



Matrix Concept

BUY ◀▶

Thumbs Up – 2nd Round of KV Expansion

Price:

RM3.10

Target

(+9.7%) RM3.40

Research Team

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Proposed acquisition of residential land. The group has on 21 April 2015 entered into a SPA to acquire a parcel of land cum approved residential project in Puchong, Selangor for a total purchase price of RM95m. The Land measuring 5.8-acre is leasehold over 98 years (2015-2113). This mark the group's 2nd landbanking in Klang Valley, following the acquisition of a land near to PWTC in 2013. The acquisition is expected to be concluded by 3QFY15.

Current progress on The Land. The Land (The Project) named IRDK Residences is currently ongoing with initial construction & piling works. The Project comprising of 318 units of high-rise condominiums & 28 units of 4-storey link villas over a 4 year period (2015-2019) with an estimated GDV of approximately RM500m.

Fair Value of The Land. Assuming the stated current GDV of RM500m, this translates into 19% land cost to the GDV. Based on the report from the independent valuer, the current market value of The Land is fairly priced. However, we are expecting the lowering of land cost due to the revised development plan by the group to increase the density to 90 units/acre pending for approval which we expect to know the results within 3 months period (July 2015).

Accessibility. The Land is strategically located off the eastern of the Damansara-Puchong Highway (LDP) and sited within the commercial & residential sections of Pusat Bandar Puchong.

Amenities. Due to the outstanding location, The Land is surrounded by Tesco hypermarket, Setia Walk (a lifestyle & retail centre), IOI Mall, IOI Business Park One Puchong and IOI Boulevard, various banks & schools.

Financial Impact. The Land purchase shall be satisfied via a combination of internal funding & bank borrowing at a ratio of 40:60. We expect the group's net gearing to expand to 0.2x after imputing the 60% bank borrowing or RM57m.

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. However we are positive on this acquisition due to The Land is located in a prime & mature town of Puchong with ready amenities, infrastructures & accessibilities. Maintain **BUY**.

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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.

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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
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