

23 February 2017

Property | Real Estate

Matrix Concepts Holdings

Buy (Maintained)

FY17F Sales Could Exceed MYR1bn Mark

Target Price: MYR2.80
 Price: MYR2.45
 Market Cap: USD315m
 Bloomberg Ticker: MCH MK

Maintain BUY and MYR2.80 TP on Matrix. We are upbeat on the MYR837.4m new sales secured in 9MFY17, with full-year sales potentially exceeding the MYR1bn mark. Meanwhile, dividend payout is on track, with 9MFY17 DPS amounting to 10 sen. The record high unbilled sales of MYR903.5m as at 3QFY17 provide strong earnings visibility, in our view.

Share Data

Avg Daily Turnover (MYR/USD) 0.81m/0.18m
 52-wk Price low/high (MYR) 2.30 - 2.65
 Free Float (%) 43
 Shares outstanding (m) 572
 Estimated Return 14%

FY17F sales could surpass the MYR1bn mark. Matrix Concepts Holdings' (Matrix) FY17F new sales could potentially exceed the MYR1bn mark, in our view. 3QFY17 sales were strong, at MYR331m (vs MYR250.4m in 2QFY17), bringing 9MFY17 new sales to MYR837.4m. Property development sales remained the key contributor, while industrial land sales made up only c.6%. Matrix still has c.MYR600-700m worth of projects slated for launch in 4QFY17-1HFY18F, which should boost property sales in the coming quarters.

Shareholders (%)

Dato' Lee & family 60.0

Improving sales at existing projects. During 3QFY17, a total of MYR231.5m worth of projects were launched, with Suriaman 2A reaching a take up rate of 67%, Impiana Indah 90%, and Impiana 2 44%. Take-up rates for earlier launches have also improved – Suriaman 3 at 94% now vs 76% in 3QFY17.

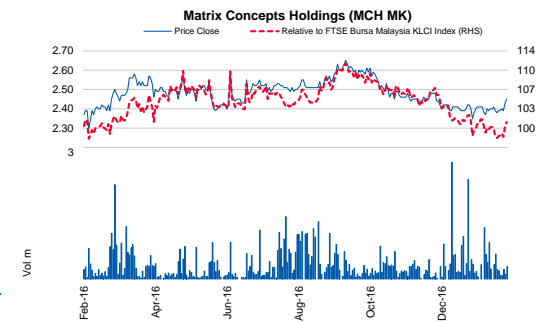
Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	1.2	1.2	(0.8)	(2.4)	2.5
Relative	(2.8)	(1.4)	(5.6)	(3.4)	0.5

Forecasts. We cut our FY17 earnings forecast by 3% to factor in a higher tax rate, and fine-tuned our FY18-19 forecasts by 2-4%. Given the strong sales in 3QFY17, Matrix's unbilled sales have reached a record high of MYR903.5m.

Source: Bloomberg

Valuations. We maintain our BUY rating with an unchanged TP of MYR2.80 based on a 25% discount to RNAV. We like the company for its strong niche in the affordable housing segment, while its landbank in Seremban could potentially benefit from the KL-Singapore high speed rail link.



Source: Bloomberg

3QFY17 (Mar) earnings announced on 23 Feb were slightly below expectations (FYE changed to Mar from Dec)

(MYRm)	3QFY17 (Oct-Dec 16)	2QFY17 (Jul-Sep 16)	QoQ	4Q15 (Oct-Dec 15)	YoY	Comments
Revenue	198	225	-11.9%	142	39.9%	
EBIT	74	64	16.6%	50	47.5%	
EBIT (%)	37.5%	28.3%		35.6%		
NI	50	46	8.6%	37	36.9%	Slightly below expectations
NI (%)	25.5%	20.7%		26.0%		

Source: Company data, RHB

3QFY17 results were slightly below expectations, mainly dragged down by a higher effective tax rate during the quarter, as a result of some non-tax deductible expenses, and losses incurred by certain subsidiaries. EBIT margin however, was higher due to higher contributions from the sale of industrial properties worth MYR49.4m. The company declared a single-tier dividend of 3.5 sen, bringing 9MFY17 DPS to 10 sen.

Forecasts and Valuations	Mar-15	Mar-16	Mar-17F	Mar-18F	Mar-19F
Total turnover (MYRm)	631	732	811	885	929
Reported net profit (MYRm)	189	210	203	221	236
Recurring net profit (MYRm)	189	210	203	221	236
Recurring net profit growth (%)	18.0	10.8	(2.9)	8.8	6.9
Recurring EPS (MYR)	0.39	0.38	0.36	0.38	0.39
DPS (MYR)	0.17	0.16	0.14	0.15	0.16
Recurring P/E (x)	6.22	6.51	6.89	6.52	6.29
P/B (x)	1.61	1.54	1.38	1.24	1.12
Dividend Yield (%)	6.9	6.4	5.7	6.1	6.5
Return on average equity (%)	29.0	26.7	21.4	20.3	19.0
Return on average assets (%)	19.2	18.3	15.0	14.7	14.4
Net debt to equity (%)	1.4	14.3	13.3	9.2	10.7
Our vs consensus EPS (adjusted) (%)			(12.0)	(2.7)	(3.3)

Source: Company data, RHB

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Financial Exhibits

Financial model updated on : 2017-02-23.

Asia	Financial summary	Mar-15	Mar-16	Mar-17F	Mar-18F	Mar-19F
Malaysia	Recurring EPS (MYR)	0.39	0.38	0.36	0.38	0.39
Property	EPS (MYR)	0.39	0.38	0.36	0.38	0.39
Matrix Concepts Holdings	DPS (MYR)	0.17	0.16	0.14	0.15	0.16
Bloomberg MCH MK	BVPS (MYR)	1.52	1.59	1.78	1.98	2.18
Buy	Weighted avg adjusted shares (m)	477	557	572	589	607
Valuation basis	Valuation metrics	Mar-15	Mar-16	Mar-17F	Mar-18F	Mar-19F
25% discount to RNAV	Recurring P/E (x)	6.22	6.51	6.89	6.52	6.29
Key drivers	P/E (x)	6.22	6.51	6.89	6.52	6.29
New property and industrial land sales, as well as landbank acquisitions.	P/B (x)	1.61	1.54	1.38	1.24	1.12
Key risks	FCF Yield (%)	1.3	(1.3)	7.1	9.6	7.6
Weaker-than-expected market conditions	Dividend Yield (%)	6.9	6.4	5.7	6.1	6.5
Company Profile	EV/EBITDA (x)	3.02	3.72	3.47	3.25	2.94
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 on developing residential and commercial properties, as well as industrial land sales.	EV/EBIT (x)	3.02	3.72	3.47	3.25	2.94
	Income statement (MYRm)	Mar-15	Mar-16	Mar-17F	Mar-18F	Mar-19F
	Total turnover	631	732	811	885	929
	Gross profit	344	407	417	458	482
	EBITDA	257	290	289	311	331
	Operating profit	257	290	289	311	331
	Net interest	(2)	(3)	(8)	(8)	(7)
	Pre-tax profit	255	287	281	303	324
	Taxation	(66)	(77)	(77)	(82)	(87)
	Recurring net profit	189	210	203	221	236
	Cash flow (MYRm)	Mar-15	Mar-16	Mar-17F	Mar-18F	Mar-19F
	Change in working capital	(159)	(257)	(22)	(72)	(43)
	Cash flow from operations	53	(17)	220	188	233
	Capex	(39)	(1)	(120)	(50)	(120)
	Cash flow from investing activities	(50)	(27)	(120)	(49)	(148)
	Proceeds from issue of shares	32	37	0	0	0
	Dividends paid	(69)	(64)	(108)	(80)	(88)
	Cash flow from financing activities	17	42	(149)	(120)	(127)
	Cash at beginning of period	112	97	78	69	78
	Net change in cash	20	(3)	(49)	19	(42)
	Ending balance cash	133	94	30	88	36
	Balance sheet (MYRm)	Mar-15	Mar-16	Mar-17F	Mar-18F	Mar-19F
	Total cash and equivalents	93	78	69	78	13
	Total investments	250	269	388	437	586
	Total other assets	6	7	7	7	7
	Total assets	1,055	1,292	1,429	1,575	1,711
	Short-term debt	50	79	79	59	59
	Total long-term debt	54	126	126	126	96
	Total liabilities	329	406	412	407	386
	Shareholders' equity	725	886	1,017	1,167	1,324
	Total equity	725	886	1,017	1,167	1,324
	Net debt	10	126	136	107	142
	Total liabilities & equity	1,055	1,292	1,429	1,575	1,711
	Key metrics	Mar-15	Mar-16	Mar-17F	Mar-18F	Mar-19F
	Revenue growth (%)	8.7	16.1	10.8	9.1	5.0
	Recurrent EPS growth (%)	12.3	(4.3)	(5.5)	5.6	3.7
	Gross margin (%)	54.5	55.7	51.3	51.8	51.8
	Operating EBITDA margin (%)	40.7	39.6	35.6	35.1	35.6
	Net profit margin (%)	30.0	28.6	25.1	25.0	25.4
	Dividend payout ratio (%)	42.8	41.4	39.4	39.9	41.1
	Capex/sales (%)	6.2	0.2	14.8	5.6	12.9
	Interest cover (x)	129	102	35	40	49

Source: Company data, RHB

Figure 1: Matrix's quarterly results

FYE Mar (MYRm)	4Q15	2QFY17	3QFY17	QoQ (%)	YoY (%)	9M16	9MFY17	YoY (%)	Comments
Turnover	141.5	224.9	198.0	(11.9)	39.9	383.3	619.1	61.5	
EBIT	50.4	63.7	74.3	16.6	47.5	133.4	209.2	56.8	
EBIT margin (%)	35.6	28.3	37.5			34.8	33.8		Higher margin in 3QFY17 was due to higher contributions from the sale of industrial properties
Net interest	(0.8)	(0.9)	(1.4)	51.7	64.4	(2.3)	(3.0)	28.0	
Pretax profit	49.5	62.8	72.9	16.1	47.2	131.1	206.2	57.3	
Pretax margin (%)	35.0	27.9	36.8			34.2	33.3		
Taxation	(12.7)	(16.4)	(22.5)	37.5	77.1	(33.3)	(57.3)	72.1	
Tax rate (%)	25.6	26.0	30.8			25.4	27.8		Higher tax rate was due to losses incurred at certain subsidiaries and non-tax deductible expenses
Minority interest	0.0	0.0	0.0	n.m.	n.m.	0.0	0.0	n.m.	
Net profit	36.8	46.5	50.4	8.6	36.9	97.8	148.8	52.2	Slightly below expectations
Net margin (%)	26.0	20.7	25.5			25.5	24.0		
EPS (sen)	6.7	8.2	8.8			19.1	26.2		
Gross DPS (sen)	3.8	3.3	3.5			10.8	10.0		
NTA/share (MYR)	1.5	1.7	1.8			1.5	1.8		

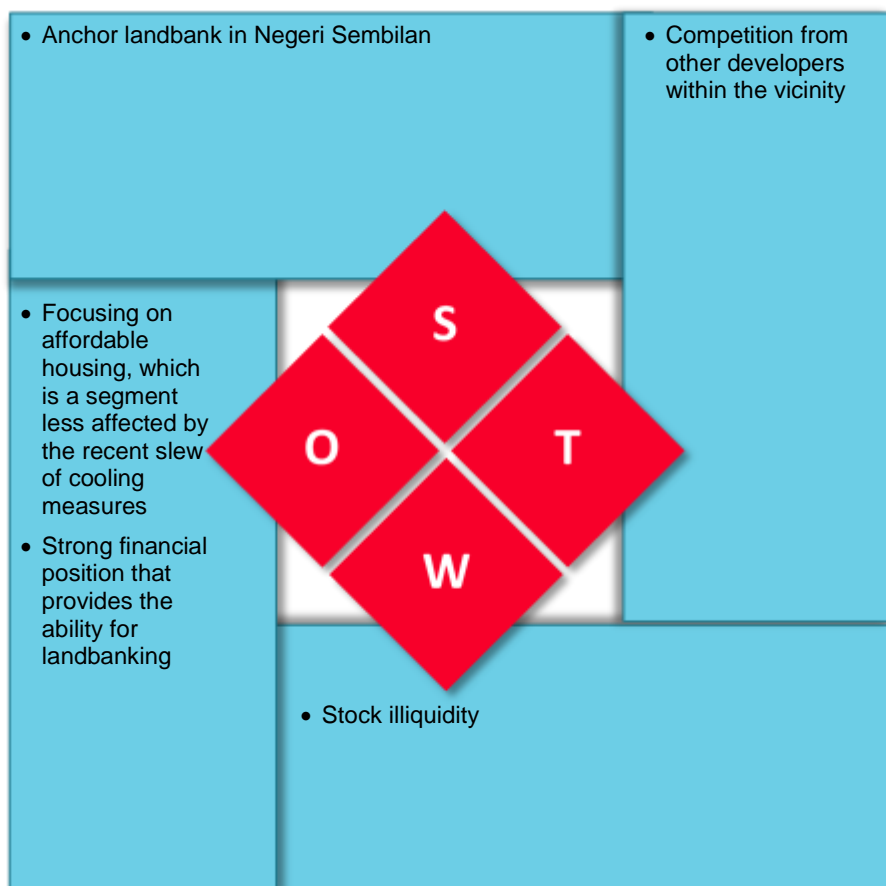
Source: RHB

Figure 2: Matrix's RNAV estimate

Projects	Remaining landbank (acres)	GDV (MYR m)	Stake	NPV @ 13%
<i>Bandar Sri Sendayan, Negeri Sembilan</i>				
Ongoing & future developments	1,069.6	4,380.9	100%	335.9
Taman Seri Impian, Kluang, Johor	279.2	1,514.2	100%	161.4
KL land	1.1	400	100%	25.5
Kota Gadong Perdana	227.1	1428	100%	116.2
Residensi SIGC (Third 9 Residence)	41.8	229	100%	19.2
Lobak Commercial Centre	7.3	29.3	100%	2.6
Labu land	236.9	760	100%	66.4
Rasah Kemayan land	194.4	800	100%	72.9
Puchong	5.8	500	100%	32.7
Australia	n.a.	94.5	100%	7.1
	Remaining landbank (acres)	Market price (MYR psf)	BV (MYR psf)	Net surplus
Sendayan TechValley 1 & 2	112	45	10	128.1
Sendayan TechPark	123	33	13	48.2
Sendayan TechValley 3	85	45	15	83.3
Unbilled sales				149.0
Total				1,248.8
Shareholders' fund				885.7
Warrants conversion (exercise price at MYR2.40)				186.8
Total RNAV				2,321.2
Share base (incl. warrants)				622.7
RNAV/share				3.73
Discount				25%
Target price				2.80

Source: RHB

SWOT Analysis



Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2016-11-15	Buy	2.80	2.48
2016-08-25	Buy	2.80	2.50
2016-05-19	Buy	2.80	2.57
2016-02-24	Buy	2.73	2.37
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

Source: RHB, Bloomberg

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