
Effective tax rate	NA	NA	25%	26%	26%	1%	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

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