

Matrix Concepts (BUY↔↔, EPS ↔↔)

 INDUSTRY: NEUTRAL
 EARNINGS EVALUATION

February 26, 2014

Price Target: RM4.49 (↓)

Share price: RM3.83

Results in-line

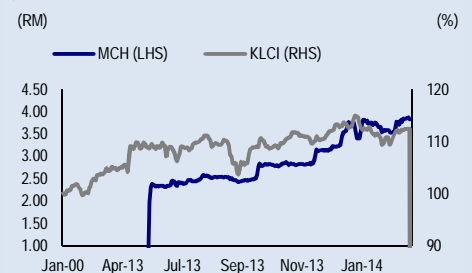
Results	<ul style="list-style-type: none"> 4Q net profit came in at RM40.7m, bringing full-year earnings to RM152.9m, making up 101% and 103% of HLIB and consensus estimates respectively.
Deviations	<ul style="list-style-type: none"> None.
Dividends	<ul style="list-style-type: none"> 5 sen net DPS was declared in 4Q13, bringing YTD DPS to 30.4 sen, or 17% above our 26 sen DPS forecast.
Highlights	<ul style="list-style-type: none"> Qoq rise in revenue, from RM127m in 3Q to RM144m in 4Q, mainly due to higher revenue recognition of residential properties sales from the Nusari Bayu and Hijayu series residential development projects located in Bandar Sri Sendayan. Qoq margin expansion. At the same time, gross profit margin experienced sequential expansion, rising from 50% in 3Q to 54% in 4Q. The company attributes this to a change in product mix, namely higher sales for the Hijayu 3D development project. Focus remains on Seremban and Johor. MCH still remains very much focused on these two areas, with Seremban accounting for more than 90% of future GDV.
Risks	<ul style="list-style-type: none"> Slowdown in sales; escalation in construction and raw material costs; downturn in Seremban and Johor.
Forecasts	<ul style="list-style-type: none"> After rolling over our numbers, our FY14-15 forecasts are minutely reduced by 0.8-0.9%, while our TP is marginally down from RM4.51 to RM4.49.
Rating	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Despite share price performing strongly (up 11% since early Feb), MCHB remains 13% below our RM4.49 TP and still trades at 6.0x FY15 P/E, which remains attractive vs. 10x P/E for the sector. We continue to keep MCH as one of the top picks of the sector on back of: (1) Our conviction that more upside remains thanks to escalating land prices in Seremban as more Greater KL residents continue to migrate to Seremban; (2) Undemanding FY15E P/E of 6.0x vs. 10x for mid to large cap developers; and (3) Still attractive FY15E DY of 6.6%, based on 40% payout ratio.

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KLCI	1833.8
Expected share price return	17.2%
Expected dividend return	8.2%
Expected total return	25.4%

Share price

Information

Bloomberg Ticker	MCH MK
Bursa Code	5236
Issued Shares (m)	302
Market cap (RMm)	1,155
3-mth avg volume ('000)	757

Price Performance	1M	3M	12M
Absolute %	4.6	20.1	nm
Relative %	3.1	18.0	Nm

Major shareholders (%)

LEE TIAN HOCK	19.85
SHINING TERM SDN BHD	16.02
SUPREME INTEREST SDN BHD	5.04
TARGET VENUE SDN BHD	5.04

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)	7.5	6.8	6.0	4.2
FD PER (x)	7.5	6.8	6.0	4.2
Net DPS (sen)	31.3	22.4	25.6	36.3
Dividend yield (%)	8.2	5.9	6.7	9.5
BVPS (RM)	1.8	2.2	2.6	3.1
P/B (x)	2.1	1.8	1.5	1.2

HLIB

Figure #1 Quarterly results comparison

FYE 31 DEC	4Q12	3Q13	4Q13	QoQ (%)	YoY (%)	Remarks
Revenue	nm	127.4	144.3	13.3	nm	The qoq increase in revenue was attributed to higher revenue recognition from residential properties sales for the Nusari Bayu and Hijayu series residential development projects located in Bandar Sri Sendayan.
Cost of Sales	nm	-64.3	-65.9	2.4	nm	
Gross profit	nm	63.1	78.5	24.3	nm	GP margin experienced sequential expansion due to change in product mix, namely higher sales for the Hijayu 3D development project.
Other income	nm	1.7	1.6	-6.3	nm	
Selling and marketing expenses	nm	-1.3	-2.9	124.8	nm	
Administrative expenses	nm	-14.5	-20.2	39.4	nm	
Operating Profit	nm	49.0	57.0	16.2	nm	
Finance costs	nm	-0.3	-0.6	95.9	nm	
Profit before taxation	nm	48.7	53.4	9.6	nm	
Income tax expense	nm	-12.5	-15.7	25.6	nm	Flow-down from revenue and gross profit.
Net profit	nm	36.2	40.7	12.3	nm	
PATAMI	nm	36.2	40.7	12.3	nm	Flow-down from PBT.
Minority interest	nm	0.0	0.0	nm	nm	
EPS (sen)	nm	12.1	13.5	11.6	nm	
DPS (sen)	nm	10.0	5.0	-50.0	nm	

Source: Company, HLIB

Figure #2 Cumulative results comparison

	FY12	FY13	YoY (%)	HLIB	% HLIB	Remarks
Revenue	nm	574.7	nm	774.7	74.2	YTD breakdown of revenue between residential / commercial properties, industrial properties and the sale of land was 74.1%,20.8% and 5.1% respectively.
Cost of Sales	nm	-305.0	nm			
Gross profit	nm	269.7	nm			
Other income	nm	3.8	nm			
Selling and marketing expenses	nm	-7.9	nm			
Administrative expenses	nm	-57.0	nm			
Operating Profit	nm	208.6	nm			
Finance costs	nm	-1.4	nm			
Profit before taxation	nm	204.2	nm	201.5	101.3	In-line
Income tax expense	nm	-54.3	nm			
Net profit	nm	152.9	nm			
PATAMI	nm	152.9	nm	151.2	101.1	In-line
Minority interest	nm	0.0	nm			
EPS (sen)	nm	102.4	nm			
DPS (sen)	nm	30.4	nm			

Source: Company, HLIB

Figure #3 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				
	Acres	Mkt price (RM psf)	Book value (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

Figure #4 Sector peers comparison table

	Mkt Cap (RM m)	Price	Target (RM)	+/- (%)	Rec.	EPS (sen)		P/E (x)		P/B (x)		ROE (%)		Net DY (%)
						FY13E	FY14E	FY13E	FY14E	FY13E	FY14E	FY13E	FY14E	
UEM Sunrise	9,529	2.10	2.23	6.1	HOLD	11.9	14.5	17.7	14.4	1.3	1.2	8.0	9.2	1.4
IOI Properties	8,389	2.59	4.01	54.6	BUY	26.0	30.4	10.0	8.5	0.8	0.7	7.6	8.4	1.1
SP Setia	7,155	2.91	2.91	-0.2	HOLD	18.9	26.4	15.4	11.0	1.2	1.1	7.8	10.4	5.2
IGB	3,533	2.62	na	na	na	15.3	16.3	17.1	16.1	0.8	0.7	5.0	5.1	2.7
IJM Land	4,084	2.62	na	na	na	19.8	23.8	13.2	11.0	1.3	1.2	10.6	11.3	2.1
Mah Sing	2,926	2.07	2.12	2.4	HOLD	20.9	23.0	9.9	9.0	0.5	0.5	23.0	22.8	4.0
KSL	943	2.44	2.04	-16.2	SELL	88.0	62.5	2.8	3.9	0.0	0.0	19.4	19.4	0.0
YNH Property	740	1.78	1.77	-0.6	HOLD	12.5	14.1	14.3	12.6	0.9	0.9	6.5	7.4	2.2
Matrix	1,155	3.83	4.47	16.8	BUY	50.4	56.6	7.6	6.8	2.1	1.8	28.2	26.6	8.2
Glomac	807	1.11	1.15	3.4	HOLD	18.1	20.9	6.1	5.3	0.9	0.8	16.0	16.3	3.7
Average								11.1	10.2	1.0	0.9	13.5	13.6	3.1

Source: HLIB, Bloomberg

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

Valuation ratios

FYE 31 Dec (RM m)	2012A	2013A	2014E	2015E	2016E
Reported basic EPS (sen)	43.6	50.8	56.1	63.9	90.6
Norm. basic EPS (sen)	43.6	50.8	56.1	63.9	90.6
Norm. FD EPS (sen)	43.6	50.8	56.1	63.9	90.6
Price	3.8	3.8	3.8	3.8	3.8
PER (x)	8.8	7.5	6.8	6.0	4.2
Net DPS (sen)	0.0	31.3	22.4	25.6	36.3
Net DY (%)	0.0	8.2	5.9	6.7	9.5
NTA/ share (sen)	201.9	183.4	217.0	255.4	309.7
P/NTA (x)	1.9	2.1	1.8	1.5	1.2
Enterprise value	762.9	1,088.1	1,041.0	1,016.9	940.8
EV/ EBITDA (x)	5.2	5.2	4.7	4.0	2.6
ROE (%)	21.6	27.7	25.8	25.0	29.3
Net gearing (x)	-0.3	-0.1	-0.2	-0.2	-0.2
BVPS (RM)	2.0	1.8	2.2	2.6	3.1

Cashflow

FYE 31 Dec (RM m)	2012A	2013A	2014E	2015E	2016E
PAT	103.5	152.9	168.8	192.4	273.0
Depreciation	2.3	0.0	2.0	2.0	2.0
Amortisation	0.0	0.0	0.0	0.0	0.0
Working cap & others	-10.9	18.5	9.8	4.6	7.3
Operating cashflow	94.9	171.4	180.6	199.1	282.3
Capex	-100.0	-100.0	-99.0	-98.0	-97.0
Investing Cashflow	-100.0	-100.0	-99.0	-98.0	-97.0
Issue of shares	0	0	0	0	0
Dividends	0	-94	-68	-77	-109
Others	0	0	0	0	0
Financing cashflow	0.0	-98.1	-67.5	-77.0	-109.2
Net cash flow	-5.1	-26.7	14.1	24.1	76.1

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
Pretax 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

Company, HLIB

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