

26 February 2014

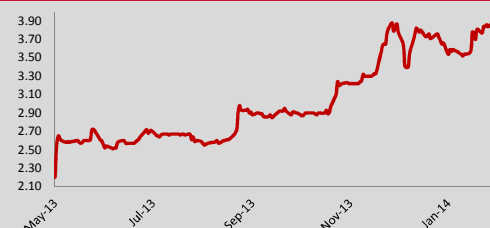
## Matrix Concepts FY13 Results Within Expectations

## OUTPERFORM ↔

**Price:** RM3.83  
**Target Price:** RM4.80 ↔

- Period** ■ 4Q13 / FY13
- Actual vs. Expectations** ■ Matrix Concepts (MATRIX)'s FY13 net profit of RM153m came in within our estimates and street's consensus; at 104% and 103% fulfilment rate, respectively.
- Sale for the year was RM788m, which was 10% ahead of our assumption, which we believe is due to better-than-expected industrial properties sales. Further details will be furnished post their result briefing.
- Dividends** ■ A fourth interim single tier dividend of 5 sen was announced. For the year, MATRIX had announced a total net dividend of 30.5 sen (7% yield) which is in line with our estimates.
- Key Results Highlights** ■ QoQ, MATRIX's 4Q13 net earnings grew 12% from RM36.2m to RM40.7m underpinned by 13% growth in revenue. The growth in revenue was primarily driven by higher recognition from its residential property projects namely Nusari Bayu and the Hijayu series located in Bandar Sri Sendayan. Its operating margin also saw an improvement of 4.6ppt mainly due to its Hijayu 3D series which contributed higher profit margin.
- The stock was listed in May-2013 and thus FY12 may not be fully comparable. Nonetheless, FY13 earnings grew 48% YoY from FY12 (pre IPO) net profit of RM103.5m.
- As of 4Q13, MATRIX remains in a very comfortable net cash position of RM65m, which would provide ample room to further gear up for land banking activities in the future.
- Outlook** ■ For FY14, MATRIX plans to launch GDV amounting to RM646m (pending confirmation from tomorrow's briefing), namely the Hijayu series in Bandar Sri Sendayan, Impiana series in Taman Seri Impian and Third 9 Residence in Seremban. As an affordable housing developer that targets the owner-occupiers market, we believe its Seremban property projects are set to enjoy the spill-over effects from the significant price appreciation in the Klang Valley.
- Its Matrix Global School in Bandar Sri Sendayan is expected to be completed by this year with first intake by September, which would further complement its residential project in that area.
- Change to Forecasts** ■ Maintain earnings estimates for now, pending their upcoming briefing on 26<sup>th</sup> January 2014. Unbilled sales of RM437m provide at least one-year visibility.
- Rating** **Maintain OUTPERFORM**
- We believe that the recent property cooling measures would not be a dampener to MATRIX as they are providing affordable mass housing products and industrial properties. We continue to like the stock given its attractive FY14E yields of 6% and resilient demand profile.
- Valuation** ■ Maintaining our TP at RM4.80, which is at a 20% discount to our DCF-driven RNAV @ 10% WACC.
- Risks to Our Call** ■ Failure to meet sales targets or replenish landbank. Sector risks, including overly negative policies.
- Geographical concentration risk.

### Share Price Performance



|                     |          |
|---------------------|----------|
| KLCI                | 1,833.75 |
| YTD KLCI chg        | -1.8%    |
| YTD stock price chg | 12.3%    |

### Stock Information

|                      |               |
|----------------------|---------------|
| Bloomberg Ticker     | MCH MK Equity |
| Market Cap (RM m)    | 1,155.4       |
| Issued shares        | 301.7         |
| 52-week range (H)    | 3.91          |
| 52-week range (L)    | 2.17          |
| 3-mth avg daily vol: | 756,748       |
| Free Float           | 59%           |
| Beta                 | n.a.          |

### Major Shareholders

|                      |       |
|----------------------|-------|
| HOCK LEE TIAN        | 19.9% |
| SHINING TERM SDN BHD | 16.0% |
| SUPREME INTEREST SDN | 5.0%  |

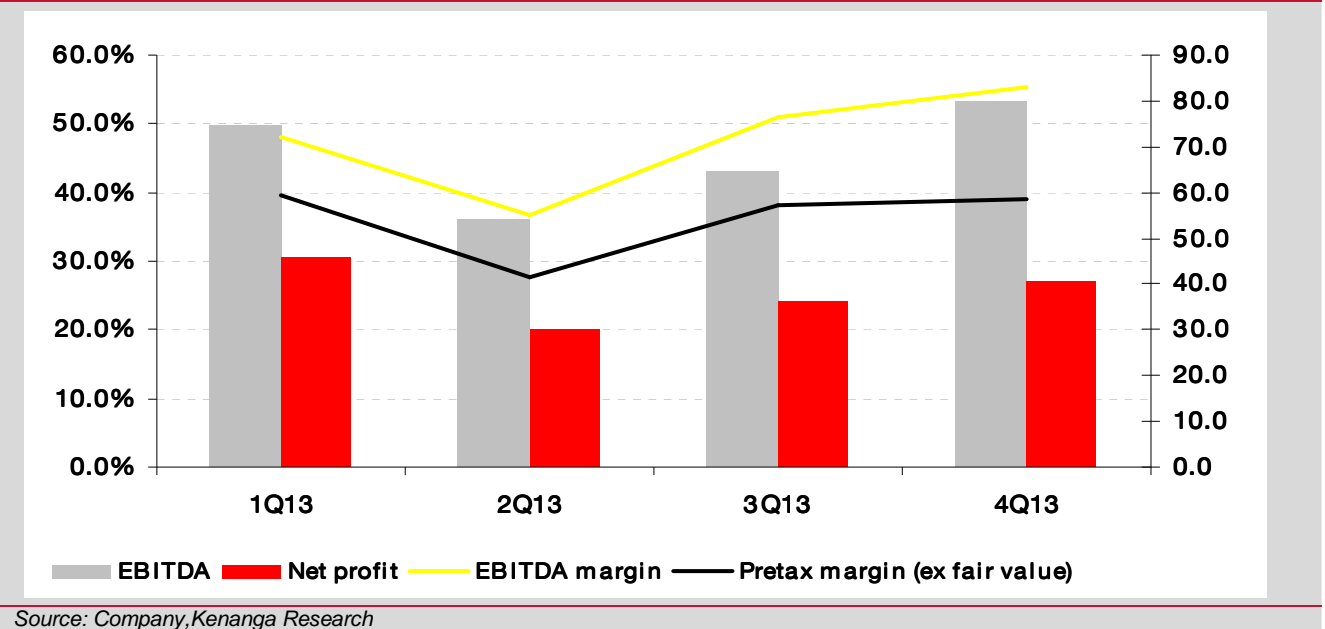
### Summary Earnings Table

| FYE Dec (RM m)         | 2013A        | 2014E        | 2015E        |
|------------------------|--------------|--------------|--------------|
| Turnover               | 574.7        | 634.9        | 723.4        |
| EBIT                   | 208.6        | 226.4        | 264.9        |
| PBT                    | 207.2        | 226.0        | 264.5        |
| <b>Net Profit (NP)</b> | <b>152.9</b> | <b>167.2</b> | <b>196.1</b> |
| Consensus (CNP)        | -            | 162.2        | 204.3        |
| Earnings Revision      | -            | -            | -            |
| EPS (sen)              | 50.8         | 55.5         | 65.1         |
| EPS growth (%)         | 48%          | 9%           | 17%          |
| NDPS (sen)             | 30.4         | 25.0         | 29.3         |
| BV/Share (RM)          | 1.83         | 2.14         | 2.50         |
| PER (x)                | 7.5          | 6.9          | 5.9          |
| Price/BV (x)           | 2.1          | 1.8          | 1.5          |
| Net Gearing (x)        | (0.12)       | (0.07)       | (0.12)       |
| Dividend Yield (%)     | 7.9          | 6.5          | 7.6          |

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| <b>Results Highlights</b>    |             |             |            |              |  |
|------------------------------|-------------|-------------|------------|--------------|--|
| <b>FYE: 31st Dec (RMm)</b>   | <b>3Q13</b> | <b>4Q13</b> | <b>QoQ</b> | <b>FY13</b>  |  |
| Revenue                      | 127.4       | 144.3       | 13%        | 574.7        |  |
| Op costs w/o deprn/amort     | (64.3)      | (65.9)      | 2%         | (305.0)      |  |
| Other Op Income              | 1.7         | 1.6         | -6%        | 3.8          |  |
| <b>EBITDA</b>                | <b>64.8</b> | <b>80.0</b> | <b>24%</b> | <b>273.5</b> |  |
| <b>EBIT</b>                  | <b>64.8</b> | <b>80.0</b> | <b>24%</b> | <b>273.5</b> |  |
| Net interest                 | (0.3)       | (0.6)       | 96%        | (1.4)        |  |
| Associate + JCE              | (15.7)      | (23.0)      | 46%        | (64.9)       |  |
| Fair Value Adjustments on IP | 0.0         | 0.0         | n.a.       | 0.0          |  |
| <b>Pretax profit</b>         | <b>48.7</b> | <b>56.4</b> | <b>16%</b> | <b>207.2</b> |  |
| Taxation                     | (12.5)      | (15.7)      | 26%        | (54.3)       |  |
| Minority Interests           | 0.0         | 0.0         | n.a.       | 0.0          |  |
| <b>Net profit</b>            | <b>36.2</b> | <b>40.7</b> | <b>12%</b> | <b>152.9</b> |  |
| <b>Core net profit</b>       | <b>36.2</b> | <b>40.7</b> | <b>12%</b> | <b>152.9</b> |  |
| EPS (sen)                    | 12.0        | 13.5        | 12%        | 54.9         |  |
| DPS (sen)                    | 5.0         | 5.0         | n.a.       | 30.5         |  |
| NTA/share (RM)               | 1.8         | 1.8         | 2%         | 1.8          |  |
| Net gearing/(cash) (x)       | (0.4)       | (0.1)       | <b>QoQ</b> | (0.1)        |  |
| EBITDA margin                | 51%         | 55%         | 13%        | 47.6%        |  |
| Pretax margin                | 38%         | 39%         | 2%         | 36.1%        |  |
| Effective tax rate           | 26%         | 28%         | -6%        | 26.2%        |  |

Source: Company, Kenanga Research

**Matrix Margin Trend**



| NAME  | Price<br>(25/02/14) | Mkt Cap | PER (x) |         |         | Est.<br>NDiv.<br>Yld. | Historical<br>ROE | P/BV | Net Profit (RMm) |         |         | FY13/14<br>NP<br>Growth | FY14/15<br>NP<br>Growth | Target<br>Price | Rating         |
|---|---------------------|---------|---------|---------|---------|-----------------------|-------------------|------|------------------|---------|---------|-------------------------|-------------------------|-----------------|----------------|
|   | (RM)                | (RMm)   | FY12/13 | FY13/14 | FY14/15 | (%)                   | (%)               | (x)  | FY12/13          | FY13/14 | FY14/15 | (%)                     | (%)                     | (RM)            |                |
| <b>DEVELOPERS UNDER COVERAGE</b>                          |                     |         |         |         |         |                       |                   |      |                  |         |         |                         |                         |                 |                |
| UEM Sunrise*  | 2.10                | 9,529   | 20.8    | 15.8    | 14.8    | 1.9%                  | 10.2%             | 1.5  | 459.1            | 603.3   | 643.1   | 31.4%                   | 6.6%                    | 2.60            | OUTPERFORM     |
| IOI Properties*   | 2.59                | 8,389   | 15.6    | 14.5    | 11.8    | 0.7%                  | 5.2%              | 0.8  | 538.9            | 580.0   | 711.4   | 7.6%                    | 22.7%                   | 3.68            | OUTPERFORM     |
| SP Setia  | 2.91                | 7,155   | 17.1    | 16.0    | 11.3    | 3.8%                  | 8.7%              | 1.1  | 400.2            | 446.7   | 633.0   | 11.6%                   | 41.7%                   | 3.03            | MARKET PERFORM |
| Sunway Berhad   | 2.85                | 4,912   | 12.5    | 10.8    | 9.1     | 3.3%                  | 16.1%             | 1.0  | 393.9            | 456.0   | 539.9   | 15.8%                   | 18.4%                   | 3.08            | OUTPERFORM     |
| IJM Land*   | 2.62                | 4,084   | 20.8    | 14.0    | 11.1    | 1.9%                  | 8.5%              | 1.2  | 196.1            | 292.6   | 368.8   | 49.3%                   | 26.0%                   | 3.15            | OUTPERFORM     |
| Mah Sing Group  | 2.07                | 2,926   | 10.1    | 8.5     | 7.0     | 4.5%                  | 19.9%             | 1.5  | 230.6            | 275.5   | 335.5   | 19.5%                   | 21.8%                   | 2.56            | OUTPERFORM     |
| UOA Development*  | 2.03                | 2,718   | 8.6     | 8.1     | 7.5     | 6.4%                  | 15.5%             | 1.1  | 301.3            | 319.9   | 346.0   | 6.2%                    | 8.2%                    | 2.10            | OUTPERFORM     |
| Matrix Concepts   | 3.83                | 1,155   | 7.5     | 6.9     | 5.9     | 6.5%                  | 29.8%             | 1.8  | 152.9            | 167.2   | 196.1   | 9.4%                    | 17.3%                   | 4.80            | OUTPERFORM     |
| Crescendo*  | 2.90                | 659     | 11.9    | 7.9     | 6.9     | 5.3%                  | 9.7%              | 0.9  | 55.7             | 83.6    | 95.3    | 50.1%                   | 14.0%                   | 4.00            | OUTPERFORM     |
| Hua Yang  | 1.84                | 486     | 6.9     | 6.3     | 4.7     | 6.0%                  | 23.5%             | 1.2  | 70.5             | 76.6    | 102.9   | 8.7%                    | 34.4%                   | 2.33            | OUTPERFORM     |
| * Core NP and Core PER                                    |                     |         |         |         |         |                       |                   |      |                  |         |         |                         |                         |                 |                |
| ** Crescendo per share data is based on non-Fully Diluted |                     |         |         |         |         |                       |                   |      |                  |         |         |                         |                         |                 |                |
| <b>CONSENSUS NUMBERS</b>                                  |                     |         |         |         |         |                       |                   |      |                  |         |         |                         |                         |                 |                |
| BERJAYA LAND BHD  | 0.79                | 3,931   | 34.5    | n.a.    | n.a.    | n.a.                  | 2.2%              | 0.7  | 114.0            | n.a.    | n.a.    | n.a.                    | n.a.                    | 0.93            | BUY            |
| IGB CORPORATION BHD                                       | 2.62                | 3,533   | 18.9    | 17.1    | 16.1    | 2.7%                  | 4.7%              | 0.9  | 186.6            | 206.3   | 219.8   | 10.5%                   | 6.5%                    | 3.55            | BUY            |
| YNH PROPERTY BHD  | 1.78                | 740     | 17.3    | 11.1    | 9.6     | 2.8%                  | 5.6%              | 0.9  | 42.7             | 66.5    | 76.9    | 55.8%                   | 15.6%                   | 1.78            | NEUTRAL        |
| YTL LAND & DEVELOPMENT BHD                                | 0.90                | 746     | 33.7    | 47.4    | 40.9    | n.a.                  | 2.5%              | 0.8  | 22.1             | 15.8    | 18.2    | -28.8%                  | 15.8%                   | 1.00            | NEUTRAL        |
| GLOMAC BHD  | 1.11                | 807     | 6.8     | 6.0     | 5.3     | 5.0%                  | 14.8%             | 0.9  | 119.0            | 133.7   | 151.2   | 12.4%                   | 13.0%                   | 1.23            | BUY            |
| KSL HOLDINGS BHD  | 2.44                | 943     | 4.2     | 4.2     | 5.5     | 1.2%                  | 19.1%             | 0.7  | 221.9            | 226.1   | 170.0   | 1.9%                    | -24.8%                  | 2.04            | BUY            |
| PARAMOUNT CORP BHD  | 1.57                | 530     | 10.1    | 9.2     | 8.3     | 5.7%                  | 7.5%              | 0.7  | 52.6             | 57.4    | 64.2    | 9.2%                    | 11.8%                   | 1.71            | BUY            |
| IVORY PROPERTIES GROUP BHD                                | 0.64                | 283     | 50.0    | n.a.    | 9.1     | n.a.                  | 1.5%              | 0.7  | 5.7              | n.a.    | 31.2    | n.a.                    | n.a.                    | n.a.            | BUY            |
| TAMBUN INDAH LAND BHD                                     | 1.70                | 671     | 10.0    | 10.4    | 7.4     | 4.7%                  | 22.0%             | 2.1  | 67.4             | 64.3    | 90.8    | -4.5%                   | 41.1%                   | 1.86            | BUY            |
| Source: Kenanga Research                                  |                     |         |         |         |         |                       |                   |      |                  |         |         |                         |                         |                 |                |

**Stock Ratings are defined as follows:**

**Stock Recommendations**

|                |  |
|----------------|--|
| OUTPERFORM     | :A particular stock's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).               |
| MARKET PERFORM | :A particular stock's Expected Total Return is WITHIN the range of 3% to 10%.  |
| UNDERPERFORM   | :A particular stock's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate). |

**Sector Recommendations\*\*\***

|             |   |   |
|-------------|---|---|
| OVERWEIGHT  | : | A particular stock's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).               |
| NEUTRAL     | : | A particular stock's Expected Total Return is WITHIN the range of 3% to 10%.  |
| UNDERWEIGHT | : | A particular stock's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate). |

**\*\*\*Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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