

Matrix Concepts Holdings (MCH MK)
Buy (Maintained)

Property- Real Estate

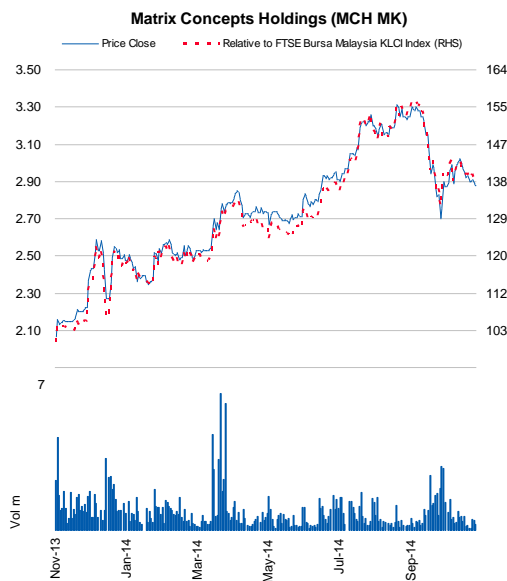
Target Price: MYR3.93

Market Cap: USD392m

Price: MYR2.87

Encouraging Sales Outlook For FY15

Macro	◆◆◆
Risks	◆◆
Growth	◆◆◆
Value	◆◆◆



Source: Bloomberg

Avg Turnover (MYR/USD)	2.10m/0.65m
Cons. Upside (%)	27.9
Upside (%)	36.9
52-wk Price low/high (MYR)	2.07 - 3.31
Free float (%)	43
Share outstanding (m)	457
Shareholders (%)	
Dato' Lee Tian Hock & family	60.0

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	26.3	4.0	(10.9)	4.7	44.4
Relative	29.2	2.6	(8.2)	8.4	43.1

Shariah compliant

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Matrix's FY15 outlook seems encouraging as more land deals can be sealed next year. Maintain BUY and MYR3.93 TP, a 37% upside. Its pipeline products are also suitable in view of the catalytic components that can attract population and commercial activities within the townships. The issues of potential higher bumiputera quota in Negeri Sembilan were well addressed during the briefing.

- ◆ **More land sales in 2015.** We came away from Matrix Concepts' (Matrix) briefing feeling positive. While industrial land sales will likely be lower this year, we expect the amount to be higher next year on the transaction of two parcels of land, measuring 29.6 acres and 55 acres respectively, which will be completed in 2015. In fact, the transactions could be fast-tracked due to the goods and services tax (GST) implementation in 2Q15. We estimate that these two parcels could yield a net profit of ~MYR35m-37m, assuming a MYR40 psf selling price. Currently, there are still two more parcels under negotiation, including an 80-acre parcel in the newly-acquired land at Sendayan TechPark. If these deals can be concluded in a timely manner, Matrix's FY15 earnings could be further boosted, and potentially exceed our forecast. Management also hinted at a higher final dividend payout in 4Q14.
- ◆ **MYR1bn launches lined up for next year.** Matrix's new launches planned for FY15 are worth MYR1bn GDV, of which 20% comprise commercial properties. In our view, the commercial products should be quite sellable, given the growth phase of the Bandar Sri Sendayan township with the recent opening of the international school and the Royal Malaysian Air Force's (TUDM) academy in 2-3 years' time. Taman Seri Impian, Kluang, will also have some commercial shop launches worth ~MYR300m GDV as the township will likely see the development of a new Japanese retail mall next year.
- ◆ **Minimal impact from higher bumiputera quota.** During the briefing, CEO Dato' Lee Tian Hock illustrated the potential impact on GDV if the Negeri Sembilan State Government was to raise the bumiputera quota for housing to 50% from 30%. The overall impact should be marginal as the threshold for low- and medium-cost housing may be redefined and, hence, the higher quota can be allocated to these segments.
- ◆ **Maintain BUY.** While the operating environment next year will likely be challenging, we maintain our positive view on Matrix's sales outlook.

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	7.9	7.2	6.5
P/B (x)	3.84	2.37	2.01	1.72	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 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				457.3
RNAV/share				4.36
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

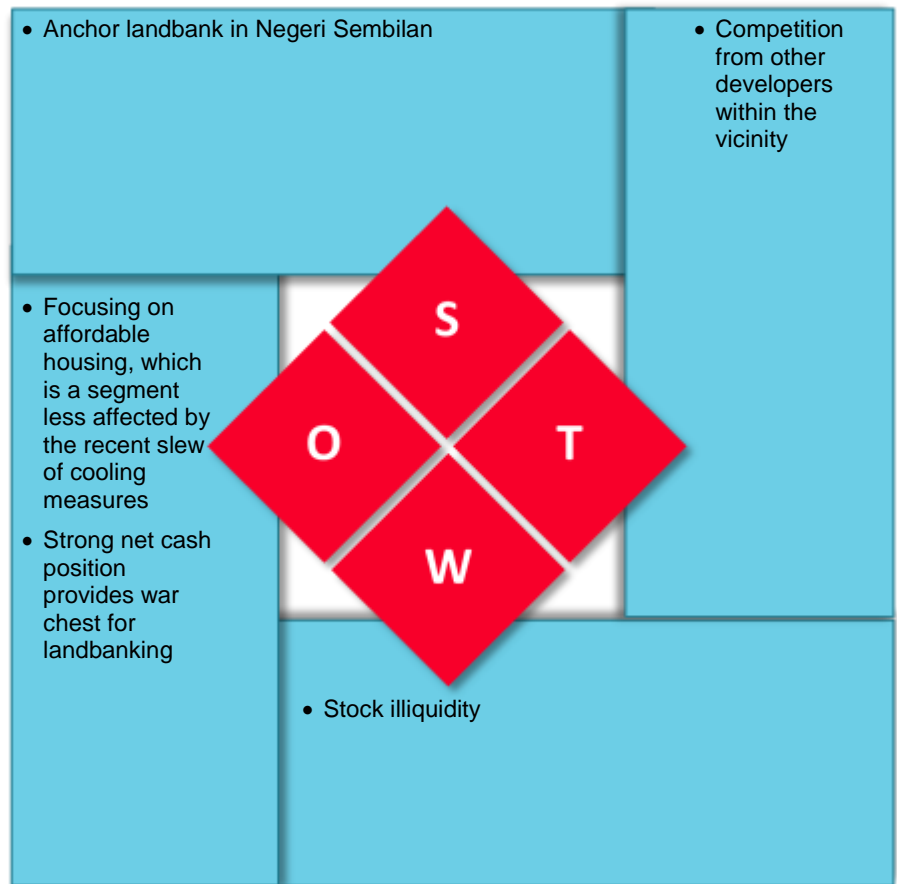
Balance Sheet (MYRm)	Dec-12	Dec-13	Dec-14F	Dec-15F	Dec-16F
Total cash and equivalents	31	116	107	99	150
Inventories	2	2	2	2	2
Accounts receivable	120	141	162	189	199
Other current assets	389	444	511	595	629
Total current assets	542	702	783	884	980
Total investments	43	192	241	291	340
Total other assets	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

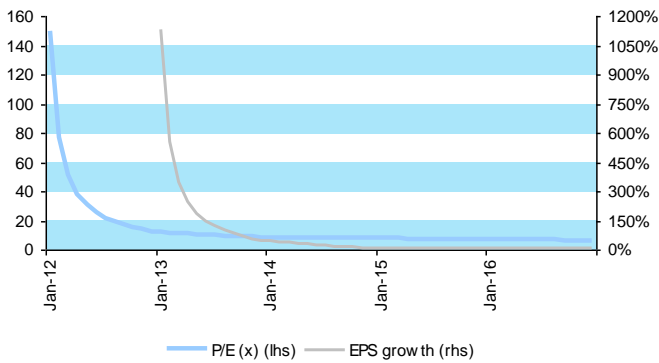
Key Ratios (MYR)	Dec-12	Dec-13	Dec-14F	Dec-15F	Dec-16F
Revenue growth (%)	0.0	26.0	15.2	16.3	5.6
Operating profit growth (%)	0.0	45.1	8.6	11.7	10.8
Net profit growth (%)	0.0	47.7	8.2	11.8	12.0
EPS growth (%)	0.0	47.7	8.2	10.7	10.9
Bv per share growth (%)	0.0	61.5	18.4	16.5	15.9
Operating margin (%)	31.5	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

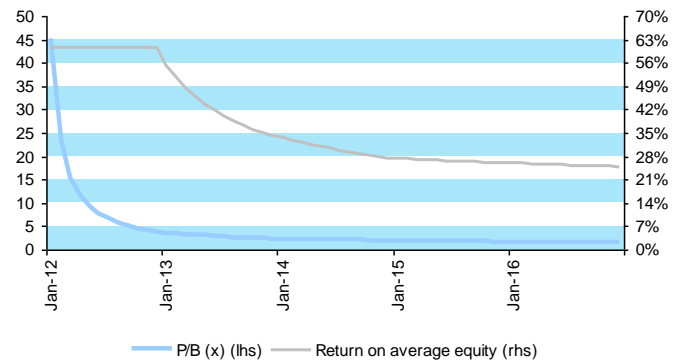


P/E (x) vs EPS growth



Source: Company data, RHB

P/BV (x) vs ROAE

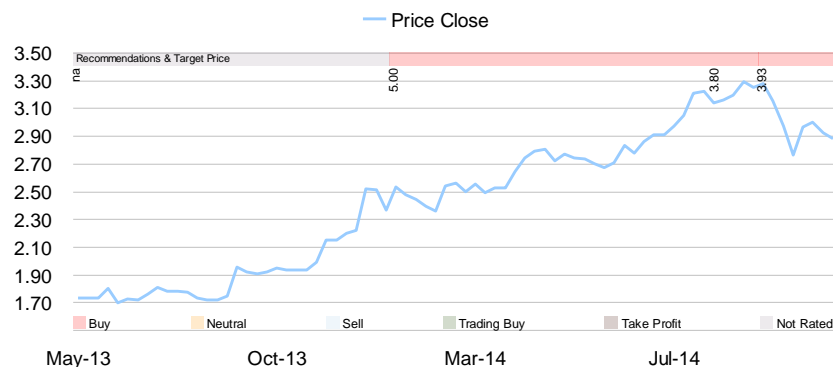


Source: Company data, RHB

Company Profile

Matrix Concepts 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
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
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