

Matrix Concepts (BUY↔, EPS ↔)

INDUSTRY: NEUTRAL

NEWSBREAK

April 14, 2014

Price Target: RM4.49 (↔)

Share price: RM4.11

1-for-2 bonus issue
News

- MCHB has proposed a bonus issue of up to 152.9m bonus shares on the basis of one bonus shares for every two existing shares.
- The proposed bonus issue is expected to be completed by 3Q14.
- As at Dec 2013, the issued and paid up share capital stands at RM301.2mm comprising 301.2m shares. In addition, there are approximately 4.59m of ESOS options exercisable by the entitlement date.

Comment

- We are slightly positive on the proposed bonus issue as it will serve to enhance the liquidity and marketability of the shares.
- Under the maximum scenario, the total share base is expected to enlarge to 458.6m shares based on the 1-for-2 bonus issue and full exercise of the 4.59m of ESOS.
- Net asset per share is expected to adjust from RM1.83 to RM1.23 based on the enlarged share base of 458.6m shares.
- Post the exercise, the ex-share price and ex-target price will be adjusted to RM2.70 and RM2.95 respectively.

Risks

- Slowdown in sales; escalation in construction and raw material costs; downturn in Seremban and Johor.

Forecasts

- Maintained.

Rating

- **BUY (↔)**
- **Positives:** Offers great exposure to the thriving satellite town of Seremban.
- **Negatives:** Lack of landbank diversification means the company's fate is completely tied to that of Seremban.

Valuation

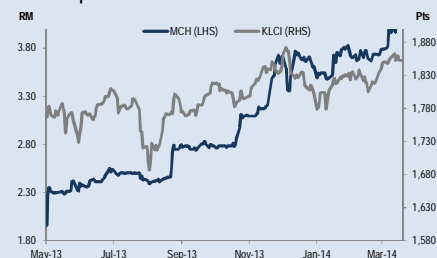
- Maintain TP at RM4.49 (35% discount to RNAV).
- We continue to like MCHB on back of: (1) Our conviction that further upside remains thanks to escalating land prices in Seremban as more Greater KL residents continue to migrate to Seremban; (2) Undemanding FY15E PER of 6.4.x vs. more than 10x for mid to large-cap developers; and (3) Still attractive FY15E DY of 6.2%, based on 40% payout ratio.

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KLCI	1852.7
Expected share price return	9.0%
Expected dividend return	6.2%
Expected total return	15.2%

Share price

Information

Bloomberg Ticker	MCH MK
Bursa Code	5236
Issued Shares (m)	303
Market cap (RMm)	1,245
3-mth avg volume ('000)	687

Price Performance	1M	3M	12M
Absolute %	9.9	10.2	nm
Relative %	7.3	9.2	Nm

Major shareholders (%)

HOCK LEE TIAN	19.77
SHINING TERM SDN BHD	15.95
SUPREME INTEREST SDN BHD	5.01
TARGET VENUE SDN BHD	5.01

Summary Earnings Table

FYE 31 Dec (RM m)	2013A	2014E	2015E	2016E
Revenue	574.7	838.8	917.7	1,027.0
Reported net profit	152.9	168.8	192.4	273.0
Norm. net profit	152.9	168.8	192.4	273.0
Norm. EPS (sen)	50.8	56.1	63.9	90.6
EPS growth (%)	16.5	10.4	14.0	41.9
Norm. PER (x)	8.1	7.3	6.4	4.5
FD PER (x)	8.1	7.3	6.4	4.5
Net DPS (sen)	31.3	22.4	25.6	36.3
Dividend yield (%)	7.6	5.5	6.2	8.8
BVPS (RM)	1.8	2.2	2.6	3.1
P/B (x)	2.2	1.9	1.6	1.3

HLIB

Figure #1 RNAV table

Project profits - DCF				RMm
Sendayan				
- Residential				282.13
- Commercial				775.71
- Industrial				18.50
- On-going				41.92
- Unbilled Sales				46.56
Seremban (ex-Sendayan)				
- Residential				82.36
- Commercial				1.57
Johor				
- Residential				34.16
- Commercial				29.85
- On-going				3.98
- Unbilled Sales				6.38
Landbank revaluation surplus				
		Mkt price	Book value	
	Acres	(RM psf)	(RM psf)	
Sendayan Tech Valley	200.00	35.00	9.00	226.51
Total Surplus				1,549.63
Total Equity				552.36
Total RNAV				2,101.99
Shares outstanding (m)				301.17
RNAV per share (RM)				6.98
ESOS proceeds *				2.23
Diluted share base (m)				304.62
Diluted RNAV per share (RM)				6.91
Dicount to RNAV				35.0%
Target Price (RM)				4.49

Source: HLIB

Income statement

FYE 31 Dec (RM m)	2012A	2013A	2014E	2015E	2016E
Revenue	456.1	574.7	838.8	917.7	1,027.0
COGS	-263.3	-305.0	-614.2	-662.8	-731.5
Gross profit	192.7	269.7	260.0	284.5	383.5
Opex	-46.6	-64.9	-37.0	-31.3	-24.7
Depreciation	-2.3	0.0	-2.0	-2.0	-2.0
Amortization	0.0	0.0	0.0	0.0	0.0
Finance costs	-1.0	-1.4	-0.9	-0.9	-0.9
Associates	0.0	0.0	0.0	0.0	0.0
Pretax profit	142.8	207.2	225.1	256.5	364.0
Taxation	-39.3	-54.3	-56.3	-64.1	-91.0
Minorities	0.0	0.0	0.0	0.0	0.0
Net profit	103.5	152.9	168.8	192.4	273.0
Basic shares (m)	237.5	301.2	301.2	301.2	301.2
Basic EPS (sen)	43.6	50.8	56.1	63.9	90.6

Balance sheet

FYE 31 Dec (RM m)	2012A	2013A	2014E	2015E	2016E
Inventories	2.4	1.6	1.0	1.1	1.2
Trade & other receivable	101.0	140.8	99.8	109.2	122.1
Cash	168.2	115.9	130.0	154.1	230.3
Current Assets	679.4	702.1	674.6	708.2	797.4
PPE	11.5	11.9	108.9	204.9	299.8
Investment properties	1.4	67.7	67.7	67.7	67.7
Development properties	30.3	111.9	111.9	111.9	111.9
Total assets	724.6	900.5	969.9	1,099.4	1,283.6
Shr Holder funds	479.4	552.4	653.6	769.1	932.9
Total Equity	479.4	552.4	653.6	769.1	932.9
Long-term borrowings	17.6	15.3	17.6	17.6	17.6
Short-term borrowings	3.9	35.2	0.0	0.0	0.0

Assumption metrics

FYE 31 Dec (RM m)	2014E	2015E	2016E
Gross margin	31.0	31.0	37.3
PBT margin	26.8	28.0	35.4
Net margin	20.1	21.0	26.6

Source: Company, HLIB

Valuation ratios

FYE 31 Dec (RM m)	2012A	2013A	2014E	2015E
Reported basic EPS (sen)	43.6	50.8	56.1	63.9
Norm. basic EPS (sen)	43.6	50.8	56.1	63.9
Norm. FD EPS (sen)	43.6	50.8	56.1	63.9
Price	3.8	3.8	3.8	3.8
PER (x)	8.7	7.4	6.7	5.9
Net DPS (sen)	0.0	31.3	22.4	25.6
Net DY (%)	0.0	8.3	5.9	6.8
NTA/ share (sen)	201.9	183.4	217.0	255.4
P/NTA (x)	1.9	2.1	1.7	1.5
Enterprise value	751.0	1,073.0	1,026.0	1,001.9
EV/ EBITDA (x)	5.1	5.1	4.6	4.0
ROE (%)	21.6	27.7	25.8	25.0
Net gearing (x)	-0.3	-0.1	-0.2	-0.2
BVPS (RM)	2.0	1.8	2.2	2.6

Cashflow

FYE 31 Dec (RM m)	2012A	2013A	2014E	2015E
PAT	103.5	152.9	168.8	192.4
Depreciation	2.3	0.0	2.0	2.0
Amortisation	0.0	0.0	0.0	0.0
Working cap & others	-10.9	18.5	9.8	4.6
Operating cashflow	94.9	171.4	180.6	199.1
Capex	-100.0	-100.0	-99.0	-98.0
Investing Cashflow	-100.0	-100.0	-99.0	-98.0
Issue of shares	0	0	0	0
Dividends	0	-94	-68	-77
Others	0	0	0	0
Financing cashflow	0.0	-98.1	-67.5	-77.0
Net cash flow	-5.1	-26.7	14.1	24.1

Quarterly financial summary

FYE 31 Dec (RM m)	1Q13	2Q13	3Q13	4Q13
Revenue	155.6	147.3	127.4	144.3
Cost of sales	-81.1	-93.7	-64.3	-65.9
Gross profit	74.5	53.6	63.1	78.5
Selling and marketing ex	-2.3	-1.5	-1.3	-2.9
Administrative expenses	-10.8	-11.6	-14.5	-20.2
Operating Profit	61.7	40.9	49.0	57.0
Prelax profit	61.5	40.6	48.7	53.4
Net profit	46.0	30.0	36.2	40.7
Basic shares (m)	72.1	228.8	300.3	300.8
Basic EPS (sen)	63.7	13.1	12.1	13.5
DPS (sen)	10.1	5.3	10.0	5.0
FCF/ share (sen)	12.7	17.1	11.6	-37.4
Net cash/ share (sen)	24.3	81.5	63.9	21.6

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BUY	Positive recommendation of stock under coverage. Expected absolute return of more than +10% over 12-months, with low risk of sustained downside.
TRADING BUY	Positive recommendation of stock not under coverage. Expected absolute return of more than +10% over 6-months. Situational or arbitrage trading opportunity.
HOLD	Neutral recommendation of stock under coverage. Expected absolute return between -10% and +10% over 12-months, with low risk of sustained downside.
TRADING SELL	Negative recommendation of stock not under coverage. Expected absolute return of less than -10% over 6-months. Situational or arbitrage trading opportunity.
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