



News Flash – Matrix Concept

BUY ◀▶

Bonanza– Bonus Issue & Free Warrants

Price:

RM3.16

Target

(+7.6%) RM3.40

Research Team
bimbresearch@bimbsec.com.my
03-26918887 ext 131

Proposed Bonus Issue and Free Warrants. Matrix Concepts has proposed

- (I) Bonus Issue of up to 77,832,315 new ordinary shares of RM1.00 each on the basis of 1 bonus share for every 6 existing shares held on an entitlement date to be determined later; and
- (II) Bonus Issue of up to 77,832,315 Free Warrants in MCHB on the basis of 1 warrant for every 6 existing shares held on the same entitlement date as the proposed bonus issue.

Capitalization of reserves amounting to RM76.9m. The proposed bonus issue of shares is to be effected by way of capitalizing from share premium account and retained profits of the Company of RM6.7m and RM70m respectively. While the estimated expenses to be incurred is RM0.4m. Hence the retained profits will be reduced from RM167.8m to RM92m after the Proposed Bonus Issue of Shares, after imputing dividends paid and received.

Expects warrants to be priced at a premium of 16.3%. Assuming the exercise price of the Warrants is at RM3.00, this represent a premium of approximately RM0.42 or approximately 16.3% to the theoretical ex-bonus price (TEBP) of RM2.58 based on 5 day VWAMP of Matrix Concept shares at RM3.01. However, we reckon that the issue price and exercise price of the Warrants to be determined at a later date by the Board after obtaining the relevant approvals.

Potentially raised maximum gross proceeds of RM233.5m. Assuming full exercise of the Warrants at the indicate exercise price of RM3.00 per Warrant.

Share base to be enlarged by 33% from 461m shares to 615m shares after imputing the proposed bonus issue of 76m and free warrants of 76m, assuming full conversion of the warrants.

EPS dilution effect. After imputing the proposed bonus issue and assuming full conversion of free warrants amounting to 154m shares, we expect estimated EPS for FY15 and FY16 to be diluted by 13% due to the enlarged share base of 33%.

Valuation and recommendation. We maintain our FY15 and FY16 forecasts at this juncture with our TP of RM3.40 (or RM2.91 ex-bonus) unchanged based on historical blended valuation of PE & PBV. Maintain **BUY**.

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.

Disclaimer

The investments discussed or recommended in this report not be suitable for all investors. This report has been prepared for information purposes only and is not an offer to sell or a solicitation to buy any securities. The directors and employees of BIMB securities Sdn Bhd may from time to time have a position in or either the securities mentioned herein. Members of the BIMB Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. The information herein was obtained or derived from sources that we believe are reliable, but while all reasonable care has been taken to ensure that stated facts are accurate and opinions fair and reasonable, we do not represent that it is accurate or complete and it should not be relied upon as such. No liability can be accepted for any loss that may arise from the use of this report. All opinions and estimates included in this report constitute our judgements as of this and are subject to change without notice. BIMB Securities Sdn Bhd accepts no liability for any direct, indirect or consequential loss arising from use of this report.

Published by

بي ايم سي سي كوريتيس سنديرين برحد

BIMB SECURITIES SDN BHD (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: 03-2691 8887, Fax: 03-2691 1262
<http://www.bimbsec.com.my>

Kenny Yee
 Head of Research