

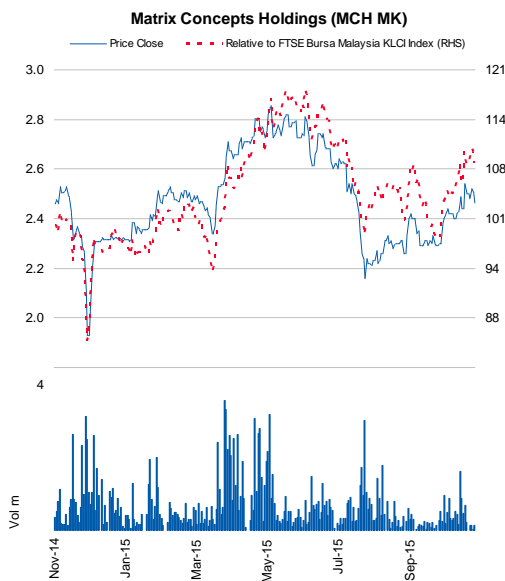
# Matrix Concepts Holdings(MCH MK)

**Buy** (Maintained)

 Property- Real Estate  
 Market Cap: USD309m

 Target Price: MYR2.73  
 Price: MYR2.46

## Demand For Affordable Housing Is Strong

 Macro   
 Risks   
 Growth   
 Value 


Source: Bloomberg

Avg Turnover (MYR/USD)	0.87m/0.20m
Cons. Upside (%)	18.7
Upside (%)	11.0
52-wk Price low/high (MYR)	1.93 - 2.85
Free float (%)	43
Share outstanding (m)	550
<b>Shareholders (%)</b>	
Dato' Lee & Family	60.0

### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	6.3	7.0	10.8	(10.9)	(0.4)
Relative	12.3	10.6	7.1	(2.3)	8.3

### Shariah compliant

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**Matrix's 3Q15 results came in line with our and market expectations. We maintain our BUY rating with a MYR2.73 TP (11% upside). 9M15 new sales of MYR612m have largely met management's MYR600m-700m target for the year. Despite the property market slowdown, the take-up rate for different phases in Bandar Sri Sendayan has improved further. Some 3,000 units of affordable houses priced at around MYR300,000 per unit will also be rolled out next year.**

- ◆ **Within expectations.** Matrix Concepts' (Matrix) 3Q15 earnings were within our and market expectations. 9M15 earnings made up 84% of our full-year estimate. To reiterate, its 1Q15 earnings spiked up due to the accelerated payments made by industrial land buyers to close the transactions before the GST took effect in April. Hence, the slower 2Q15 and 3Q15 were largely within expectations. Of its total revenue of MYR121m for 3Q15, property development and industrial land sales contributed MYR91m and MYR26m respectively. Contributions from its new school and clubhouse were minimal, as both recorded start-up operating losses. A 3.5 sen single-tier DPS was declared for the quarter.
- ◆ **MYR244.5m new sales in 3Q15** from MYR210m in 2Q15, bringing 9M15 new sales to MYR611.8m. The amount was largely from Matrix's property development segment as foreign industrial players are still cautious on Malaysia's political risk. Nevertheless, management's target for MYR600m-700m for the year has largely been met. The take-up rate for this year's launches improved further in 3Q, with Hijayu 3B (Phase1) achieving 83% vs 37% in 2Q15, while that of Hijayu Resorts Homes (Phase 1A) was at 45% from 35%. Suriaman 1 Phase 1, launched in 3Q15, was 83%-sold, while Impiana Bayu 2 @ Taman Sri Impian was 88%-sold.
- ◆ **We make no changes to our earnings forecast.** Unbilled sales rose to MYR640.5m, from MYR540m in 2Q15.
- ◆ **We maintain our BUY rating and MYR2.73 TP**, based on a 20% discount to RNAV. We remain confident on the company, given its sales growth and its ready strategy to counter the property market slowdown. Next year, management plans to launch 3,200 units of affordable homes in Kota Gadong Perdana and this would very much help to sustain its earnings growth and, more importantly, dividend payout.

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)	7.35	6.16	6.02	6.03	5.58
P/B (x)	2.04	1.64	1.44	1.31	1.16
Dividend Yield (%)	6.3	7.0	6.1	6.9	7.7
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: Results review

FYE Dec (MYRm)	3Q14	2Q15	3Q15	QoQ (%)	YoY (%)	9M14	9M15	YoY (%)	Comments
<b>Turnover</b>	<b>148.8</b>	<b>120.4</b>	<b>121.4</b>	<b>0.8</b>	<b>(18.4)</b>	<b>447.3</b>	<b>559.4</b>	<b>25.1</b>	
EBIT	58.9	43.0	40.1	(6.6)	(31.9)	172.2	239.1	38.8	Lower EBIT margin was attributed to the operating losses incurred by its clubhouse and school.
EBIT margin (%)	39.6	35.7	33.1			38.5	42.7		
Net interest	(0.5)	(1.6)	0.1	(105.4)	(118.6)	(1.3)	(2.2)	71.0	
<b>Pretax profit</b>	<b>58.5</b>	<b>41.4</b>	<b>40.2</b>	<b>(2.8)</b>	<b>(31.2)</b>	<b>171.0</b>	<b>236.9</b>	<b>38.6</b>	
Pretax margin (%)	39.3	34.3	33.1			38.2	42.4		
Taxation	(13.4)	(11.5)	(9.1)	(20.7)	(31.7)	(44.9)	(60.6)	34.9	
Tax rate (%)	22.9	27.8	22.7			26.2	25.6		
<b>Net profit</b>	<b>45.1</b>	<b>29.9</b>	<b>31.1</b>	<b>4.1</b>	<b>(31.1)</b>	<b>126.1</b>	<b>176.4</b>	<b>39.9</b>	Within expectations.
Net margin (%)	30.3	24.8	25.6			28.2	31.5		
EPS (sen)	10.5	6.5	5.9			37.3	37.6		
Gross DPS (sen)	3.8	3.5	3.5			10.8	11.3		
NTA/share (MYR)	1.4	1.7	1.5			1.4	1.5		

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

## Financial Exhibits

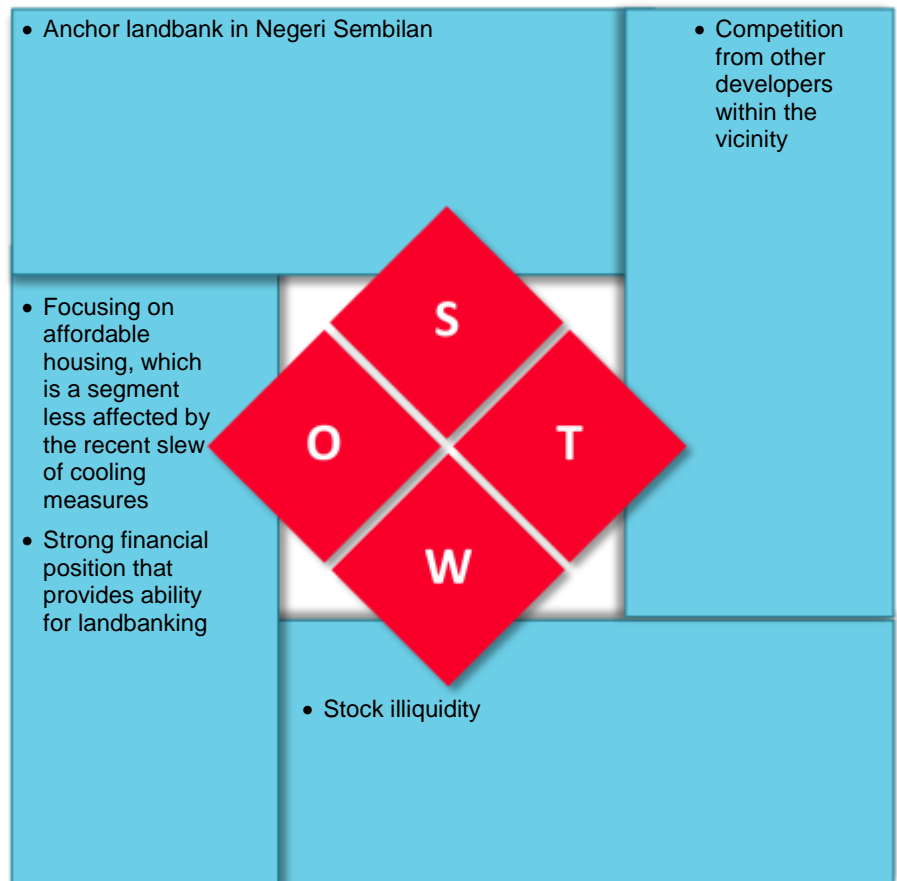
<b>Balance Sheet (MYRm)</b>	<b>Dec-13</b>	<b>Dec-14</b>	<b>Dec-15F</b>	<b>Dec-16F</b>	<b>Dec-17F</b>
Total cash and equivalents	116	97	270	326	270
Inventories	2	2	2	3	3
Accounts receivable	141	79	84	98	109
Other current assets	444	566	600	697	779
<b>Total current assets</b>	<b>702</b>	<b>745</b>	<b>957</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

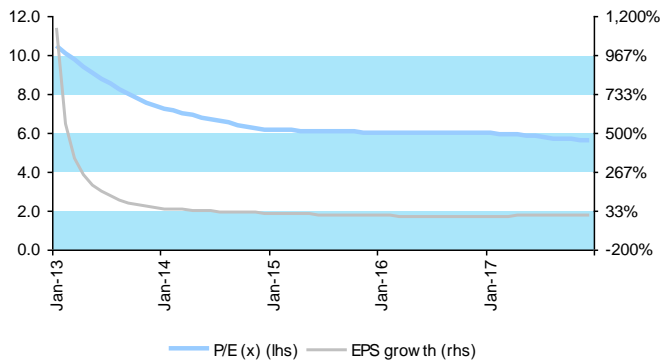
<b>Key Ratios (MYR)</b>	<b>Dec-13</b>	<b>Dec-14</b>	<b>Dec-15F</b>	<b>Dec-16F</b>	<b>Dec-17F</b>
Revenue growth (%)	26.0	4.1	6.0	16.1	11.8
Operating profit growth (%)	45.1	18.2	17.1	8.2	9.8
Net profit growth (%)	47.7	19.4	15.0	9.0	10.7
EPS growth (%)	47.7	19.4	2.2	(0.1)	8.0
BVPS growth (%)	61.5	24.2	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

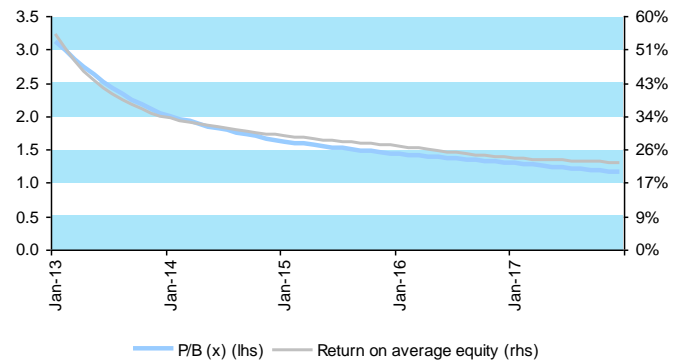


P/E (x) vs EPS growth



Source: Company data, RHB

P/BV (x) vs ROAE

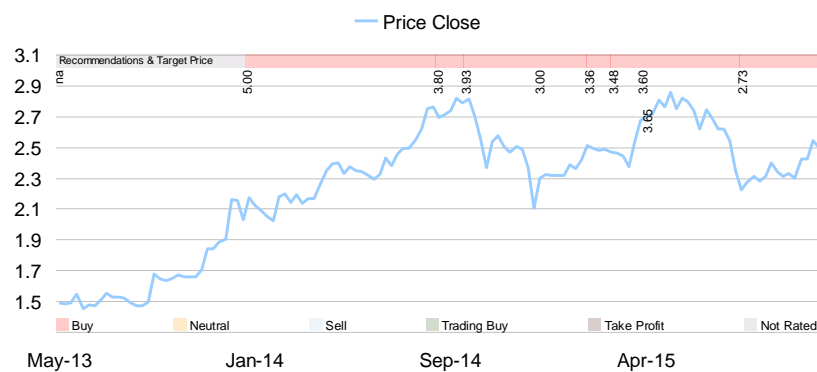


Source: Company data, RHB

## 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 industrial land sales.

## Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2015-08-10	Buy	2.73	2.26
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

Source : RHB, Bloomberg

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**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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**Not Rated:** Stock is not within regular research coverage

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