

**Matrix Concepts (BUY↔, EPS ↔)**

INDUSTRY: NEUTRAL

NEWSBREAK

July 10, 2013

Price Target: RM2.77 (↑)

Share price: RM2.60

**Expanding its foothold in Seremban**

News

- MCHB has acquired two parcels of land in Seremban at a blended price of RM5.70 psf.

- Parcel A (194 acres, RM7 psf) is immediately adjacent to Bandar Seri Sendayan (BSS), while Parcel B (237 acres, RM4.60 psf) is located 5 km away (Figure #1).

- Both parcels will comprise of shops and landed houses with GDV of RM800m and RM760m respectively.

Financial impact

- **Transforming to net debt but with modest gearing...** We estimate that the RM107m outlay will cause MCHB to change from net cash to net debt position, but with a still-modest 0.2x net gearing.

- **Gearing headroom...** We also estimate that MCHB still has RM210m of gearing headroom before net gearing reaches the 0.5x mark.

- **A long wait...** MCHB expects the projects to begin to contribute to earnings only in FY15-16 onwards, due to the green field nature of the development, as both parcels are still agriculture land.

Pros / Cons

- **RNAV impact...** This land acquisition adds 25 sen to our fully diluted RNAV estimate of MCHB.

- **Great land price...** We are positive on the deal as MCHB has secured RM1.5bn in new GDV, whilst land cost makes up less than 7% of GDV, which will translate into strong margins for MCHB.

- **Enhancing earnings visibility...** Whilst the earnings catalyst is somewhat long-dated, this is a major long-term boost for MCHB's earnings given that it enhances balance GDV from RM5.0bn to RM6.5bn.

- **Wheeler dealer...** We foresee MCHB will evolve into a dominant developer in the area, similar to YNH in Sitiawan, by continuously acquiring nearby land parcels to constantly expand its township developments. In turn, this will continue to help create population critical mass and enhance property values in Seremban.

- **Concentration risk...** However, this also means that MCHB will become even more reliant than ever on the overall economic wellbeing of Seremban.

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

- After factoring in the new projects, we revise our TP from RM2.59 to RM2.77 (maintain 25% discount to RNAV).

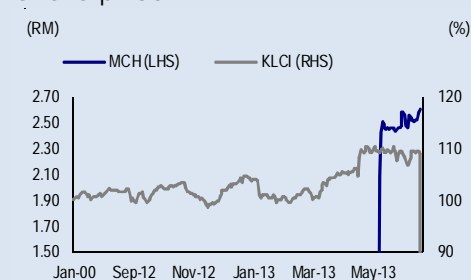
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KLCI	1,614.14
Expected share price return	6.6%
Expected dividend return	10.0%
Expected total return	16.6%

Share price



Information

Bloomberg Ticker	MCH MK
Bursa Code	5236
Issued Shares (m)	300
Market cap (RMm)	780
3-mth avg volume ('000)	nm

Price Performance	1M	3M	12M
Absolute %	0.4	nm	nm
Relative %	1.1	nm	Nm

Major shareholders (%)

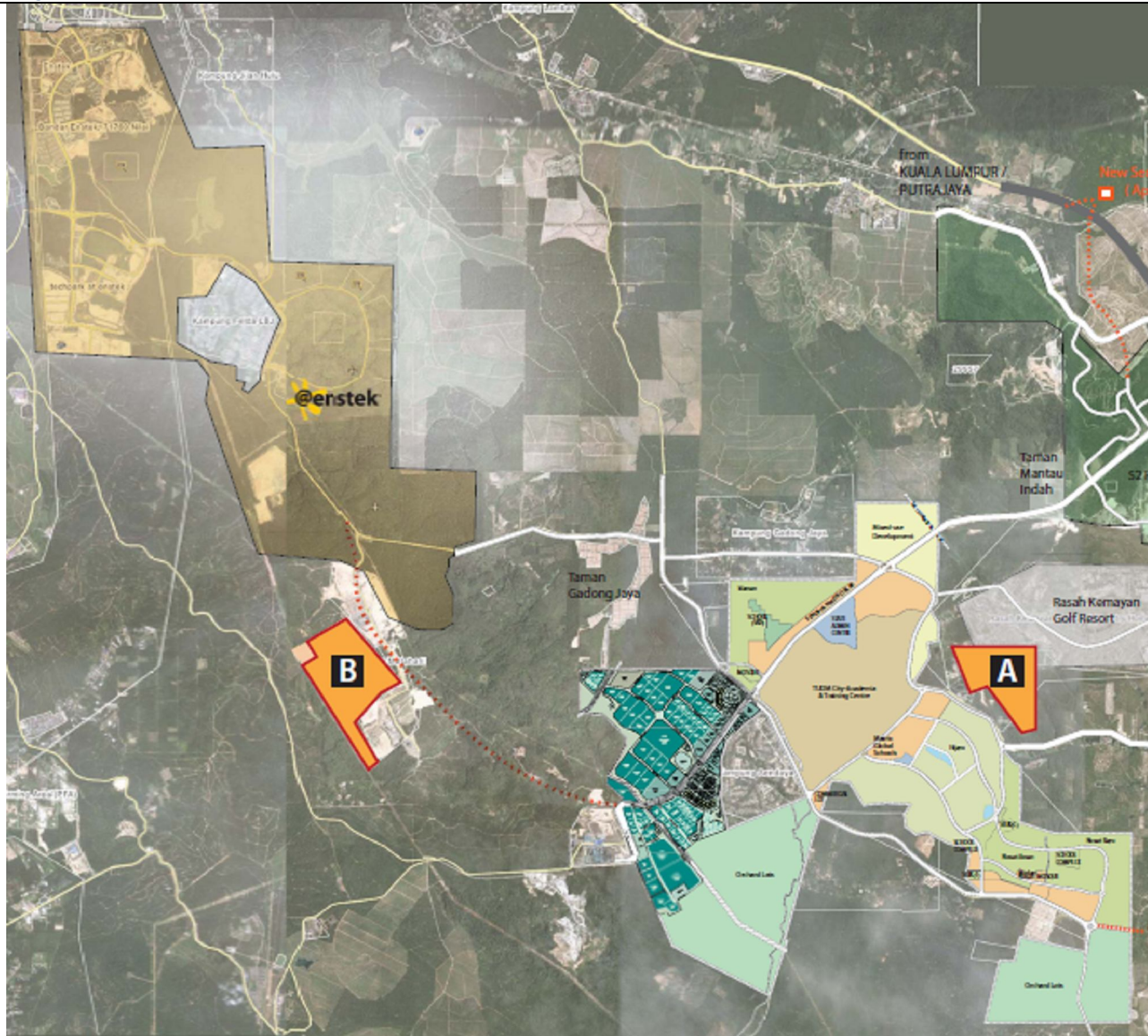
LEE TIAN HOCK	19.96
SHINING TERM SDN BHD	16.11
MAGNITUDE POINT SDN BHD	6.37
SUPREME INTEREST SDN BHD	5.06
TARGET VENUE SDN BHD	5.06
AMBANG KUSSA	4.98

Summary Earnings Table

FYE 31 Dec (RM m)	2012A	2013E	2014E	2015E
Revenue	456.1	774.7	838.8	917.7
Reported net profit	103.5	118.8	143.0	177.1
Norm. net profit	103.5	118.8	143.0	177.1
Norm. EPS (sen)	43.6	39.6	47.7	59.0
EPS growth (%)	49.1	-9.1	20.4	23.9
Norm. PER (x)	6.0	6.6	5.5	4.4
FD PER (x)	6.0	6.6	5.5	4.4
Net DPS (sen)	0.0	26.0	19.1	23.6
Dividend yield (%)	0.0	10.0	7.3	9.1
BVPS (RM)	2.0	1.7	2.0	2.4
P/B (x)	1.3	1.5	1.3	1.1

HLIB

Figure #1 Location of acquired land parcels



Company, HLIB

Figure #2 RNAV table

Project profits - DCF	Rm
<b>Sendayan</b>	
- Residential	114.57
- Commercial	390.91
- Industrial	7.46
- On-going	14.08
- Unbilled Sales	15.64
<b>Seremban (ex-Sendayan)</b>	
- Residential	28.73
- Commercial	0.64
<b>Johor</b>	
- Residential	11.53
- Commercial	12.12
- On-going	1.34
- Unbilled Sales	2.14
<b>Total Surplus</b>	<b>599.17</b>
Total Equity	520.22
<b>Total RNAV</b>	<b>1,119.39</b>
Shares outstanding (m)	300.00
<b>RNAV per share (RM)</b>	<b>3.73</b>
ESOS proceeds *	2.23
Diluted share base (m)	303.45
<b>Diluted RNAV per share (RM)</b>	<b>3.70</b>
Dicount to RNAV	25.0%
<b>Target Price (RM)</b>	<b>2.77</b>

Source: HLIB

## Income statement

FYE 31 Dec (RM m)	2011A	2012A	2013E	2014E	2015E
Revenue	631.6	456.1	774.7	838.8	917.7
COGS	-475.8	-263.3	-575.0	-614.2	-662.8
<b>Gross profit</b>	<b>155.7</b>	<b>192.7</b>	<b>197.0</b>	<b>224.9</b>	<b>264.4</b>
Opex	-46.8	-46.6	-41.9	-37.0	-31.3
Depreciation	-2.0	-2.3	-2.0	-2.0	-2.0
Amortization	0.0	0.0	0.0	0.0	0.0
Finance costs	-0.6	-1.0	-1.1	-0.9	-0.9
Associates	0.0	0.0	0.0	0.0	0.0
<b>Pretax profit</b>	<b>106.3</b>	<b>142.8</b>	<b>158.4</b>	<b>190.7</b>	<b>236.2</b>
Taxation	-26.4	-39.3	-39.6	-47.7	-59.0
Minorities	-10.5	0.0	0.0	0.0	0.0
<b>Net profit</b>	<b>69.4</b>	<b>103.5</b>	<b>118.8</b>	<b>143.0</b>	<b>177.1</b>
Basic shares (m)	237.5	237.5	300.0	300.0	300.0
<b>Basic EPS (sen)</b>	<b>29.2</b>	<b>43.6</b>	<b>39.6</b>	<b>47.7</b>	<b>59.0</b>

## Balance sheet

FYE 31 Dec (RM m)	2011A	2012A	2013E	2014E	2015E
Inventories	0.8	2.4	0.9	1.0	1.1
Trade & other receivable	75.1	101.0	92.1	99.8	109.2
Cash	151.5	168.2	131.9	124.3	139.2
<b>Current Assets</b>	<b>599.2</b>	<b>679.4</b>	<b>632.7</b>	<b>632.7</b>	<b>657.2</b>
PPE	11.0	11.5	109.5	206.4	302.4
Investment properties	1.4	1.4	1.4	1.4	1.4
Development properties	30.2	30.3	30.3	30.3	30.3
<b>Total assets</b>	<b>643.9</b>	<b>724.6</b>	<b>775.9</b>	<b>872.9</b>	<b>993.3</b>
Shr Holder funds	375.1	479.1	519.9	605.7	712.0
<b>Total Equity</b>	<b>375.1</b>	<b>479.4</b>	<b>520.2</b>	<b>606.0</b>	<b>712.3</b>
Long-term borrowings	12.2	17.6	17.6	17.6	17.6
Short-term borrowings	0.0	3.9	0.0	0.0	0.0

## Assumption metrics

FYE 31 Dec (RM m)	2013E	2014E	2015E
Gross margin	25.4	26.8	28.8
PBT margin	20.4	22.7	25.7
Net margin	15.3	17.1	19.3

Company, HLIB

## Valuation ratios

FYE 31 Dec (RM m)	2011A	2012A	2013E	2014E	2015E
Reported basic EPS (sen)	29.2	43.6	39.6	47.7	59.0
Norm. basic EPS (sen)	29.2	43.6	39.6	47.7	59.0
Norm. FD EPS (sen)	29.2	43.6	39.6	47.7	59.0
Price	2.6	2.6	2.6	2.6	2.6
PER (x)	8.9	6.0	6.6	5.5	4.4
Net DPS (sen)	0.0	0.0	26.0	19.1	23.6
Net DY (%)	0.0	0.0	10.0	7.3	9.1
NTA/ share (sen)	157.9	201.9	173.4	202.0	237.4
P/NTA (x)	1.6	1.3	1.5	1.3	1.1
Enterprise value	481.8	470.7	665.7	673.3	658.3
EV/ EBITDA (x)	4.4	3.2	4.3	3.6	2.8
ROE (%)	18.5	21.6	22.8	23.6	24.9
Net gearing (x)	-0.4	-0.3	-0.2	-0.2	-0.2
BVPS (RM)	1.6	2.0	1.7	2.0	2.4

## Cashflow

FYE 31 Dec (RM m)	2011A	2012A	2013E	2014E	2015E
PAT		103.5	118.8	143.0	177.1
Depreciation		2.3	2.0	2.0	2.0
Amortisation		0.0	0.0	0.0	0.0
Working cap & others		-10.9	24.7	3.6	4.6
<b>Operating cashflow</b>		<b>94.9</b>	<b>145.6</b>	<b>148.6</b>	<b>183.8</b>
Capex		<b>-100.0</b>	<b>-100.0</b>	<b>-99.0</b>	<b>-98.0</b>
<b>Investing Cashflow</b>		<b>-100.0</b>	<b>-100.0</b>	<b>-99.0</b>	<b>-98.0</b>
Issue of shares		0	0	0	0
Dividends		0	-78	-57	-71
Others		0	0	0	0
<b>Financing cashflow</b>		<b>0.0</b>	<b>-81.9</b>	<b>-57.2</b>	<b>-70.9</b>
<b>Net cash flow</b>		<b>-5.1</b>	<b>-36.3</b>	<b>-7.6</b>	<b>15.0</b>

## Quarterly financial summary

FYE 31 Dec (RM m)	1Q13
Revenue	155.6
Cost of sales	-81.1
<b>Gross profit</b>	<b>74.5</b>
Selling and marketing ex	-2.3
Administrative expenses	-10.8
Operating Profit	61.7
Pretax profit	61.5
<b>Net profit</b>	<b>46.0</b>
Basic shares (m)	72.1
Basic EPS (sen)	63.7
DPS (sen)	13.5
FCF/ share (sen)	12.7
Net cash/ share (sen)	24.3

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