



Matrix Concepts Holdings Bhd (MCH MK) : BUY

Mkt. Cap: US\$383m | 3m Avg. Daily Val: US\$0.24m

Last Traded Price (2 Oct 2018): RM2.11

Price Target 12-mth: RM2.50 (18% upside) (Prev RM2.50)

Analyst

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Expansion into Indonesia

- 30% stake in JV to develop Islamic Financial District in 3.6-ha land in North Jakarta
- Leveraging on strong Indonesian partners for expansion
- Maintain Buy and RM2.50 TP

What's New

Matrix Concepts announced that it has entered into a joint venture (JV) agreement with PT Bangun Kosambi Sukses (BKS) and PT Nikko Sekuritas Indonesia (NSI) to jointly develop an Islamic Financial District in Pantai Indah Kapuk 2 (PIK 2) Sedayu Indo City, North Jakarta, Indonesia.

BKS, jointly owned by Agung Sedayu Group and Salim Group, is the master developer of PIK 2 Sedayu Indo City which will encompass more than 1,000 hectares. NSI is an investment banking firm offering brokerage and fund management services.

The JV will undertake the development on a 3.6-ha land in PIK 2 based on a 40:30:30 shareholdings structure (BKS:NSI:Matrix). The total capital to be injected into the JV will be IDR1.5 tr (~RM416m) in two tranches. Based on its 30% stake, Matrix is expected to fork out ~RM125m which could be fulfilled over the next 12 months.

The first tranche of capital injection of ~RM65m will be concluded within six months and will be mainly utilised to acquire the 3.6-ha land. The second tranche of ~RM60m will be injected after all relevant government approvals have been obtained to kick-start the project. Matrix currently has a minimal net gearing of RM74m or 6% as at Jun 2018. The board is still considering either equity or debt funding options, which could be easily satisfied.

Forecasts and Valuation

FY Mar (RMm)	2017A	2018A	2019F	2020F
Revenue	780	812	1,106	1,290
EBITDA	277	308	342	379
Pre-tax Profit	261	294	323	358
Net Profit	188	212	232	258
Net Pft (Pre Ex.)	188	212	232	258
Net Pft Gth (Pre-ex) (%)	(28.1)	12.8	9.6	11.0
EPS (sen)	26.3	28.6	30.9	34.2
EPS Pre Ex. (sen)	26.3	28.6	30.9	34.2
EPS Gth Pre Ex (%)	(29)	9	8	11
Diluted EPS (sen)	26.3	28.6	30.9	34.2
Net DPS (sen)	11.0	12.9	12.3	13.7
BV Per Share (sen)	143	163	178	200
PE (X)	8.0	7.4	6.8	6.2
PE Pre Ex. (X)	8.0	7.4	6.8	6.2
P/Cash Flow (X)	25.5	9.7	11.0	11.7
EV/EBITDA (X)	6.0	5.2	4.8	4.5
Net Div Yield (%)	5.2	6.1	5.9	6.5
P/Book Value (X)	1.5	1.3	1.2	1.1
Net Debt/Equity (X)	0.2	0.0	0.0	0.1
ROAE (%)	19.7	19.0	18.2	18.1

Source of all data on this page: Company, AllianceDBS, Bloomberg Finance L.P.

Flash Note

As the proposed Islamic Financial District is the brainchild of the Indonesian government, there could be some financial incentives for the JV to develop the new seaside area. We understand that the JV would kick-start the project with an office tower. There is unlikely to be any earnings impact in the near term.

There is no change to our earnings forecast, pending further progress of the proposed development. We maintain our Buy rating and RM2.50 target price (TP) for Matrix. We continue to like Matrix for its impeccable track record in township developments. Its valuation remains undemanding at 7x FY19 EPS, despite having sustainable earnings visibility and a high dividend yield of ~6%.

Location of PIK2 in North Jakarta



Source: www.pik2-sedayuindo.com

Target price & ratings history



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	23 Nov 17	2.19	2.40	BUY
2:	24 Nov 17	2.19	2.40	BUY
3:	03 Jan 18	2.21	2.40	BUY
4:	28 Feb 18	2.23	2.40	BUY
5:	01 Mar 18	2.23	2.40	BUY
6:	24 May 18	1.93	2.40	BUY
7:	12 Jun 18	2.10	2.40	BUY
8:	22 Jun 18	2.02	2.50	BUY
9:	28 Aug 18	2.10	2.50	BUY
10:	18 Sep 18	2.11	2.50	BUY

Note: Share price and Target price are adjusted for corporate actions.

Source: AllianceDBS

Analyst: QUAH He Wei, CFA

DISCLOSURE

Stock rating definitions

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 > -10% over the next 12 months
SELL	-	negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame

Commonly used abbreviations

Adex = advertising expenditure	EPS = earnings per share	PBT = profit before tax
bn = billion	EV = enterprise value	P/B = price / book ratio
BV = book value	FCF = free cash flow	P/E = price / earnings ratio
CF = cash flow	FV = fair value	PEG = P/E ratio to growth ratio
CAGR = compounded annual growth rate	FY = financial year	q-o-q = quarter-on-quarter
Capex = capital expenditure	m = million	RM = Ringgit
CY = calendar year	M-o-m = month-on-month	ROA = return on assets
Div yld = dividend yield	NAV = net assets value	ROE = return on equity
DCF = discounted cash flow	NM = not meaningful	TP = target price
DDM = dividend discount model	NTA = net tangible assets	trn = trillion
DPS = dividend per share	NR = not rated	WACC = weighted average cost of capital
EBIT = earnings before interest & tax	p.a. = per annum	y-o-y = year-on-year
EBITDA = EBIT before depreciation and amortisation	PAT = profit after tax	YTD = year-to-date

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