

Malaysia Flash Note

Refer to important disclosures at the end of this report

DBS Group Research . Equity

25 Feb 2016

Matrix Concepts Holdings Bhd (MCH MK) : **BUY**

Mkt. Cap: US\$310m | **3m Avg. Daily Val:** US\$0.14m

Last Traded Price : RM2.37

Price Target : RM3.30 (39% upside)

Company Guide

[Matrix Concepts Holdings](#)



Summary of our point of view, and highlights the relevant data points, which are actively tracked

Analyst

QUAH He Wei, CFA +603 2604 3966; hewei@alliancedbs.com

All-time high property sales

- **4Q15 results met expectations**
- **Record property sales despite weak sentiment**
- **Declared 4th interim DPS of 3.75 sen**
- **Maintain BUY and RM3.30 TP**

Highlights

Within expectations

- Matrix reported a 4Q15 net profit of RM36.8m (+19% q-o-q, -35% y-o-y) on the back of RM142m revenue (+17% q-o-q, -6% y-o-y). This takes FY15 earnings to RM213m (+17% y-o-y) which is in line with our expectations.
- Its investment properties (Matrix Global Schools and d'Tempat Country Club) are marginally loss-making in 4Q15, as they are still in the early stage of their operations.
- Nevertheless, 4Q15 net margin remains healthy at 26%, compared to 25.6% in 3Q15.

Consistent quarterly dividend payout

- Matrix has declared a 4th interim DPS of 3.75 sen for 4Q15, taking FY15 DPS to 14.39 sen (adjusted for 1-for-6 bonus issue completed in Jul 15).
- Meanwhile, its balance sheet remains healthy with net gearing at 9.4% as at end-Dec 15.

Outlook

Impressive property sales

- 4Q15 property sales (excluding industrial lot sales) surged 69% y-o-y to RM178m, taking FY15 sales to a

record high of RM781m (+48% y-o-y). Therefore, Matrix has exceeded its FY15 sales target of RM650m (+23% y-o-y), reinforcing our view that the strong sales momentum for its flagship Bandar Sri Sendayan will be maintained despite the relatively weak property market.

- As at end-Dec 15, unbilled sales stood at RM633m which will provide strong earnings visibility over the next two years.

Best proxy for affordable housing

- Given that Matrix mainly focuses on affordable landed homes priced below RM600k/unit, these value-for-money properties are expected to be well received by property buyers. It is set to launch more than RM1bn worth of projects in 2016, comprising mainly affordably-priced residences.
- Matrix's unrivalled competitive advantage of low land cost for the bulk of its land bank, at <RM10psf, will continue to underpin its superior profitability with net margins exceeding 25%. Thus, its dividend yield of 7% should be sustainable going forward.

Valuation

We maintain our BUY rating and TP of RM3.30, based on 30% discount to our RNAV of RM4.73. Matrix is currently trading at a bargain of 6x FY16 PE, which is unjustified for a township developer with strong earnings visibility.

Flash Note

Key Risk

Weaker property sentiment. The strong property price surge over the last few years, coupled with recent tightening measures, could weaken property sales as property buyers are becoming more cautious.

Rising cost. Construction and building material costs have been on the uptrend, which may erode developers' profitability.

Quarterly / Interim Income Statement (RMm)

FY Mar	4Q2014	3Q2015	4Q2015	% chg yoy	% chg qoq
Revenue	151	121	142	(6.3)	16.6
Cost of Goods Sold	(53.5)	(53.1)	(63.6)	18.9	19.8
Gross Profit	97.5	68.3	77.9	(20.1)	14.1
Other Oper. (Exp)/Inc	(23.3)	(28.1)	(27.6)	18.5	(2.1)
Operating Profit	74.2	40.1	50.4	(32.2)	25.5
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	nm	nm
Associates & JV Inc	0.0	0.0	0.0	nm	nm
Net Interest (Exp)/Inc	(0.5)	0.09	(0.8)	(82.3)	nm
Exceptional Gain/(Loss)	0.0	0.0	0.0	nm	nm
Pre-tax Profit	73.8	40.2	49.5	(32.9)	23.2
Tax	(17.3)	(9.1)	(12.7)	26.5	(39.1)
Minority Interest	0.0	0.0	0.0	nm	nm
Net Profit	56.5	31.1	36.8	(34.8)	18.5
Net profit bef Except.	56.5	31.1	36.8	(34.8)	18.5
EBITDA	74.2	44.4	50.4	(32.2)	13.5
Margins (%)					
Gross Margins	64.6	56.2	55.0		
Opg Profit Margins	49.2	33.1	35.6		
Net Profit Margins	37.4	25.6	26.0		

Source of all data: Company, AllianceDBS Research

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STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return i.e. > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

Share price appreciation + dividends

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AllianceDBS Research Sdn Bhd
(128540 U)

19th Floor, Menara Multi-Purpose, Capital Square,
8 Jalan Munshi Abdullah 50100
Kuala Lumpur, Malaysia.

Tel.: +603 2604 3333 Fax: +603 2604 3921 email : general@alliancedbs.com