

# MATRIX CONCEPTS

## Capitalising on Greater KL

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After attending its analysts' briefing, we are reassured with MATRIX's long-term prospects despite the challenging property market outlook as its development projects tends to target genuine buyers, coupled with industrial developments capitalizing on the Greater Klang Valley story. For FY15, management has set a sales target of RM700m, inline with our estimates of RM697m, which we believe is highly achievable. Hence, we reiterate our **OUTPERFORM** recommendation on MATRIX with a Target Price of RM3.05 based on 30.0% discount to its RNAV of RM4.35. Furthermore, it is only trading at only 7.0x FY15E PER that is still lower compared to peer average of 8.3x coupled with decent dividend yield of 6.5% vs. peer average of 5.0%.

**Targeting at least RM1.1b worth of launches.** In the analysts' briefing, management reiterated that they are still planning to launch RM1.1b GDV worth of projects in FY15 that consists mainly commercial and residential products in Bandar Sri Sendayan (GDV: RM670m), Taman Seri Impian (GDV: RM206m) and Residency SIGC (GDV: RM229m). Commercial component makes up 15.0% of the total planned launches, while residential makes up the remaining 85.0%. These launches exclude Sendayan Tech Valley land sales and also its KL high-rise project (GDV: c.RM400m).

**Maintaining FY15-16E sales.** While management might be planning RM1.1b worth of launches in FY15, they are setting a conservative sales target of RM700m for FY15, of which RM600m is from commercial and residential property sales and RM100m from industrial land sales, inline with our FY15 sales estimate of RM697m. We believe that management's and our sales target are achievable despite a slower property market as "affordable" landed residential priced below RM500k makes up 58.0% of its RM1.1b planned launches. Hence, we are maintaining our FY15-16E sales of RM697-RM694m.

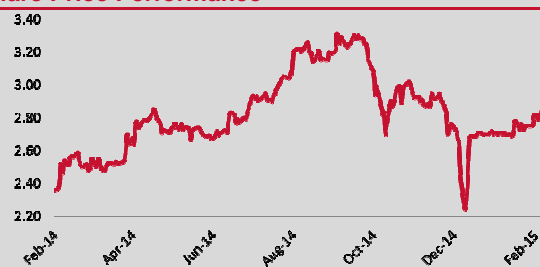
**Landbanking prospects.** In the briefing, management indicated that they are still actively looking for landbank replenishments, especially for industrial landbanks close to Sendayan Tech Valley. However, management expects landbanking news flow to be slow in FY15 as prospective landbanks are hard to come by due to pricing issues. Nonetheless, we are confident that MATRIX will still be able to replenish landbank in FY15 given its light balance sheet, which is still in a net cash position.

**OUTPERFORM maintained.** We continue to like MATRIX for its affordable/mass market exposure, which tends to target genuine buyers, coupled with industrial developments capitalizing on the Greater Klang Valley story. Furthermore, its valuation is still attractive as it is trading at 7.0x FY15E PER which is still below its small-mid cap peer average of 8.3x, coupled with decent dividend yield of 6.5% that is higher than its peer average of 5.0%. Our Target Price of RM3.05 is based on our FD RNAV of RM4.35 with an unchanged discount of 30.0%. The applied discount is below its historical average levels of 34.0% and is pretty much in-line with the discount range of 30.0%-38.0% applied to its peers, which are operating in the "affordable" housing segment e.g. HUAYANG.

# OUTPERFORM ↔

Price: **RM2.93**  
Target Price: **RM3.05** ↔

### Share Price Performance



KLCI	1,800.95
YTD KLCI chg	2.3%
YTD stock price chg	8.5%

### Stock Information

Bloomberg Ticker	MCH MK Equity
Market Cap (RM m)	1,341.7
Issued shares	457.9
52-week range (H)	3.32
52-week range (L)	2.20
3-mth avg daily vol:	675,535
Free Float	63%
Beta	n.a.

### Major Shareholders

TIAN HOCK LEE	16.4%
SHINING TERM SDN BHD	15.8%
SUPREME INTEREST SDN	5.0%

### Summary Earnings Table

FYE Dec (RM m)	2014A	2015E	2016E
Turnover	598	627	639
EBIT	246	257	258
PBT	245	257	258
<b>Net Profit (NP)</b>	<b>183</b>	<b>190</b>	<b>191</b>
Consensus (CNP)	n.a.	196	219
Earnings Revision	n.a.	n.a.	n.a.
EPS (sen)	40.4	42.1	42.2
EPS growth (%)	19%	4%	0%
NDPS (sen)	17.4	18.9	19.0
BV/Share (RM)	1.52	1.75	1.98
PER (x)	7.2	7.0	6.9
Price/BV (x)	1.93	1.67	1.48
Net Gearing (x)	0.0	0.0	0.0
Dividend Yield (%)	5.9	6.5	6.5

16 February 2015

<b>RNAV</b>							
	Stake	Remaining GDV*** (RM'm)	Remaining Net Profit*** (RM'm)	Start of DCF	Assumed durations (years)	WACC (%)	NPV (RM m) ***
<b>On-going Projects</b>							
BSS	100%	770	162	2,013	2	10%	120
STV 1&2	100%	786	165	2,013	3	10%	150
TSI	100%	223	47	2,013	1	10%	35
Taman Desa Port Dickson 3	100%	6	1	2,013	2	10%	1
Lobak Commercial Centre (Phase 1)	100%	16	3	2,013	3	10%	3
Unbilled sales	100%	593	124	2,013	2	10%	108
<b>Pipeline Projects</b>							
BSS	100%	4,771	1,013	2,014	8	10%	526
TSI	100%	891	187	2,014	8	10%	97
Kota Gadong Perdana	100%	926	195	2,016	3	10%	108
Third 9 Residence	100%	145	30	2,014	2	10%	21
Lobak Commercial Centre	100%	29	6	2,013	4	10%	4
Labu Land	100%	760	160	2,015	4	10%	85
Rasah Kemayan Land	100%	800	168	2,016	3	10%	85
KL land (near PWTC)	100%	250	53	2,014	4	10%	36
Industrial Land	100%	170	36	0	3	10%	27
Replenish	100%	1,830	357		10	10%	146
*** after shareholding							
<b>Other lands</b>		<b>NBV (RM'm)</b>	<b>NBV (RM psf)</b>		<b>Market Price (RM'm)</b>	<b>Market Price (RM psf)</b>	<b>Market Value RM'm)</b>
Lot No. 769, Mukim Pasir Panjang, Port Dickson	100%	2	2		3	3	2
Lot No. 847, Mukim Pasir Panjang, Port Dickson	100%	0	1		3	5	3
<b>Revised Asset Value</b>							<b>1,556</b>
Shareholder's equity (as at 30 June 2013)							540
<b>RNAV</b>							<b>2,096</b>
<b>RNAV per share (RM)</b>							<b>MYR 6.96</b>
No of paid-up shares ('m)							301.2
Dilution impact on RNAV*							66.2
<b>Diluted RNAV per share (RM)*</b>							<b>MYR 4.35</b>
Diluted No of shares ('m)*							496.8
<b>% Discount to RNAV</b>							30%
<b>TARGET PRICE</b>							<b>MYR 3.05</b>

Source: Kenanga Research

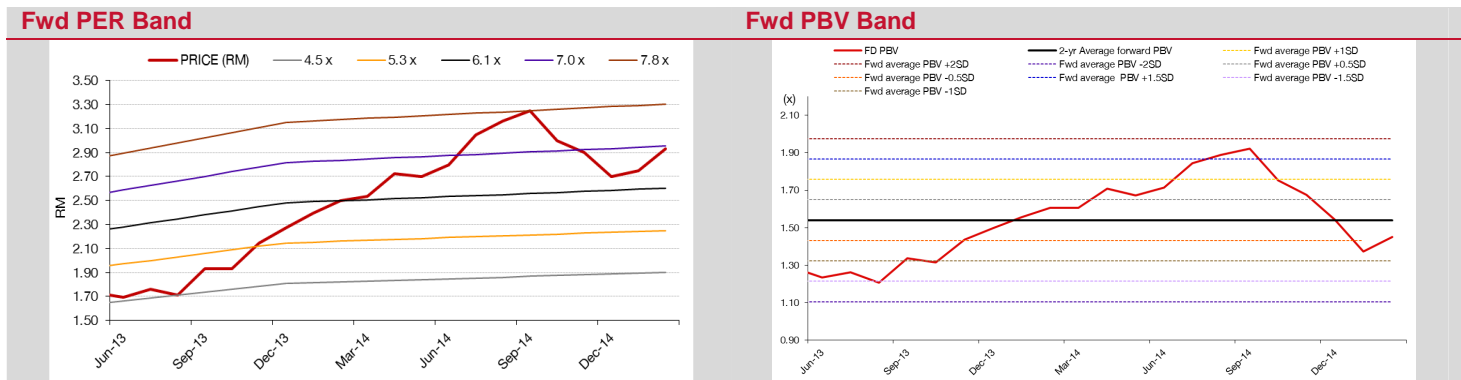
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16 February 2015

Income Statement						Financial Data & Ratios					
FY Dec (RM'm)	2012A	2013A	2014A	2015E	2016E	FY Dec (RM'm)	2012A	2013A	2014A	2015E	2016E
Revenue	456	575	598	627	639	<b>Growth</b>					
EBITDA	146	211	249	260	261	Turnover (%)	-27%	26%	4%	5%	2%
Depreciation	-2	-3	-3	-3	-3	EBITDA (%)	34%	45%	18%	4%	1%
Operating Profit	144	209	246	257	258	Operating Profit (%)	34%	45%	18%	4%	1%
Interest Exp	-1	-1	-2	-1	-1	PBT (%)	34%	45%	18%	5%	1%
PBT	143	207	245	257	258	Core Net Profit (%)	49%	48%	19%	4%	0%
Taxation	-39	-54	-62	-66	-67	<b>Profitability</b>					
Minority Interest	0	0	0	0	0	EBITDA Margin	32%	37%	42%	41%	41%
Net Profit	103	153	183	190	191	Operating Margin	32%	36%	41%	41%	40%
Core Net Profit	103	153	183	190	191	PBT Margin	31%	36%	41%	41%	40%
						Core Net Margin	23%	27%	31%	30%	30%
						Effective Tax Rate	28%	25%	26%	26%	26%
						ROA	17%	19%	19%	18%	17%
						ROE	29%	30%	29%	26%	23%
						<b>DuPont Analysis</b>					
						Net Margin (%)	23%	27%	31%	30%	30%
						Leverage Factor (x)	1.5	1.6	1.5	1.4	1.3
						ROE (%)	29%	30%	29%	26%	23%
						<b>Leverage</b>					
						Debt/Asset (x)	0.0	0.1	0.1	0.1	0.1
						Debt/Equity (x)	0.0	0.1	0.1	0.1	0.1
						(Net Cash)/Debt	-75.6	-96.7	-25.6	-41.2	-38.4
						Net Debt/Equity (x)	-0.2	-0.1	0.0	0.0	0.0
						<b>Valuations</b>					
						EPS (sen)	22.9	33.8	40.4	42.1	42.2
						NDPS (sen)	5.7	30.4	17.4	18.9	19.0
						BVPS (RM)	1.05	1.22	1.52	1.75	1.98
						PER (x)	12.66	8.57	7.17	6.89	6.88
						N. Div. Yield (%)	2.0	10.4	5.9	6.5	6.5
						PBV (x)	2.80	2.40	1.93	1.67	1.48
						EV/EBITDA (x)	0.0	6.0	5.2	4.9	4.9

Source: Kenanga Research



Source: Bloomberg, Kenanga Research

16 February 2015

### Peer Comparison

NAME	Price (13/2/15)	Mkt Cap	PER (x)			Est. NDiv. Yld.	Historical ROE	P/BV	Net Profit (RMm)			FY13/14 NP Growth	FY14/15 NP Growth	Target Price	Rating
	(RM)	(RMm)	FY13/14	FY14/15	FY15/16	(%)	(%)	(x)	FY13/14	FY14/15	FY15/16	(%)	(%)	(RM)	
<b>DEVELOPERS UNDER COVERAGE</b>															
S P SETIA BHD*	3.55	9,022	25.0	19.7	17.6	2.8%	6.8%	1.3	361.0	457.0	510.9	26.6%	11.8%	3.95	OUTPERFORM
IOI PROPERTIES GROUP BHD*	2.07	7,822	16.3	18.3	16.1	3.4%	4.3%	0.6	479.2	428.6	487.3	-10.6%	13.7%	2.12	MARKET PERFORM
UEM SUNRISE BHD*	1.39	6,307	13.7	11.9	16.8	1.8%	10.2%	1.0	459.1	528.9	376.2	15.2%	-28.9%	1.60	MARKET PERFORM
SUNWAY BHD	3.29	5,667	11.7	10.5	10.4	3.0%	33.6%	1.0	482.7	540.1	542.6	11.9%	0.5%	3.65	OUTPERFORM
IJM LAND BHD*	3.64	5,674	16.9	16.9	16.1	1.6%	17.7%	1.6	335.2	336.0	352.1	0.2%	4.8%	3.55	ACCEPT OFFER
MAH SING GROUP BHD^	2.01	3,860	17.2	14.4	12.9	2.8%	17.6%	2.1	280.6	334.6	373.7	19.2%	11.7%	2.06	MARKET PERFORM
UOA DEVELOPMENT BHD*	2.07	2,962	8.6	11.1	10.0	6.3%	16.0%	1.1	344.6	266.8	295.7	-22.6%	10.8%	2.00	MARKET PERFORM
MALAYSIAN RESOURCES CORP BHD	1.40	2,501	-62.9	26.5	19.4	0.9%	-2.5%	1.5	-36.7	87.1	119.1	-337.1%	36.8%	1.27	MARKET PERFORM
TROPICANA CORP BHD	1.06	1,456	3.9	6.1	8.8	2.1%	11.9%	0.4	304.5	191.7	133.0	-37.0%	-30.6%	1.15	MARKET PERFORM
MATRIX CONCEPTS HOLDINGS BHD	2.93	1,342	7.2	7.0	6.9	6.5%	29.5%	1.7	182.6	190.2	190.5	4.1%	0.2%	3.05	OUTPERFORM
CRESCENDO CORPORATION BHD*	2.52	573	6.8	8.8	7.3	4.7%	18.4%	0.9	84.2	65.7	78.8	-21.9%	19.9%	2.46	MARKET PERFORM
HUA YANG BHD	2.18	576	7.0	5.6	5.6	6.1%	22.8%	1.2	82.2	102.9	102.8	25.2%	-0.1%	2.20	MARKET PERFORM
CREST BUILDER HOLDINGS BHD	1.25	205	6.3	19.3	12.3	1.3%	8.9%	0.5	32.7	10.6	16.7	-67.5%	57.6%	1.30	MARKET PERFORM
<b>CONSENSUS NUMBERS</b>															
BERJAYA LAND BHD	0.81	4,016	122.0	n.a.	n.a.	n.a.	0.6%	0.8	32.9	n.a.	n.a.	n.a.	n.a.	0.93	SELL
IGB CORPORATION BHD	2.71	3,618	18.1	16.4	15.1	2.5%	4.7%	0.8	199.8	220.3	240.3	10.2%	9.1%	4.10	NEUTRAL
YNH PROPERTY BHD	1.98	813	16.7	12.4	10.7	2.6%	5.7%	0.9	48.8	65.7	76.0	34.7%	15.6%	1.88	NEUTRAL
YTL LAND & DEVELOPMENT BHD	0.81	672	30.6	n.a.	33.8	n.a.	2.4%	0.7	22.0	n.a.	19.9	n.a.	n.a.	n.a.	NEUTRAL
GLOMAC BHD	0.98	709	9.0	7.8	6.6	4.8%	8.9%	0.8	78.7	90.9	107.6	15.4%	18.4%	0.97	SELL
KSL HOLDINGS BHD	2.08	1,897	8.0	5.3	n.a.	5.8%	14.3%	1.1	235.8	355.8	n.a.	50.8%	n.a.	2.57	BUY
PARAMOUNT CORP BHD	1.52	642	8.4	8.9	8.9	5.9%	8.6%	0.8	76.4	71.8	71.8	-6.0%	0.0%	1.54	NEUTRAL
IVORY PROPERTIES GROUP BHD	0.43	189	8.3	n.a.	n.a.	n.a.	6.0%	0.4	22.8	n.a.	n.a.	n.a.	n.a.	n.a.	BUY
TAMBUN INDAH LAND BHD	1.90	801	7.5	6.7	5.9	5.6%	30.2%	2.1	106.1	120.1	134.9	13.2%	12.3%	2.15	BUY

\* Core NP and Core PER

\*\* Crescendo per share data is based on non-Fully Diluted

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Source: Kenanga Research

16 February 2015

**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 sector'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 sector's Expected Total Return is WITHIN the range of 3% to 10%.
UNDERWEIGHT	:A particular sector'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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