

**Matrix Concepts Holdings (MCH MK)**
**Buy** (Maintained)

Property- Real Estate

Target Price: MYR3.36

Market Cap: USD375m

Price: MYR2.93

## Outlook Remains Promising

Macro	◆◆◆
Risks	◆◆
Growth	◆◆◆
Value	◆◆◆



Source: Bloomberg

Avg Turnover (MYR/USD)	1.75m/0.50m
Cons. Upside (%)	24.2
Upside (%)	14.7
52-wk Price low/high (MYR)	2.25 - 3.31
Free float (%)	43
Share outstanding (m)	458
<b>Shareholders (%)</b>	
Dato' Lee & Family	60.0

**Share Performance (%)**

	YTD	1m	3m	6m	12m
Absolute	8.5	8.5	0.7	(8.4)	18.8
Relative	6.9	6.2	2.2	(4.7)	20.4

**Shariah compliant**

Loong Kok Wen, CFA +603 9207 7614

[loong.kok.wen@rhbgroup.com](mailto:loong.kok.wen@rhbgroup.com)

The stock remains one of our Top Picks for the sector. We maintain BUY and MYR3.36 TP (15% upside). New sales target is set at MYR700m for FY15, and we believe this is achievable as land sales may pick up from FY14, mainly due to timing issue. About MYR1.1bn worth of new projects will also be rolled out this year, and these are mainly the landed affordable homes, which suit the current market conditions.

- ◆ **Prudent new sales target of MYR700m.** Management sets a new sales target of MYR700m for FY15, some 11% increase from FY14's MYR630m. We believe this is achievable and expect industrial land sales to have a higher contribution in FY15 (only MYR101m in FY14). Meanwhile, FY15 earnings growth seems promising as we understand that many industrial players are likely to accelerate their transactions particularly in 1Q15 in order to avoid paying the GST. Hence, more land sales could be booked this year.
- ◆ **Healthy pipeline launches.** About MYR1.1bn worth of new projects will be rolled out progressively in FY15. These include shop lots in Sendayan Merchant Square 1, Hijayu Resort Homes and terrace houses in Hijayu 3B and 3C, as well as landed houses in Taman Sri Impian (TSI), Kluang. In our view, the type of properties suits the current market conditions, given buyers' preference for landed and affordable homes. This year, we also expect Matrix Concepts to ink the deal with AEON and the new mall should spur demand for both residential and commercial properties in TSI.
- ◆ **Constant landbanking effort.** While recognising the need to buy more land to replenish landbank particularly in TSI and Sendayan TechValley, given the remaining landbank of <400 acres, management has been prudent and patient to wait for opportunities when land owners get less sticky with pricing. We expect some new acquisitions to materialise in 2H, which could bring a boost to RNAV.
- ◆ **Maintain BUY.** We maintain our BUY rating and MYR3.36 TP, based on a 20% discount to RNAV. The stock remains one of our Top Picks for the sector this year, given the company's exposure to affordable housing and potential uptick in industrial land sales in FY15.

Forecasts and Valuations	Dec-13	Dec-14	Dec-15F	Dec-16F	Dec-17F
Total turnover (MYRm)	575	598	634	727	786
Reported net profit (MYRm)	153	183	210	222	236
Recurring net profit (MYRm)	153	183	210	222	236
Recurring net profit growth (%)	47.7	19.4	15.0	5.9	6.2
Recurring EPS (MYR)	0.33	0.40	0.45	0.47	0.49
DPS (MYR)	0.16	0.17	0.19	0.20	0.21
Recurring P/E (x)	8.76	7.33	6.47	6.20	5.93
P/B (x)	2.42	1.95	1.66	1.45	1.28
Dividend Yield (%)	5.3	5.9	6.3	6.8	7.2
Return on average equity (%)	34.2	29.5	27.9	25.1	23.1
Return on average assets (%)	20.6	19.3	19.1	17.4	16.3
Net debt to equity (%)	(11.8)	(2.7)	(10.1)	(10.5)	(4.6)
Our vs consensus EPS (adjusted) (%)			(7.6)	(5.5)	(3.1)

Source: Company data, RHB

Figure 1: Matrix Concept's RNAV

<b>Projects</b>	<b>Remaining landbank (acres)</b>	<b>GDV (MYR m)</b>	<b>Stake</b>	<b>NPV @ 13%</b>
<i>Bandar Sri Sendayan, Negeri Sembilan</i>				
Ongoing & future developments	1,289.5	3,718.6	100%	338.9
Taman Seri Impian, Kluang, Johor	309.9	857.2	100%	104.0
KL land	1.1	250	100%	17.4
Taman Desa PD 3	4.3	5.5	100%	0.9
Kota Gadong Perdana	294.6	926.4	100%	116.3
Third 9 Residence	41.8	144.7	100%	19.7
Lobak Commercial Centre	7.3	45.5	100%	6.2
Labu land	236.9	760	100%	73.8
Rasah Kemayan land	194.4	800	100%	80.8
	<b>Remaining landbank (acres)</b>	<b>Market price (MYR psf)</b>	<b>BV (MYR psf)</b>	<b>Net surplus</b>
Sendayan TechValley	217	45	10	248.1
New industrial land	164.1	33	13	80.4
Unbilled sales				148.3
Total				1,234.7
Shareholders' fund				686.0
Total RNAV				1,920.7
Share base				457.1
RNAV/share				4.20
Discount				20%
Target price				3.36

Source: RHB

## Financial Exhibits

<b>Profit &amp; Loss (MYRm)</b>	<b>Dec-13</b>	<b>Dec-14</b>	<b>Dec-15F</b>	<b>Dec-16F</b>	<b>Dec-17F</b>
Total turnover	575	598	634	727	786
Cost of sales	(305)	(275)	(280)	(333)	(362)
<b>Gross profit</b>	<b>270</b>	<b>324</b>	<b>354</b>	<b>394</b>	<b>424</b>
Selling expenses	(62)	(78)	(69)	(94)	(107)
Other operating costs	1	1	3	3	3
<b>Operating profit</b>	<b>209</b>	<b>246</b>	<b>289</b>	<b>304</b>	<b>320</b>
Operating EBITDA	209	246	289	304	320
<b>Operating EBIT</b>	<b>209</b>	<b>246</b>	<b>289</b>	<b>304</b>	<b>320</b>
Interest expense	(1)	(2)	(4)	(5)	(5)
<b>Pre-tax profit</b>	<b>207</b>	<b>245</b>	<b>285</b>	<b>299</b>	<b>315</b>
Taxation	(54)	(62)	(75)	(76)	(79)
<b>Profit after tax &amp; minorities</b>	<b>153</b>	<b>183</b>	<b>210</b>	<b>222</b>	<b>236</b>
<b>Reported net profit</b>	<b>153</b>	<b>183</b>	<b>210</b>	<b>222</b>	<b>236</b>
<b>Recurring net profit</b>	<b>153</b>	<b>183</b>	<b>210</b>	<b>222</b>	<b>236</b>

Source: Company data, RHB

<b>Cash flow (MYRm)</b>	<b>Dec-13</b>	<b>Dec-14</b>	<b>Dec-15F</b>	<b>Dec-16F</b>	<b>Dec-17F</b>
<b>Operating profit</b>	<b>209</b>	<b>246</b>	<b>289</b>	<b>304</b>	<b>320</b>
<b>Change in working capital</b>	<b>(1)</b>	<b>(127)</b>	<b>(17)</b>	<b>(69)</b>	<b>(44)</b>
Other operating cash flow	(112)	20	37	38	39
<b>Operating cash flow</b>	<b>95</b>	<b>140</b>	<b>309</b>	<b>273</b>	<b>316</b>
Interest paid	(1)	(2)	(4)	(5)	(5)
Tax paid	(54)	(62)	(75)	(76)	(79)
<b>Cash flow from operations</b>	<b>40</b>	<b>76</b>	<b>230</b>	<b>192</b>	<b>232</b>
Capex	(3)	(51)	(50)	(50)	(150)
Other investing cash flow	(66)	(5)	-	-	1
<b>Cash flow from investing activities</b>	<b>(69)</b>	<b>(57)</b>	<b>(50)</b>	<b>(50)</b>	<b>(149)</b>
Dividends paid	-	(71)	(79)	(86)	(94)
Proceeds from issue of shares	129	30	-	-	-
Increase in debt	29	27	-	-	-
Other financing cash flow	(111)	22	(42)	(41)	(40)
<b>Cash flow from financing activities</b>	<b>47</b>	<b>8</b>	<b>(121)</b>	<b>(127)</b>	<b>(134)</b>
Cash at beginning of period	31	116	97	211	228
<b>Total cash generated</b>	<b>18</b>	<b>27</b>	<b>59</b>	<b>15</b>	<b>(51)</b>
<b>Implied cash at end of period</b>	<b>49</b>	<b>143</b>	<b>156</b>	<b>227</b>	<b>177</b>

Source: Company data, RHB

## Financial Exhibits

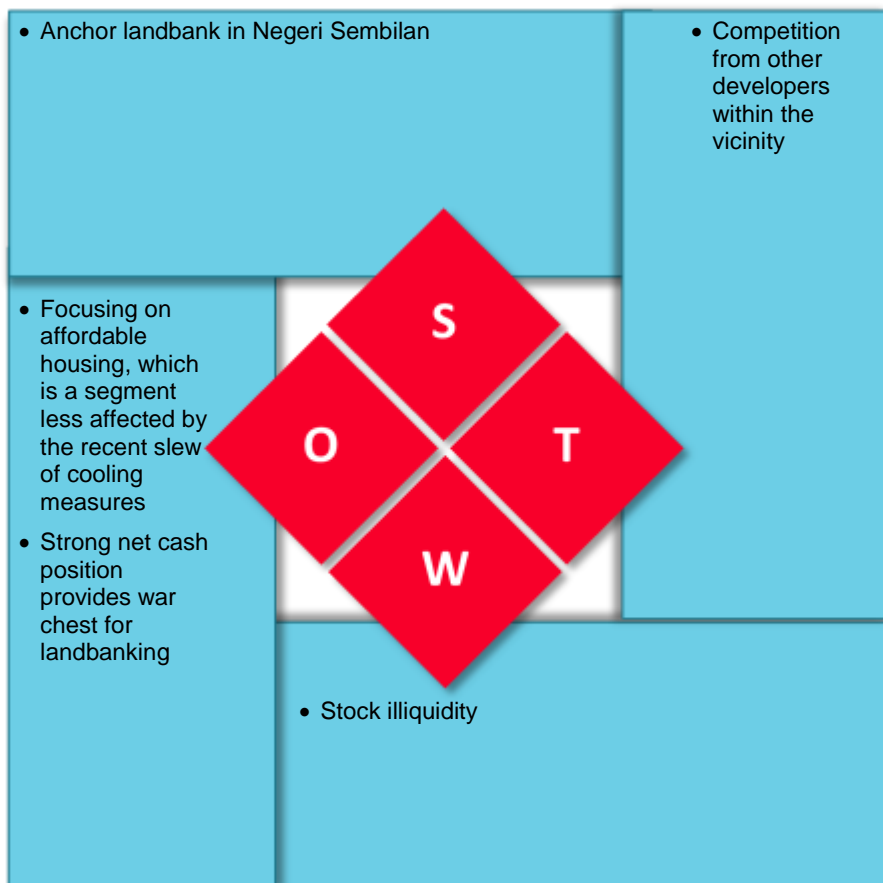
<b>Balance Sheet (MYRm)</b>	<b>Dec-13</b>	<b>Dec-14</b>	<b>Dec-15F</b>	<b>Dec-16F</b>	<b>Dec-17F</b>
Total cash and equivalents	116	97	211	228	179
Inventories	2	2	2	3	3
Accounts receivable	141	79	84	97	104
Other current assets	444	566	600	688	744
<b>Total current assets</b>	<b>702</b>	<b>745</b>	<b>898</b>	<b>1,015</b>	<b>1,030</b>
Total investments	192	245	295	344	493
Total other assets	7	6	6	6	6
Total non-current assets	198	252	301	350	499
<b>Total assets</b>	<b>900</b>	<b>996</b>	<b>1,199</b>	<b>1,366</b>	<b>1,529</b>
Short-term debt	35	42	42	42	42
Accounts payable	246	196	217	249	269
Other current liabilities	52	36	36	36	36
<b>Total current liabilities</b>	<b>333</b>	<b>274</b>	<b>296</b>	<b>328</b>	<b>348</b>
Total long-term debt	15	36	86	86	86
<b>Total non-current liabilities</b>	<b>15</b>	<b>36</b>	<b>86</b>	<b>86</b>	<b>86</b>
<b>Total liabilities</b>	<b>348</b>	<b>310</b>	<b>382</b>	<b>413</b>	<b>434</b>
Share capital	301	457	464	471	478
Retained earnings reserve	181	221	345	474	609
Other reserves	70	8	8	8	8
<b>Shareholders' equity</b>	<b>552</b>	<b>686</b>	<b>817</b>	<b>952</b>	<b>1,095</b>
<b>Total equity</b>	<b>552</b>	<b>686</b>	<b>817</b>	<b>952</b>	<b>1,095</b>
<b>Total liabilities &amp; equity</b>	<b>900</b>	<b>996</b>	<b>1,199</b>	<b>1,366</b>	<b>1,529</b>

Source: Company data, RHB

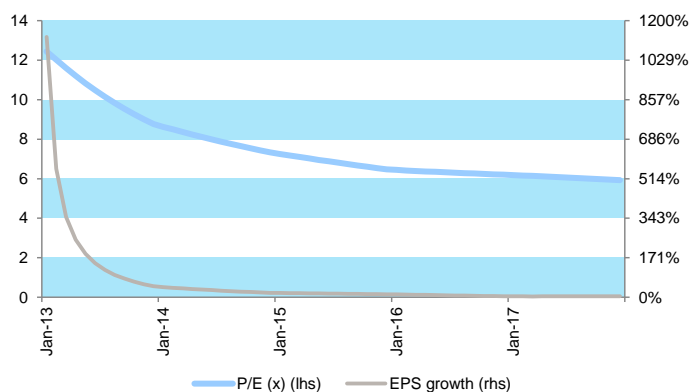
<b>Key Ratios (MYR)</b>	<b>Dec-13</b>	<b>Dec-14</b>	<b>Dec-15F</b>	<b>Dec-16F</b>	<b>Dec-17F</b>
Revenue growth (%)	26.0	4.1	6.0	14.7	8.1
Operating profit growth (%)	45.1	18.2	17.1	5.2	5.4
Net profit growth (%)	47.7	19.4	15.0	5.9	6.2
EPS growth (%)	47.7	19.4	13.3	4.4	4.6
Bv per share growth (%)	61.5	24.2	17.3	14.8	13.3
Operating margin (%)	36.3	41.2	45.5	41.8	40.7
Net profit margin (%)	26.6	30.5	33.1	30.6	30.0
Return on average assets (%)	20.6	19.3	19.1	17.4	16.3
Return on average equity (%)	34.2	29.5	27.9	25.1	23.1
Net debt to equity (%)	(11.8)	(2.7)	(10.1)	(10.5)	(4.6)
DPS	0.16	0.17	0.19	0.20	0.21
Recurrent cash flow per share	0.09	0.17	0.50	0.41	0.48

Source: Company data, RHB

## SWOT Analysis

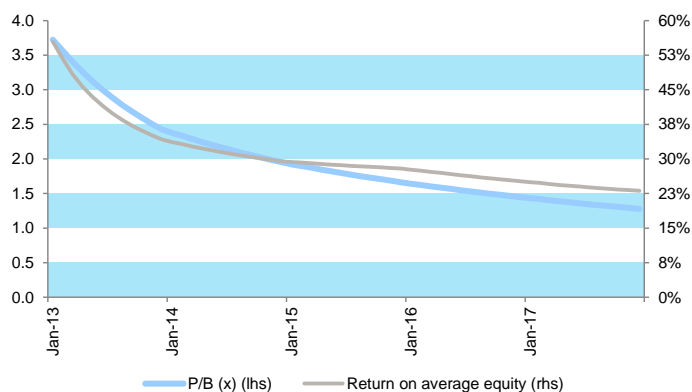


P/E (x) vs EPS growth



Source: Company data, RHB

P/BV (x) vs ROAE



Source: Company data, RHB

## Company Profile

Matrix Concepts is a Negeri Sembilan-based developer that currently has 2,732 acres of land with a total portfolio GDV of MYR8.2bn. The group concentrates mainly on developing residential and commercial properties, as well as industrial land sales.

## Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2015-02-12	Buy	3.36	2.90
2014-12-16	Buy	3.00	2.25
2014-11-18	Buy	3.93	2.89
2014-09-21	Buy	3.93	3.25
2014-08-20	Buy	3.80	3.20
2014-08-19	Buy	3.80	3.20
2014-05-21	Buy	5.00	2.67
2014-04-14	Buy	5.00	2.77
2014-02-26	Buy	5.00	2.52
2014-01-07	Buy	5.00	2.55

Source : RHB, Bloomberg

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<p><b>PT RHB OSK Securities Indonesia (formerly known as PT OSK Nusadana Securities Indonesia)</b> Plaza CIMB Niaga 14th Floor Jl. Jend. Sudirman Kav.25 Jakarta Selatan 12920, Indonesia Tel : +(6221) 2598 6888 Fax : +(6221) 2598 6777</p>	<p><b>RHB OSK (China) Investment Advisory Co. Ltd. (formerly known as OSK (China) Investment Advisory Co. Ltd.)</b> Suite 4005, CITIC Square 1168 Nanjing West Road Shanghai 20041 China Tel : +(8621) 6288 9611 Fax : +(8621) 6288 9633</p>	<p><b>RHB OSK Indochina Securities Limited (formerly known as OSK Indochina Securities Limited)</b> No. 1-3, Street 271 Sangkat Toeuk Thla, Khan Sen Sok Phnom Penh Cambodia Tel: +(855) 23 969 161 Fax: +(855) 23 969 171</p>
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