

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

 Property- Real Estate  
 Market Cap: USD357m

 Target Price: MYR3.36  
 Price: MYR2.81

**Generous Dividend Payout In 4Q**

 Macro   
 Risks   
 Growth   
 Value 


Source: Bloomberg

Avg Turnover (MYR/USD)	1.64m/0.47m
Cons. Upside (%)	29.5
Upside (%)	19.6
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	4.1	4.1	(3.1)	(12.7)	11.5
Relative	1.3	(0.4)	(2.3)	(10.6)	12.2

**Shariah compliant**

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**Matrix's 4Q14 results came in above our expectation. Maintain BUY with a higher TP of MYR3.36 (20% upside). Dividend is the key highlight for the quarter, with 5.25 sen final and 1.25 sen special dividends being declared. FY14 new property sales achieved MYR630.2m vs MYR788m in FY13, mainly due to the timing of land sales. We expect higher contribution from land sales to boost earnings this year.**

- ◆ **Above expectations.** Matrix Concepts' (Matrix) 4Q14 results beat our estimate but were in line with market expectation. The sequential improvement in net profit was largely attributed to the higher margin products that the company recently launched, the pickup in the construction progress for Hijayu 3A, as well as the reversal of the provisions made for staff costs. EBIT margin, as a result, expanded to 49% from 40% the previous quarter. Meanwhile, apart from the 5.25 sen final dividend, Matrix has also declared a 1.25 sen special dividend (both dividends are single-tier). This brought the full-year DPS to 17.3 sen (adjusted for bonus issue), representing an attractive yield of 6%.
- ◆ **New sales achieved MYR630.2m.** Matrix's new property sales in 4Q hit MYR182m, from MYR158.5m in 3Q. Its full-year new sales amounted to MYR630.2m (of which MYR529m is from property development and MYR101m from industrial land sale), down from MYR788m in FY13. The lower number was mainly due to the timing of land sales. This year, we expect more land deals to be sealed, as we understand that some industrial players may accelerate their transactions particularly in 1Q15 in order to avoid paying the GST. Meanwhile, the response for new launches still seems reasonable. Hijayu 3A Phase 1 & 2, which were launched in 1H14 were fully sold, while Phase 3 and 4 launched in 3Q14 and 4Q14 have reached a take-up rate of 46% and 10%, respectively.
- ◆ **Forecast.** As we expect higher contribution from land sales, we raise our FY15-16 earnings forecasts by 7-14%. Unbilled sales inched up slightly to MYR429.3m, from MYR410.5m in 3Q14.
- ◆ **Maintain BUY.** We maintain our BUY rating. As we update our landbank data and RNAV, our TP is revised upwards to MYR3.36 (from MYR3.00). This is based on a lower 20% discount to RNAV (from 25%) given that more land deals are expected this year.

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)	8.40	7.03	6.21	5.95	5.69
P/B (x)	2.33	1.87	1.60	1.39	1.23
Dividend Yield (%)	5.5	6.2	6.6	7.1	7.5
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: Quarterly results

FYE Dec (MYRm)	4Q13	3Q14	4Q14	QoQ (%)	YoY (%)	FY13	FY14	YoY (%)	Comments
Turnover	144.3	148.8	151.0	1.5	4.6	574.7	598.3	4.1	
EBIT	57.0	58.9	74.2	26.0	30.3	208.6	246.5	18.2	Better margin was due to higher margin products, and reversal of the provisions made for staff costs.
EBIT margin (%)	39.5	39.6	49.2			36.3	41.2		
Net interest	(0.6)	(0.5)	(0.5)	(3.2)	(21.8)	(1.4)	(1.7)	26.1	
Pretax profit	56.4	58.5	73.8	26.2	30.8	207.2	244.8	18.1	
Pretax margin (%)	39.1	39.3	48.9			36.1	40.9		
Taxation	(15.7)	(13.4)	(17.3)	29.2	9.6	(54.3)	(62.1)	14.4	
Tax rate (%)	27.9	22.9	23.4			26.2	25.4		
Minority interest	0.0	0.0	0.0	n.m.	n.m.	0.0	0.0	n.m.	
Net profit	40.7	45.1	56.5	25.4	39.0	152.9	182.6	19.4	Above our expectation.
Net margin (%)	28.2	30.3	37.4			26.6	30.5		
EPS (sen)	13.5	10.5	12.4			64.1	78.9		
Gross DPS (sen)	3.3	3.8	6.5			23.6	17.3		
NTA/share (MYR)	1.8	1.4	1.5			1.8	1.5		

Source: RHB

Figure 2: Matrix's RNAV

Projects	Remaining landbank (acres)	GDV (MYR m)	Stake	NPV @ 13%
<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
	Remaining landbank (acres)	Market price (MYR psf)	BV (MYR psf)	Net surplus
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

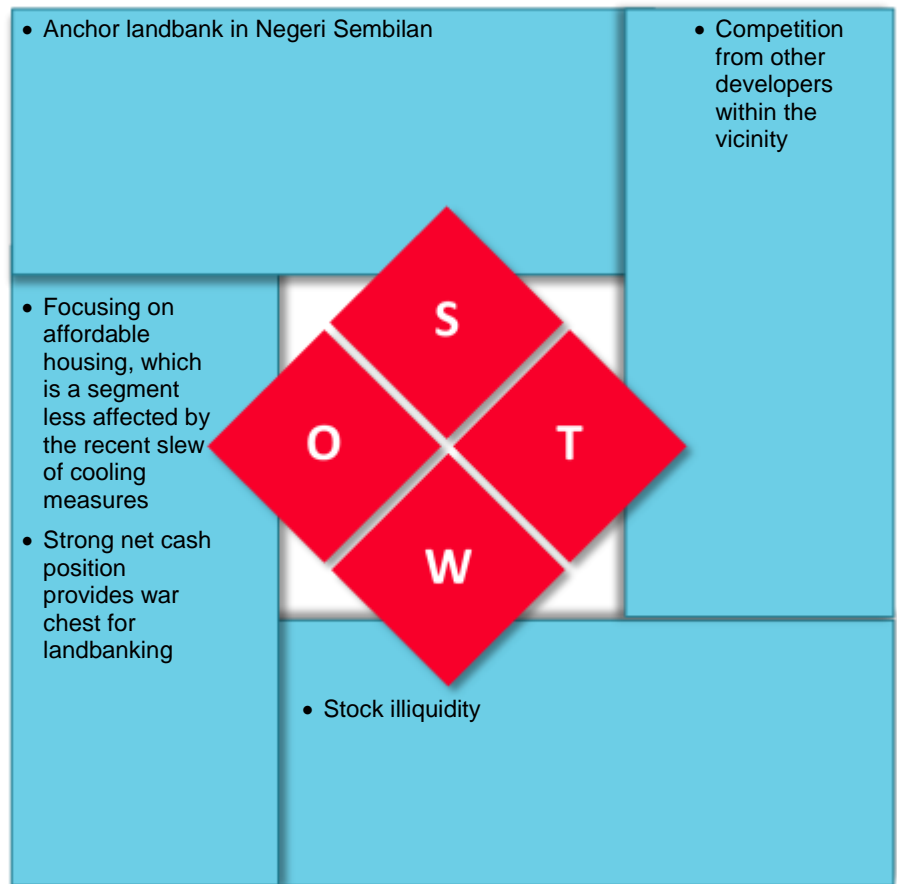
<b>Balance Sheet (MYRm)</b>	<b>Dec-13</b>	<b>Dec-14</b>	<b>Dec-15F</b>	<b>Dec-16F</b>	<b>Dec-17F</b>
Total cash and equivalents	116	97	211	228	179
Inventories	2	2	2	3	3
Accounts receivable	141	79	84	97	104
Other current assets	444	566	600	688	744
<b>Total current assets</b>	<b>702</b>	<b>745</b>	<b>898</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

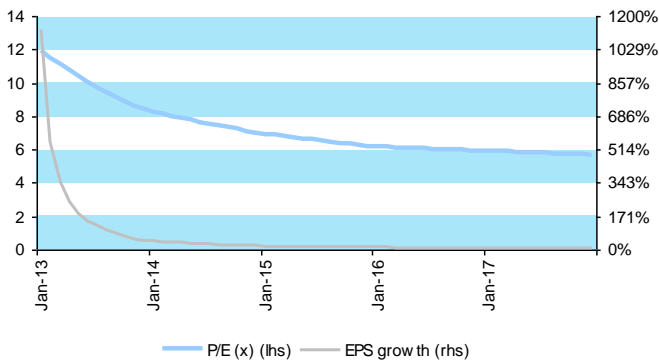
<b>Key Ratios (MYR)</b>	<b>Dec-13</b>	<b>Dec-14</b>	<b>Dec-15F</b>	<b>Dec-16F</b>	<b>Dec-17F</b>
Revenue growth (%)	26.0	4.1	6.0	14.7	8.1
Operating profit growth (%)	45.1	18.2	17.1	5.2	5.4
Net profit growth (%)	47.7	19.4	15.0	5.9	6.2
EPS growth (%)	47.7	19.4	13.3	4.4	4.6
Bv per share growth (%)	61.5	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

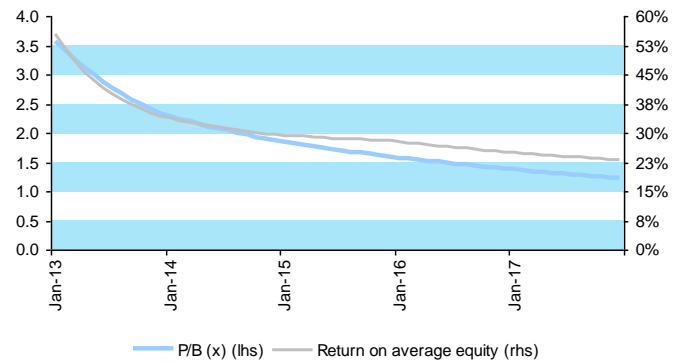


P/E (x) vs EPS growth



Source: Company data, RHB

P/BV (x) vs ROAE

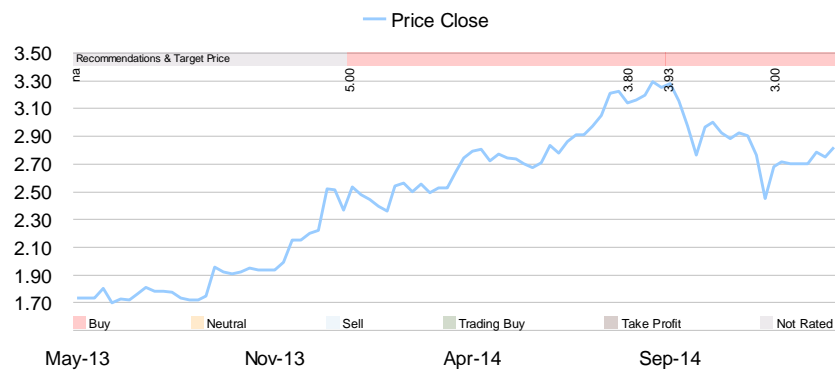


Source: Company data, RHB

## 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
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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- Buy:** Share price may exceed 10% over 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  
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