



Results Review: 4QFY17

Below

BUY ◀▶

Price: **RM2.68**
Target Price: **(+7.8%) RM2.91**

- **Matrix Concept FY2017 net profit of RM187.8m is below ours and consensus making up 89% of full year estimates.**
- **The group delivered RM1.03bn new sales as guided on the back of RM994m worth of new launches for the year. The stellar sales performance is due to encouraging take-up rate averaging 72% across all projects.**
- **As expected, Bandar Sri Sendayan, the group's jewel township in Seremban contributed the lion share to total new sales making up 90%.**
- **Maintain BUY with TP: RM2.91 based on blended valuation of PER and PBV of 10.0x and 1.52x respectively. Matrix has also proposed a bonus issue of 1 for 4.**

Setting new record with RM1.03bn new sales

The group raked up a total of RM1.03bn new sales – a record – for FY2017 as promised (FY15/16: RM974m and FY14:RM629m). We attribute the stellar performance on the group's star township, ie Bandar Sri Sendayan (BSS) which contributed 90% of the sales. Meanwhile, the average take-up rate for overall projects was strong at 72% versus industry average of 60%-65%. The sales achieved set a new benchmark for the group versus in the past new sales were RM629m and RM974m for FY14 and FY15/16 respectively.

Consistent high dividend payout

Total dividend declared for FY2017 is 13.75 sen bringing the total payout to 42%. (1Q17 : 3.25 sen; 2Q17 : 3.25 sen; 3Q17 : 3.50 sen). The dividend yield still look attractive at 5.1% based on yesterday closing price despite the recent run in its share price.

Earnings outlook remains positive

For FY2017, the group's unbilled sales remain strong at RM859.5m which is 38.3% higher in comparison to RM621.4m achieved a year ago. The unbilled sales is expected to provide earnings visibility to the group at least for the next 2 years. Meanwhile, we are encouraged that BSS makes up 70% of the group's total undeveloped landbank of 1,902.5 acres with potential GDV of RM10bn. We remain positive on the long-term potential of the group as BSS is a prime landbank in Seremban and in our view, things can only improve.

Sales momentum remain intact.

We maintain our BUY call despite recent strong appreciation in share price pending an update from management later today. We retain our earnings forecast for FY18 and FY19. Our TP of RM2.91 is based on blended valuation of PER and PBV of 10.0x and 1.52x respectively. We believe the stock is a proxy for affordable homes and a defensive play due to its stable earnings and dividend payout.

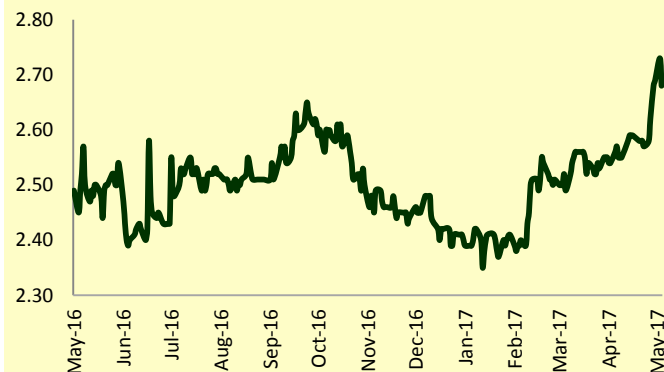
Matrix Concept

Set to be a bigger player

Stock Data

Bloomberg Ticker	MCH MK	Altman Z-score	3.6
Market Cap	1,539.5	YTD price chg	10.7%
Issued shares	574.4	YTD KLCI chg	8.3%
52-week range (H/L)	2.76/2.35	Beta	0.8
3-mth avg daily volume	661,277	Major Shareholders	
Free Float	62.4%	Tian Hock Lee	17.6%
Shariah Compliant	Y	Shining Term Sdn Bhd	14.7%
		EPF	5.4%

Share Price Chart



Share Performance (%)	1mth	3mth	12mth
Absolute	4.7	13.2	14.0
vs. KLCI	2.1	7.2	(1.1)

Consensus	2017	2018	2019
Net Profit	215.0	232.3	270.0
EPS (sen)	37.7	41.3	47.3

Financial Highlights (RM m)

FYE 31 March	2014	2016*	2017	2018E	2019E
Turnover	598.8	912.2	780.4	798.3	839.0
EBIT	247.3	360.9	268.4	320.1	352.1
Pretax profit	244.6	357.3	261.3	330.7	346.3
Net Profit	182.2	261.2	187.8	220.3	258.8
EPS (sen)	31.7	45.5	32.7	38.4	45.1
PER (x)	8.5	5.9	8.3	7.0	6.0
DPS (sen)	13.3	18.8	13.8	14.4	15.7
Div. Yield (%)	4.93	6.96	5.01	5.33	5.81
NTA/share (RM)	1.27	1.50	1.79	2.12	2.30

Margins

	2014	2016*	2017	2018E	2019E
EBIT margin	41.3%	39.6%	34.4%	40.1%	41.0%
Pretax margin	40.8%	39.2%	33.5%	41.4%	41.2%
Effective tax rate	25.0%	26.9%	28.1%	27.0%	27.0%
ROE	27.0%	29.5%	18.3%	22.5%	24.0%
ROA	18.0%	20.2%	12.4%	16.0%	18.0%
Net Gearing (x)	NC	0.14	0.15	0.15	0.15

*FY15 based on 15M earnings

Source: Bloomberg, BIMB Securities

Matrix Concept quarterly earnings summary

FYE 31 March (RM'm)	5Q16	1Q17	2Q17	3Q17	4Q17	QoQ	YoY Chg	FY16*	FY17	YTD Chg
Revenue	211.3	196.2	224.9	198.0	161.3	-18.5%	-23.6%	729.8	780.4	6.9%
Operating Profit	71.4	71.2	63.7	74.3	59.2	-20.3%	-17.1%	288.72	268.4	-7.0%
Pretax profit	70.8	70.4	62.8	72.9	55.1	-24.4%	-22.2%	285.84	261.3	-8.6%
Taxation	22.9	18.5	16.4	22.5	16.1	-28.3%	-29.5%	76.88	73.5	-4.4%
Minority interest	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Net Profit	48.0	51.9	46.5	50.4	39.0	-22.7%	-18.7%	209.0	187.8	-10.1%
EPS (sen)	8.4	9.0	8.1	8.8	6.8	-22.7%	-18.7%	36.4	32.7	-10.1%
Net gearing (x)	0.14	0.16	0.11	0.16	0.15	-4.7%	7.0%	0.14	0.15	9.0%
Operating margin (%)	33.8%	36.3%	28.3%	37.5%	36.7%	-2.2%	8.6%	39.6%	34.4%	-13.1%
PBT margin (%)	33.5%	35.9%	27.9%	36.8%	34.2%	-7.2%	1.9%	39.2%	33.5%	-14.5%
Net margin (%)	22.7%	26.5%	20.7%	25.5%	24.2%	-5.1%	6.4%	28.6%	24.1%	-16.0%
Effective tax rate (%)	32.3%	26.3%	26.0%	30.8%	29.2%	-5.2%	-9.4%	26.9%	28.1%	4.5%

*FY16 is annualized . Source: Company, BIMBSec

Figure 1 : Summary and year-on-year comparison

Note : *FY2015/16 made up of 15-months due to changes in FYE

	FY2015/16	FY2017	yoy changes (%)
Unbilled sales (RMm)	621.4	859.5	38.3%
New sales (RMm)	973.7	1,030.7	5.9%
New launches (RMm)	1,028.7	994.0	-3.4%
Average Take up rate (%)	61.5%	72.0%	16.9%

Source Company, : BIMB Securities

Figure 2 : Year-to-date potential GDV and remaining landbank breakdown

Project	Acres	Acres %	GDV RMm	GDV %
Bandar Sri Sendayan				
Ongoing	244.0	12.8%	1,524.8	15.8%
Future	1,084.3	57.0%	3,710.3	38.5%
	1,328.3	69.8%	5,235.1	54.4%
Bandar Seri Impian, Kluang				
Ongoing	61.3	3.2%	339.5	3.5%
Future	209.4	11.0%	1,157.6	12.0%
	270.7	14.2%	1,497.1	15.6%
Other projects				
Ongoing	24.6	1.3%	263.5	2.7%
Future	278.9	14.7%	2,629.5	27.3%
	303.5	16.0%	2,893.0	30.1%
Total	1,902.50	100.0%	9,625.20	100.0%

Source Company, : BIMB Securities

Group announces bonus issue of one for four

Concurrently the group announces 1-for-4 bonus issue of up to 163.9m new shares. The rationale for the proposed bonus issue is to reward shareholders and improve trading liquidity for its shares. We expect group's sharebase to be enlarged by up to a maximum of 42.7% from current sharebase of 574.4m to 819.7m (assuming full exercise of outstanding ESOS Options and warrants). A more detail update will ensue following management briefing today.

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.
HOLD	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

The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

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BIMB SECURITIES SB (290163-X)

A Participating Organisation of Bursa Malaysia Securities Berhad
 Level 32, Menara Multi Purpose, Capital Square,
 No. 8 Jalan Munshi Abdullah,
 50100 Kuala Lumpur

Tel: 03-2613 1600 Fax: 03-2613 1799

<http://www.bimbsec.com.my>

Azharuddin Nordin
 Head of Research