

Matrix Concepts (BUY↔, EPS ↔)

INDUSTRY: NEUTRAL

NEWSBREAK

April 28, 2014

Price Target: RM4.49 (↔)

Share price: RM4.20

Minor related party transaction

News	<ul style="list-style-type: none"> ▪ MCHB has entered into SPA with a number of related parties for the sale of 13 shop units in its commercial development known as Sendayan Metropark for a total of RM16.5m. ▪ The proposed transactions are expected to take 36 months to complete.
Comment	<ul style="list-style-type: none"> ▪ While the total size of the transactions (RM16.5m) is not large (less than 5% of total assets), we are somewhat taken aback at the number of RPT taking place. ▪ Nonetheless, the price range for the RPT properties appears reasonable (RM460-750 psf). A quick check with other similar shop office properties in Seremban shows an asking price range of RM300-900 psf. ▪ Given the relatively small overall size of the transaction and the reasonable pricing, we believe that impact is minor.
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"> ▪ Maintained, as we have factored in sales of its commercial properties into our earnings forecast.
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"> ▪ Maintain TP at RM4.49 (35% discount to RNAV). ▪ However, given the recent strong performance in share price, we also note that the upside is now relatively smaller, but still remains a buy at this juncture as total return is still expected to be more than 10%.

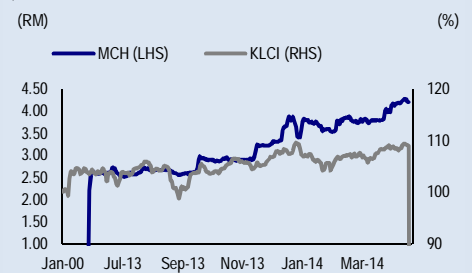
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KLCI	1861.0
Expected share price return	6.9%
Expected dividend return	6.1%
Expected total return	13.0%

Share price



Information

Bloomberg Ticker	MCH MK
Bursa Code	5236
Issued Shares (m)	303
Market cap (RMm)	1,274
3-mth avg volume ('000)	731

Price Performance	1M	3M	12M
Absolute %	10.8	17.0	nm
Relative %	10.2	12.0	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)	8.3	7.5	6.6	4.6
FD PER (x)	8.3	7.5	6.6	4.6
Net DPS (sen)	31.3	22.4	25.6	36.3
Dividend yield (%)	7.4	5.3	6.1	8.6
BVPS (RM)	1.8	2.2	2.6	3.1
P/B (x)	2.3	1.9	1.6	1.4

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	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	4.2	4.2	4.2	4.2	4.2
PER (x)	9.6	8.3	7.5	6.6	4.6
Net DPS (sen)	0.0	31.3	22.4	25.6	36.3
Net DY (%)	0.0	7.4	5.3	6.1	8.6
NTA/ share (sen)	201.9	183.4	217.0	255.4	309.7
P/NTA (x)	2.1	2.3	1.9	1.6	1.4
Enterprise value	850.7	1,199.5	1,152.5	1,128.4	1,052.2
EV/ EBITDA (x)	5.8	5.8	5.2	4.5	2.9
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

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Published & Printed by
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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.
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