



Matrix Concepts

BUY

Developing Seremban

Price: RM2.20
Target Price: (+30% upside) RM2.86

Stock Data					
Bloomberg Ticker	MCH MK	Altman Z-score	N/A		
Market Cap	660m	YTD price chg	N/A		
Issued shares	300m	YTD KLCI chg	4.6%		
52-week range (H)	N/A	Beta	N/A		
52-week range (L)	N/A	Major Shareholders			
3-mth avg daily volume	N/A	HOCK LEE TIAN	0.0%		
Free Float	100.0%	SHINING TERM	0.0%		
Shariah Compliant	Y	AMBANG KUSSA	0.0%		
Share Performance (%)		1mth	3mth	12mth	
Absolute		0.0	0.0	0.0	
vs. KLCI		0.0	0.0	0.0	
Consensus		2012	2013		
Net Profit		N/A	N/A		
EPS (sen)		N/A	N/A		
Historical Price Ratio (x)		FY 2009	FY 2010	FY 2011	
Price Earnings		N/A	N/A	N/A	
Price to Book		N/A	N/A	N/A	
Financial Highlights					
FYE Dec (RMm)	2010	2011	2012	2013E	2014E
Revenue	195.6	624.3	456.1	535.3	649.8
EBIT	31.0	106.9	143.3	168.2	199.7
Pretax profit	30.0	106.3	142.8	167.2	199.0
Net Profit	20.5	71.4	103.5	125.4	149.3
EPS (sen)	6.8	23.1	34.5	41.8	49.4
EPS growth (%)	11%	238%	49%	21%	18%
PER (x)	32.2	9.5	6.4	5.3	4.5
DPS (sen)	0	0	9.1	16.7	19.9
Div. Yield (%)	0.0%	0.0%	4.1%	7.6%	9.0%
NTA/share (RM)	1.58	0.15	0.15	0.17	0.19
Margins					
EBIT margin	16%	17%	31%	31%	31%
Pretax margin	15%	17%	31%	31%	31%
Effective tax rate	27%	23%	28%	25%	25%
ROE	10%	30%	30%	16%	16%
ROA	3%	14%	18%	7%	8%
Net Gearing (x)	1.55	0.01	NC	NC	NC
Growth ratios					
Turnover	-4%	219%	-27%	17%	21%
EBIT	24%	245%	34%	17%	19%
Pretax profit	23%	255%	34%	17%	19%
Net profit	11%	248%	45%	21%	19%
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Matrix Concepts Holdings is a Seremban based developer and is likely to benefit from (i) Greater KL conurbation (ii) Sendayan TechValley and other projects as key location for FDIs and (iii) low land costs which yields higher margins. We recommend a Buy on the stock on the back of sustained demand and earnings potential as well as good dividend yields hence our TP of RM2.86 (20% discount to RNAV). Nonetheless, we envisage share price may surpass RM3.00 given the market's strong sentiment on property stocks in addition to the low valuation below 10x as against its peers currently trading at 19x PER.

A medium end developer. Matrix Concepts Holdings (MCH) focuses on medium end properties and has two flagship integrated townships, namely Bandar Sri Sendayan (BSS) in Seremban and Taman Seri Impian (TSI) in Kluang, Johor.

Investment merits. MCH is likely to benefit from (i) Greater KL conurbation (ii) Sendayan TechValley and other projects as key location for FDIs and (iii) low land costs yielding higher margins.

Dividend policy. MCH has a dividend policy of a minimum 40% payout translating to a gross dividend per share of 16.5-19.5sen/share (gross yield of 7.5-8.8% in FY13-14f).

Forecasts and recommendation. We forecast net earnings of RM125m and RM149m for FY13 and FY14 respectively from lower land cost and increasing land value enhancements via new infrastructure, accessibility and strategic partnerships. The company has no gearing with net cash position of RM9.3m as at FYE2012. Our TP at RM2.86 is based on a 20% discount to RNAV (implied PER of 7x). However, share price may surpass RM3.00 given the market's strong sentiment on property stocks at the moment and sharply lower valuation as compared to its peers at 19x PER. BUY.

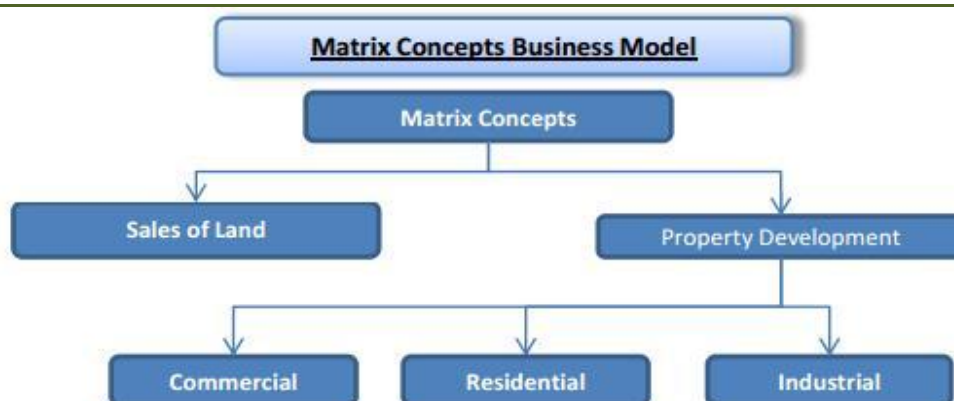
Utilisation of proceeds

Purpose	Amount
Working capital	55000
Infrastructure and common facilities	55000
Construction of clubhouse	10000
Repayment of bank borrowings	11000
Estimated listing expenses	6500
Total	137500

BACKGROUND

A medium-end property developer. Matrix Concepts Holdings (MCH) is a Negeri Sembilan based property developer which focuses on medium end properties. To date, the group has completed projects worth RM2.1b worth of GDV on approximately 1,800 acres of land. It has two flagship integrated townships, namely Bandar Sri Sendayan (BSS) in Seremban and Taman Seri Impian (TSI) in Kluang, Johor as well as an industrial cluster in Sendayan TechValley (STV). The group is led by the Group Managing Director, Dato' Lee Tian Hock, and Deputy Managing Director, Mr. Ho Kong Soon, who has more than 20 years experience in the property development business.

Figure 1: MCH core business



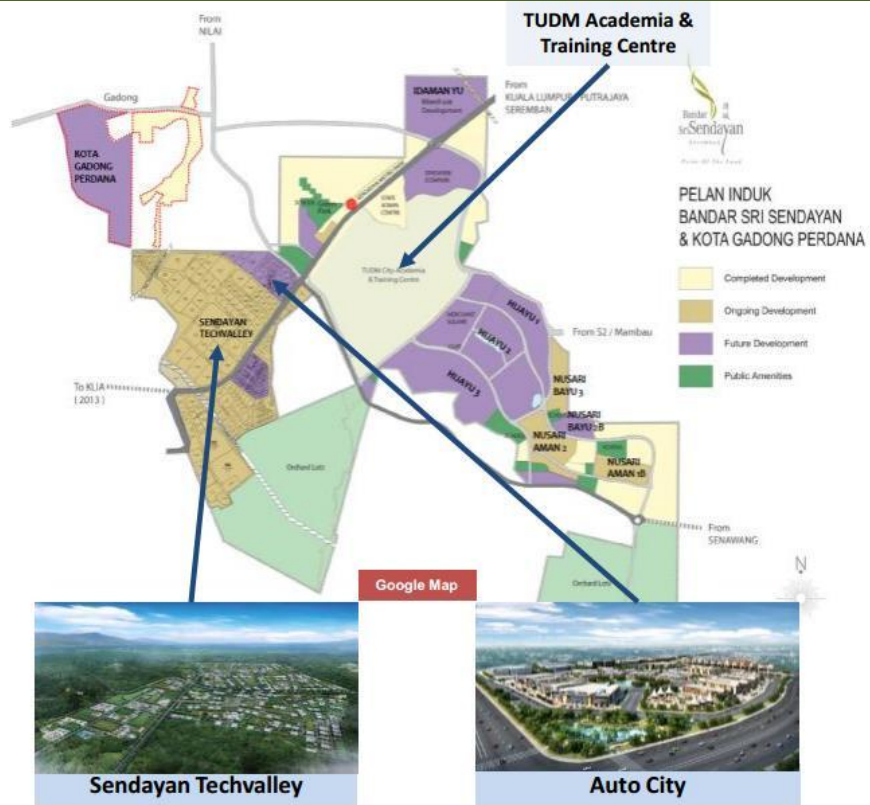
Source : Company, BIMB Securities

BANDAR SRI SENDAYAN

Greater KL conurbation. Seremban due to its rather near proximity to the Klang Valley is one of the areas of emphasis as part of the KL National Growth Conurbation, which is the Level 1 priority development under the National Physical Plan. The planning strategies for the KL Conurbation would include the enhancement of inter-urban and intra-city movement and promotion of development within the regions. Its flagship project, Bandar Sri Sendayan (BSS) is an integrated township with a total acreage size of 5,233 acres, with remaining acreage of 1,942 acres. It has a total ongoing GDV of RM1.2bn and unbilled sales of RM393m which would last them over the next 1 year. It is strategically located within 10 minutes drive from Seremban town and is also located close to various townships such as Seremban 2, S2 Heights, Senawang Industrial Park, Bandar Enstek, and Bandar Ainsdale to name a few. It has good accessibility to transportation networks like the Seremban-Gemas Electrified Double Track railway station and a new direct link to KLIA, which is only 30 minutes' drive away.

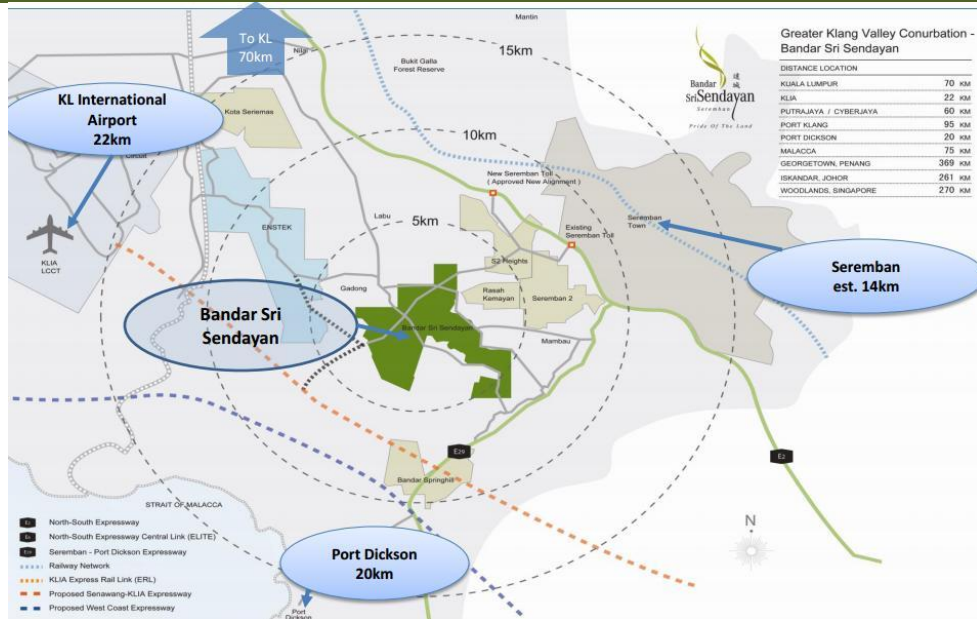
70% of sales come from residential segment. The residential segment still dominates the overall property sector with around 60% of the total transaction volume with the medium-range houses costing below RM500,000 making up almost 92% of the total housing transactions in the country. As bulk of MCH's projects are residential (71.9% of sales are from residential segment), we believe MCH is likely to see sustained growth as demand still predominates in this segment. In addition, it is less vulnerable to demand loss in the event of a weaker economy as compared to the high range housing segment or the other sub-segments like commercial or retail.

Figure 1: Bandar Sri Sendayan master plan



Source : Company

Figure 2: Bandar Sri Sendayan within 15km radius



Source : Company

Sendayan TechValley, key location for FDIs. One of its key projects, Sendayan TechValley (STV) is an industrial development with a total landbank size of 685 acres. It has sold 347 acres/57 lots so far with a remaining land of 338 acres/79 lots. So far, the STV has attracted various international automotive and aviation players, namely, Hino Motor, Messier-Bugatti-Dowty, Keen Point, Akashi-Kikai Industry/Daihatsu, MBM Resources/Mitsubishi and Nippon Kayaku, among others. The STV would be a key spots for investors looking to expand their base due to its accessibility to KLIA (within 30min drive), Port Klang and Nilai Inland Port while still within the Greater KL vicinity. Its price psf of RM30 is reasonable for industrial plots and is relatively cheaper than SiLC's asking price of RM75 psf based on recent transaction. Hence, with a remaining landbank of 338 acres or 79 industrial lots, it is expected to bring in additional estimated revenue of RM442m (based on recent transaction of RM30psf).

Figure 3: Sendayan TechValley



Source : Company

.. and a potential catchment area. The demand for housing is also coming from rising urbanisation as greater economic opportunities available continue to attract the migration of the population to the urban areas. With key projects such as the Sendayan TechValley (STV), Autocity and the TUDM City and State Admin Centre, it is expected to grow the population size by additional 80,000 or 90,000 new residents via new job opportunities and relocations into the township. The TUDM City will also have an academia and a training centre which will house a large number of air force officials and families and should bode well for the upcoming Sendayan Icon Park, the flagship retail/commercial project in BSS. With an indicative GDV of RM10bn, the SIP comprises of SoHo units, a trade and exhibition centre and two floating restaurants separated by a lake as well as a cultural village. We understand that the company intend to operate and retain ownership of the trade and exhibition centre while the outlets outside the trade and exhibition centre will be leased out.

Low land cost. Another advantage for MCH is its low land cost of approximately RM9 psf (including infrastructure cost, RM3 psf being the land cost) which would enable them to play around with different mix of properties allowing for higher margins for their developments within Bandar Sri Sendayan. Going forward, we expect to see some margins expansion after accounting for the compensation to the Felda settlers where 50% is paid in kind (single-storey bungalow and two acres of orchard land per owner) and 50% in cash. We gather that the management has plans for higher end residential and commercial which would better increase its margins.

TAMAN SERI IMPIAN. Aside from its township in Seremban, the company also has exposure in Johor via a JV with Koperasi Kemajuan Tanah Negeri Johor. Riding on the Iskandar boom, the project has a total acreage of 636.6 acres with remaining GDV of RM960m and unbilled sales of RM47.3m. Full completion is expected by mid-2019.

Ongoing and future projects up till 2019. MCH has a total estimated GDV of RM6.5bn that would last them till 2019. As most of its projects are within the affordable to mid segment range, we believe it would not be difficult to maintain sanguine take-ups from future launches. With its current developments in BSS as well as others outside of BSS, such as Impiana Casa and Impiana Villa in Kluang, Johor (total GDV of RM65m), Third 9 Residence @ Seremban (GDV RM144.7m), we forecast sales growth of around 15-19% for FY13-14, translating to RM522m-RM624m for FY13-14 (including land sales). Aside from that, with the presence of strategic partners such as 1MDB and other big industrial players will ensure enhancement of land values from its developments i.e. FDIs from STV, TUDM, and others.

FINANCIAL OUTLOOK AND RECOMMENDATION

Estimating net profit growth of 18%-20%. We forecast net earnings of RM125m and RM149m for FY13 and FY14 respectively. Our forecast suggests that MCH to sustain its growth and margins of 23%-24% for 2013 and 2014, which is based on expectations for the lower land cost, hence the flexibility of development mix, increasing land value enhancements via new infrastructure and accessibility as well as strategic partnerships. Aside from that, the affordable market segment will continue to yield higher demand for the properties.

Net cash position. The company has no gearing with net cash position of RM9.3m as at FYE2012. Strong balance sheet allows the company to undertake aggressive landbanking. Assuming MCH is to gear up to a comfortable level of 0.3-0.5x, the company would have approximately RM103m-171m in its war chest for future land acquisitions.

Dividend policy. The company has a stated dividend policy of a minimum 40% payout. As such, based on our forecasts, we anticipate the company to declare gross dividend of 16.5-19.5sen/share translating into gross dividend yield of 7.5-8.8% in FY13-14E based on its IPO price of RM2.20.

Views and recommendation. MCH's solid business strategies coupled with attractive dividend yield will likely see further upside to its share price. Our target price for MCH is at RM2.86, which is based on the discount rate of 20% to RNAV at an implied PER of 7x. However, the TP may surpass above RM3.00 given the market's strong sentiment in addition to its low valuation at below 10x in comparison to its peers, averaging at 19x PER. We also expect higher demand for MCH's projects as it targets middle income segment which jives with our sector view where the genuine demand lies. Given the 13% upside to the stock, we recommend a Buy to the stock.

Earnings Estimates

FYE 31 Dec (RMm)	2010	2011	2012e	2013f	2014f
Revenue	195.6	624.3	456.1	535.3	649.8
Pretax profit	30.0	106.3	142.8	167.2	199.0
Net profit	20.5	71.4	103.5	125.4	149.3
EPS (sen)	6.8	23.1	34.5	41.8	49.4
EPS growth (%)	11%	238%	49%	21%	18%
DPS (sen)	0.0	0.0	9.1	16.7	19.9
NTA/ share (RM)	1.6	0.1	0.2	0.2	0.2
Net gearing (x)	154.8	0.7	NC	NC	NC
PER (x)	32.2	9.5	6.4	5.3	4.5
P/NTA (x)	1.39	14.78	14.59	12.70	11.63
Div. yield (%)	0.0%	0.0%	4.1%	7.6%	9.0%
EV/ EBITDA (x)	10.53	6.04	4.60	4.07	3.74
ROE (%)	10.1%	30.1%	30.3%	16.4%	15.8%
Interest Cover (x)	29.27	188.21	141.57	157.12	117.84

Balance Sheet

FYE 31 Dec (RMm)	2010	2011	2012e	2013f	2014f
Non Current Assets	475.0	44.7	45.2	52.0	56.7
Current Assets	181.2	461.7	541.9	863.4	987.8
Total Assets	656.2	506.4	587.1	915.4	1,044.5
Current Liabilities	434.3	255.7	227.3	229.6	272.2
Non Current	16.8	13.0	17.9	42.4	67.0
Shareholders' Fund	203.0	237.6	341.9	643.4	705.4
Equity & Liabilities	656.2	506.4	587.1	915.4	1,044.5

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.
NEUTRAL	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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