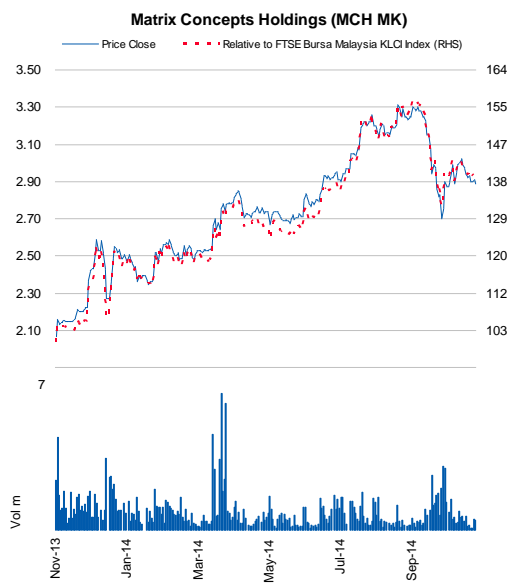


Matrix Concepts Holdings(MCH MK)
Buy (Maintained)

 Property- Real Estate
 Market Cap: USD393m

 Target Price: **MYR3.93**
 Price: **MYR2.88**

Dividend And Earnings On Track

 Macro
 Risks
 Growth
 Value


Source: Bloomberg

Avg Turnover (MYR/USD)	2.08m/0.64m
Cons. Upside (%)	27.4
Upside (%)	36.5
52-wk Price low/high (MYR)	1.99 - 3.31
Free float (%)	43
Share outstanding (m)	457
Shareholders (%)	
Dato' Lee & Family	60.0

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	26.7	2.1	(10.6)	4.3	48.5
Relative	29.4	1.0	(8.1)	7.7	46.7

Shariah compliant

 Loong Kok Wen, CFA +603 9207 7614
loong.kok.wen@rhbgroup.com

Matrix's 3Q14 results came in within expectations. Maintain BUY and MYR3.93 TP, a 36.5% upside. New property sales stayed resilient at MYR159m vs 2Q's MYR166m. While FY14 total new sales are likely to come in 10% lower from last year's MYR788m, we believe next year's sales will be stronger, given the pipeline launches worth MYR1bn GDV and more industrial land plots being transacted.

- ◆ **Within expectations.** Matrix Concepts' (Matrix) 3Q14 results came in line with our and market expectations. The QoQ decline in revenue was mainly due to the early construction stage of Hijayu 3A and, hence, minimal progress billings contribution during the quarter. However, the stronger EBIT margin of 40% (2Q14: 36%) was due to higher margin products from recent launches, which have lifted net earnings, with 6.2% QoQ growth. Also in line with our expectation was the 3.75 sen interim single-tier dividend declared, ie the same as the previous quarter's payout.
- ◆ **Property sales stayed resilient in 3Q.** Matrix's new property sales in 3Q reached MYR158.5m (2Q: MYR166m), bringing 9M new sales to MYR450m. Of the MYR158.5m figure, MYR146m was made up of property sales while the remainder was from industrial land sales. Within weeks after their launches in August, take-up rates for its new projects, ie Hijayu 3A – Dextora and another phase at Taman Sri Impian, achieved 30%. YTD, the average take-up rate for all projects launched this year was more than 70%. While FY14 new sales will likely come in at about 10% lower from last year's MYR788m, we believe next year's sales will be stronger. This will be due to the timing to transact some higher-margin industrial land disposals as well as MYR1bn worth of new launches planned for FY15.
- ◆ **The international school has opened.** In September, Matrix launched its Matrix Global Schools at the Bandar Sri Sendayan township. The school comprises Matrix Private School and International Pre-School. The private school is slated to open for registration in 1Q15.
- ◆ **Forecast.** We make no changes to our earnings forecasts. Unbilled sales remained steady at MYR410.5m (2Q14: MYR435m).
- ◆ **Maintain BUY.** We maintain our BUY rating and MYR3.93 TP on the stock, based on 10% discount to RNAV.

Forecasts and Valuations	Dec-12	Dec-13	Dec-14F	Dec-15F	Dec-16F
Total turnover (MYRm)	456	575	662	770	814
Reported net profit (MYRm)	103	153	165	185	207
Recurring net profit (MYRm)	103	153	165	185	207
Recurring net profit growth (%)	na	47.7	8.2	11.8	12.0
Recurring EPS (MYR)	0.23	0.33	0.36	0.40	0.44
DPS (MYR)	0.00	0.23	0.15	0.16	0.17
Recurring P/E (x)	12.7	8.6	8.0	7.2	6.5
P/B (x)	3.85	2.38	2.01	1.73	1.49
Dividend Yield (%)	0.0	8.1	5.1	5.6	6.0
Return on average equity (%)	60.5	34.2	27.4	26.0	24.8
Return on average assets (%)	35.3	20.6	17.1	16.7	16.5
Net debt to equity (%)	(2.7)	(11.8)	(8.6)	(6.2)	(11.0)
Our vs consensus EPS (adjusted) (%)			(0.8)	(3.4)	4.6

Figure 1: Matrix's quarterly results

FYE Dec (MYRm)	3Q13	2Q14	3Q14	q-o-q (%)	y-o-y (%)	9M13	9M14	y-o-y (%)	Comments
Turnover	127.4	163.7	148.8	(9.1)	16.8	430.3	447.3	3.9	The sequential decline was due to the early stage of construction for Hijayu 3A.
EBIT	49.0	58.9	58.9	0.0	20.2	151.6	172.2	13.6	Due to higher margin from recently launched products.
EBIT margin (%)	38.5	36.0	39.6			35.2	38.5		
Net interest	(0.3)	(0.4)	(0.5)	31.9	58.3	(0.8)	(1.3)	61.5	
Pretax profit	48.7	58.6	58.5	(0.2)	19.9	150.8	171.0	13.4	
Pretax margin (%)	38.3	35.8	39.3			35.0	38.2		
Taxation	(12.5)	(16.1)	(13.4)	(17.0)	6.6	(38.6)	(44.9)	16.3	Lower tax rate was due to a reversal of non-deductible expenses for tax purposes on an over provision in the preceding quarter.
Tax rate (%)	25.7	27.5	22.9			25.6	26.2		
Minority interest	0.0	0.0	0.0	n.m.	n.m.	0.0	0.0	n.m.	
Net profit	36.2	42.4	45.1	6.2	24.5	112.2	126.1	12.3	Within expectations
Net margin (%)	28.4	25.9	30.3			26.1	28.2		
EPS (sen)	12.1	14.0	10.5			88.9	37.3		
Gross DPS (sen)	10.0	3.8	3.8			30.5	12.5		
NTA/share (MYR)	1.6	2.0	1.4			1.6	1.4		

Source: RHB estimates

Figure 2: Matrix's RNAV

Projects	Remaining landbank (acres)	GDV (MYR m)	Stake	NPV @ 13%
<i>Bandar Sri Sendayan, Negeri Sembilan</i>				
Ongoing & future developments	1,382.2	3,985.9	100%	440.8
Taman Seri Impian, Kluang, Johor	326	901.7	100%	126.3
KL land	1.1	250	100%	26.4
Taman Desa PD 3	4.3	5.5	100%	1.0
Kota Gadong Perdana	294.6	926.4	100%	123.2
Third 9 Residence	41.8	144.7	100%	20.9
Lobak Commercial Centre	7.3	45.5	100%	6.9
Labu land	236.9	760	100%	92.7
Rasah Kemayan land	194.4	800	100%	101.5
	Remaining landbank (acres)	Market price (MYR psf)	BV (MYR psf)	Net surplus
Sendayan TechValley	243.7	45	10	278.7
New industrial land	164.1	32	13	76.4
Unbilled sales				148.3
Total				1,443.0
Shareholders' fund				552.4
Total RNAV				1,995.4
Share base				456.4
RNAV/share				4.37
Discount				10%
Fair value				3.93

Source: RHB

Financial Exhibits

Profit & Loss (MYRm)	Dec-12	Dec-13	Dec-14F	Dec-15F	Dec-16F
Total turnover	456	575	662	770	814
Cost of sales	(263)	(305)	(367)	(443)	(452)
Gross profit	193	270	295	327	362
Selling expenses	(47)	(62)	(72)	(78)	(85)
Other operating costs	(2)	1	4	4	4
Operating profit	144	209	227	253	280
Operating EBITDA	144	209	227	253	280
Operating EBIT	144	209	227	253	280
Interest expense	(1)	(1)	(2)	(2)	(2)
Pre-tax profit	143	207	224	251	278
Taxation	(39)	(54)	(59)	(66)	(71)
Profit after tax & minorities	103	153	165	185	207
Reported net profit	103	153	165	185	207
Recurring net profit	103	153	165	185	207

Source: Company data, RHB

Cash flow (MYRm)	Dec-12	Dec-13	Dec-14F	Dec-15F	Dec-16F
Operating profit	144	209	227	253	280
Change in working capital	(288)	(1)	(60)	(75)	(30)
Other operating cash flow	268	(112)	20	37	38
Operating cash flow	124	95	186	216	289
Interest paid	(1)	(1)	(2)	(2)	(2)
Tax paid	(39)	(54)	(59)	(66)	(71)
Cash flow from operations	84	40	125	148	215
Capex	(14)	(3)	(50)	(50)	(50)
Other investing cash flow	(39)	(66)	-	-	-
Cash flow from investing activities	(53)	(69)	(50)	(50)	(50)
Dividends paid	-	-	(107)	(67)	(74)
Proceeds from issue of shares	238	164	-	-	-
Increase in debt	21	29	-	-	-
Other financing cash flow	(260)	(111)	22	(42)	(41)
Cash flow from financing activities	(0)	83	(85)	(109)	(115)
Cash at beginning of period	-	31	116	107	99
Total cash generated	31	53	(10)	(11)	51
Implied cash at end of period	31	84	106	96	149

Source: Company data, RHB

Financial Exhibits

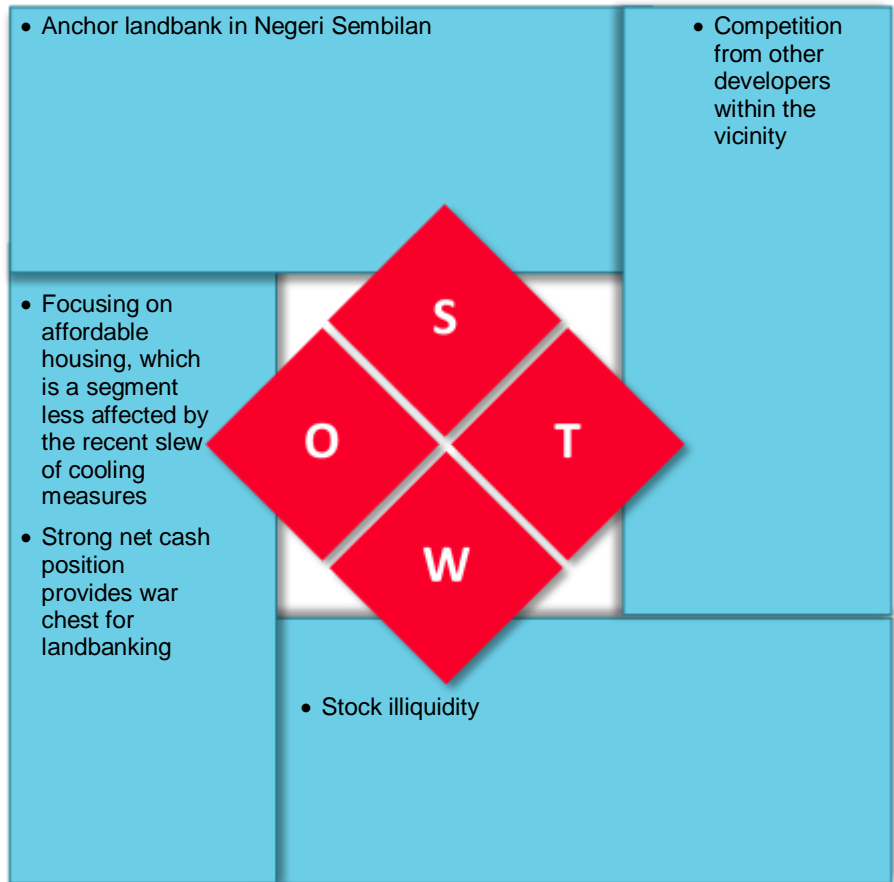
Balance Sheet (MYRm)	Dec-12	Dec-13	Dec-14F	Dec-15F	Dec-16F
Total cash and equivalents	31	116	107	99	150
Inventories	2	2	2	2	2
Accounts receivable	120	141	162	189	199
Other current assets	389	444	511	595	629
Total current assets	542	702	783	884	980
Total investments	43	192	241	291	340
Total other assets	2	7	7	7	7
Total non-current assets	45	198	248	298	347
Total assets	587	900	1,031	1,182	1,327
Short-term debt	4	35	35	35	35
Accounts payable	190	246	275	310	324
Other current liabilities	33	52	52	52	52
Total current liabilities	227	333	362	397	411
Total long-term debt	18	15	15	15	15
Other liabilities	0	-	-	-	-
Total non-current liabilities	18	15	15	15	15
Total liabilities	245	348	377	412	427
Share capital	51	301	457	462	466
Retained earnings reserve	291	181	126	238	364
Other reserves	0	70	70	70	70
Shareholders' equity	342	552	654	770	901
Total equity	342	552	654	770	901
Total liabilities & equity	587	900	1,031	1,182	1,327

Source: Company data, RHB

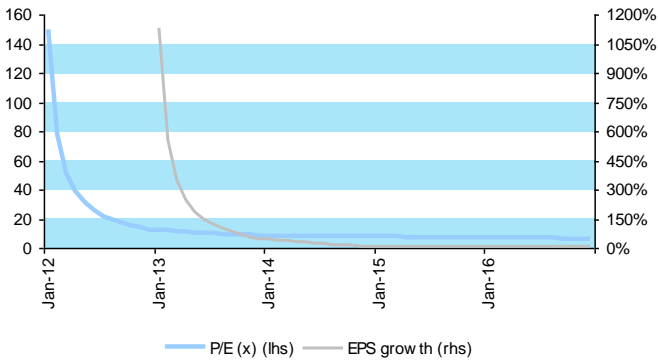
Key Ratios (MYR)	Dec-12	Dec-13	Dec-14F	Dec-15F	Dec-16F
Revenue growth (%)	0.0	26.0	15.2	16.3	5.6
Operating profit growth (%)	0.0	45.1	8.6	11.7	10.8
Net profit growth (%)	0.0	47.7	8.2	11.8	12.0
EPS growth (%)	0.0	47.7	8.2	10.7	10.9
Bv per share growth (%)	0.0	61.5	18.4	16.5	15.9
Operating margin (%)	31.5	36.3	34.2	32.9	34.5
Net profit margin (%)	22.7	26.6	25.0	24.0	25.5
Return on average assets (%)	35.3	20.6	17.1	16.7	16.5
Return on average equity (%)	60.5	34.2	27.4	26.0	24.8
Net debt to equity (%)	(2.7)	(11.8)	(8.6)	(6.2)	(11.0)
DPS	0.00	0.23	0.15	0.16	0.17
Recurrent cash flow per share	0.18	0.09	0.27	0.32	0.46

Source: Company data, RHB

SWOT Analysis

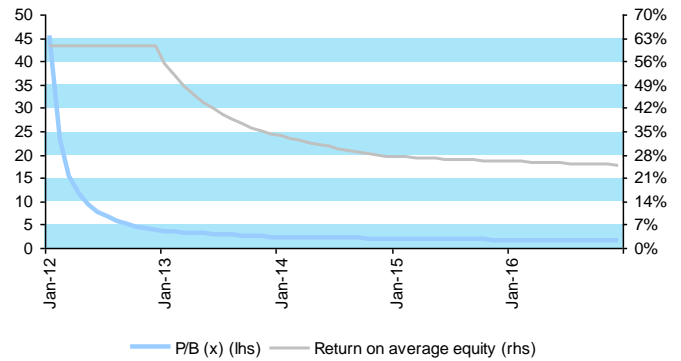


P/E (x) vs EPS growth



Source: Company data, RHB

P/BV (x) vs ROAE



Source: Company data, RHB

Company Profile

Matrix Concepts (Matrix) 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 sales.

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2014-09-21	Buy	3.93	3.25
2014-08-20	Buy	3.80	3.20
2014-08-19	Buy	3.80	3.20
2014-05-21	Buy	5.00	2.67
2014-04-14	Buy	5.00	2.77
2014-02-26	Buy	5.00	2.52
2014-01-07	Buy	5.00	2.55

Source: RHB, Bloomberg

RHB Guide to Investment Ratings

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

Disclosure & Disclaimer

All research is based on material compiled from data considered to be reliable at the time of writing, but RHB does not make any representation or warranty, express or implied, as to its accuracy, completeness or correctness. No part of this report is to be construed as an offer or solicitation of an offer to transact any securities or financial instruments whether referred to herein or otherwise. This report is general in nature and has been prepared for information purposes only. It is intended for circulation to the clients of RHB and its related companies. Any recommendation contained in this report does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This report is for the information of addressees only and is not to be taken in substitution for the exercise of judgment by addressees, who should obtain separate legal or financial advice to independently evaluate the particular investments and strategies.

This report may further consist of, whether in whole or in part, summaries, research, compilations, extracts or analysis that has been prepared by RHB's strategic, joint venture and/or business partners. No representation or warranty (express or implied) is given as to the accuracy or completeness of such information and accordingly investors should make their own informed decisions before relying on the same.

RHB, its affiliates and related companies, their respective directors, associates, connected parties and/or employees may own or have positions in securities of the company(ies) covered in this research report or any securities related thereto, and may from time to time add to, or dispose off, or may be materially interested in any such securities. Further, RHB, its affiliates and related companies do and seek to do business with the company(ies) covered in this research report and may from time to time act as market maker or have assumed an underwriting commitment in securities of such company(ies), may sell them or buy them from customers on a principal basis and may also perform or seek to perform significant investment banking, advisory or underwriting services for or relating to such company(ies), as well as solicit such investment, advisory or other services from any entity mentioned in this research report.

RHB and its employees and/or agents do not accept any liability, be it directly, indirectly or consequential losses, loss of profits or damages that may arise from any reliance based on this report or further communication given in relation to this report, including where such losses, loss of profits or damages are alleged to have arisen due to the contents of such report or communication being perceived as defamatory in nature.

The term "RHB" shall denote where applicable, the relevant entity distributing the report in the particular jurisdiction mentioned specifically herein below and shall refer to RHB Research Institute Sdn Bhd, its holding company, affiliates, subsidiaries and related companies.

All Rights Reserved. This report is for the use of intended recipients only and may not be reproduced, distributed or published for any purpose without prior consent of RHB and RHB accepts no liability whatsoever for the actions of third parties in this respect.

Malaysia

This report is published and distributed in Malaysia by RHB Research Institute Sdn Bhd (233327-M), Level 11, Tower One, RHB Centre, Jalan Tun Razak, 50400 Kuala Lumpur, a wholly-owned subsidiary of RHB Investment Bank Berhad (RHBIB), which in turn is a wholly-owned subsidiary of RHB Capital Berhad.

Singapore

This report is published and distributed in Singapore by DMG & Partners Research Pte Ltd (Reg. No. 200808705N), a wholly-owned subsidiary of DMG & Partners Securities Pte Ltd, a joint venture between Deutsche Asia Pacific Holdings Pte Ltd (a subsidiary of Deutsche Bank Group) and OSK Investment Bank Berhad, Malaysia which have since merged into RHB Investment Bank Berhad (the merged entity is referred to as "RHBIB", which in turn is a wholly-owned subsidiary of RHB Capital Berhad). DMG & Partners Securities Pte Ltd is a Member of the Singapore Exchange Securities Trading Limited. DMG & Partners Securities Pte Ltd may have received compensation from the company covered in this report for its corporate finance or its dealing activities; this report is therefore classified as a non-independent report.

As of 16 November 2014, DMG & Partners Securities Pte Ltd and its subsidiaries, including DMG & Partners Research Pte Ltd do not have proprietary positions in the securities covered in this report, except for:

a) -

As of 16 November 2014, none of the analysts who covered the securities in this report has an interest in such securities, except for:

a) -

Special Distribution by RHB

Where the research report is produced by an RHB entity (excluding DMG & Partners Research Pte Ltd) and distributed in Singapore, it is only distributed to "Institutional Investors", "Expert Investors" or "Accredited Investors" as defined in the Securities and Futures Act, CAP. 289 of Singapore. If you are not an "Institutional Investor", "Expert Investor" or "Accredited Investor", this research report is not intended for you and you should disregard this research report in its entirety. In respect of any matters arising from, or in connection with this research report, you are to contact our Singapore Office, DMG & Partners Securities Pte Ltd

Hong Kong

This report is published and distributed in Hong Kong by RHB OSK Securities Hong Kong Limited ("RHBOSK") (formerly known as OSK Securities Hong Kong Limited), a subsidiary of OSK Investment Bank Berhad, Malaysia which have since merged into RHB Investment Bank Berhad (the merged entity is referred to as "RHBIB"), which in turn is a wholly-owned subsidiary of RHB Capital Berhad.

RHBSHK, RHBIB and/or other affiliates may beneficially own a total of 1% or more of any class of common equity securities of the subject company. RHBSHK, RHBIB and/or other affiliates may, within the past 12 months, have received compensation and/or within the next 3 months seek to obtain compensation for investment banking services from the subject company.

Risk Disclosure Statements

The prices of securities fluctuate, sometimes dramatically. The price of a security may move up or down, and may become valueless. It is as likely that losses will be incurred rather than profit made as a result of buying and selling securities. Past performance is not a guide to future performance. RHBSHK does not maintain a predetermined schedule for publication of research and will not necessarily update this report

Indonesia

This report is published and distributed in Indonesia by PT RHB OSK Securities Indonesia (formerly known as PT OSK Nusadana Securities Indonesia), a subsidiary of OSK Investment Bank Berhad, Malaysia, which have since merged into RHB Investment Bank Berhad, which in turn is a wholly-owned subsidiary of RHB Capital Berhad.

Thailand

This report is published and distributed in Thailand by RHB OSK Securities (Thailand) PCL (formerly known as OSK Securities (Thailand) PCL), a subsidiary of OSK Investment Bank Berhad, Malaysia, which have since merged into RHB Investment Bank Berhad, which in turn is a wholly-owned subsidiary of RHB Capital Berhad.

Other Jurisdictions

In any other jurisdictions, this report is intended to be distributed to qualified, accredited and professional investors, in compliance with the law and regulations of the jurisdictions.

Kuala Lumpur	Hong Kong	Singapore
<p>Malaysia Research Office RHB Research Institute Sdn Bhd Level 11, Tower One, RHB Centre Jalan Tun Razak Kuala Lumpur Malaysia Tel : +(60) 3 9280 2185 Fax : +(60) 3 9284 8693</p>	<p>RHB OSK Securities Hong Kong Ltd. (formerly known as OSK Securities Hong Kong Ltd.) 12th Floor World-Wide House 19 Des Voeux Road Central, Hong Kong Tel : +(852) 2525 1118 Fax : +(852) 2810 0908</p>	<p>DMG & Partners Securities Pte. Ltd. 10 Collyer Quay #09-08 Ocean Financial Centre Singapore 049315 Tel : +(65) 6533 1818 Fax : +(65) 6532 6211</p>
Jakarta	Shanghai	Phnom Penh
<p>PT RHB OSK Securities Indonesia (formerly known as PT OSK Nusadana Securities Indonesia) Plaza CIMB Niaga 14th Floor Jl. Jend. Sudirman Kav.25 Jakarta Selatan 12920, Indonesia Tel : +(6221) 2598 6888 Fax : +(6221) 2598 6777</p>	<p>RHB OSK (China) Investment Advisory Co. Ltd. (formerly known as OSK (China) Investment Advisory Co. Ltd.) Suite 4005, CITIC Square 1168 Nanjing West Road Shanghai 20041 China Tel : +(8621) 6288 9611 Fax : +(8621) 6288 9633</p>	<p>RHB OSK Indochina Securities Limited (formerly known as OSK Indochina Securities Limited) No. 1-3, Street 271 Sangkat Toeuk Thla, Khan Sen Sok Phnom Penh Cambodia Tel : +(855) 23 969 161 Fax : +(855) 23 969 171</p>
Bangkok		
<p>RHB OSK Securities (Thailand) PCL (formerly known as OSK Securities (Thailand) PCL) 10th Floor, Sathorn Square Office Tower 98, North Sathorn Road, Silom Bangrak, Bangkok 10500 Thailand Tel: +(66) 2 862 9999 Fax: +(66) 2 108 0999</p>		