

Company Focus

Matrix Concepts Holdings Bhd

Malaysia Equity Research PP 12941/04/2013(031973)

14 May 2013

OFFER PRICE: RM2.20
FAIR VALUE: RM2.85

Closing date: 15 May 2013

Listing date: 28 May 2013

Analyst

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AT A GLANCE

LISTING DETAIL

Issue Manager:	Hong Leong Investment Bank
Funds Raised (RMm)	137.5
Shares on Offer (m):	100.0
New Shares (m):	62.5
Vendor Shares (m):	37.5
Placement Shares (m):	81.2
Public Shares (m):	18.8

POST LISTING

Ordinary share cap (m shares):	300.0
Par value (RM)	1.00
Mkt Cap (RMm)^:	855.0
Est Free Float %:	51.5

^ based on our fair value of RM2.85

USE OF PROCEEDS (RMm)

Working capital	55.0
Infrastructure & facilities	55.0
Construction of clubhouse	10.0
Bank borrowings	11.0
Listing expenses	6.5

Forecasts and Valuation

FY Dec (RM m)	FY11A	FY12A	FY13F	FY14F
Turnover	624.3	456.1	451.3	588.9
EBITDA	108.9	146.1	177.0	206.6
Pretax Profit	106.3	142.8	173.4	202.8
Net Profit	69.4	103.5	130.0	152.1
EPS (sen) #	23.1	34.5	43.3	50.7
EPS growth (%)	238.4	21.3	25.7	17.0
PE Ratio (x) *	12.3	8.3	6.6	5.6
Net DPS (sen)	-	-	17.3	20.3
Net Div Yield (%)*	-	-	6.1%	7.1%
BVPS#	-	1.60	1.86	2.16
P/BVPS*	-	1.8	1.5	1.3

Based on enlarged share base of 300.0m

* Based on IPO offer price of RM2.85

* based on fair value of RM2.85

F based on HDBSVR forecasts

based on enlarged share base of 300m shares

Source of all data: Company, HwangDBS Vickers

INITIAL PUBLIC OFFERING – Main Market

- **Property developer based in Seremban and Kluang**
- **Has RM440m unbilled sales to drive near-term earnings; future launches with GDV of RM3.9bn can generate revenues until 2018/2019**
- **RNAV-derived fair value of RM2.85 implies 5.6x FY14 P/E; subscribe for 36% total potential return (including 6% FY13 dividend yield)**

Property exposure in Seremban and Kluang. Matrix has been involved in mixed property developments since 1996. Its current flagship townships are Bandar Seri Sendayan (BSS) in Seremban, Negeri Sembilan, and Taman Sri Impian (TSI) in Kluang, Johor. The Group has 1.4k acres of total undeveloped landbank, of which 77% is in BSS and the rest in TSI.

Strong earnings growth visibility. Matrix has RM440m unbilled sales from ongoing projects (RM393m from BSS, RM47m from TSI), which will contribute most of FY13 earnings. Out of RM3.1bn total estimated GDV in BSS and RM810.9m in TSI (which could last to 2018/2019), the Group could rake in RM550m sales in FY13 and RM900m in FY14. This will underpin FY13-14F net profit of RM130m (+26% y-o-y) and RM152m (+17% y-o-y), respectively. We have not factored in any industrial land sales at Sendayan Techvalley (ST) in BSS. With 338 acres (out of 685 acres initially) remaining, this could generate RM443m sales (at current selling price of RM30 psf).

Market cap at RM855m @ RM2.85 / share. Our fair value is derived from a 30% discount to our estimated RNAV of RM4.05 (10% discount rate, FY13-18), which implies 7x FY13 and 6x FY14 PE. This is almost at par with similar-size peers. The stock also offers attractive dividends: Matrix has a generous dividend payout policy of at least 40% of profits, translating into FY13-14 net yield of 6-7% (based on RM2.85 TP). Coupled with 30% capital return (vs IPO offer price of RM2.20), the total potential return is 36%.

Substantial Shareholders:

Dato' Lee Tian Hock & Family (%)

48.5

Background

Niche property developer. The company was first established in 1996 as Brilliant Radical Sdn Bhd, before changing to Matrix Concepts Holdings Sdn Bhd and subsequently, Matrix Concepts Holdings (Matrix). It has been involved in mixed property developments (i.e. comprising residential, commercial and industrial properties) as well as land sales.

Its past projects are mainly in the state of Negeri Sembilan (NS) such as Taman Bahau, Kuala Pilah, Mantin, Port Dickson and Seremban.

YTD, it has completed projects worth RM2.1bn in GDV, developed on 1,800 acres of land.

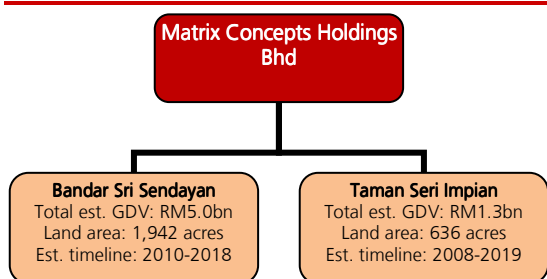
Sitting on 1.4k acres of undeveloped landbank. Matrix is currently involved in the development of two flagship townships: Bandar Sri Sendayan (Seremban, NS) and Taman Seri Impian (Kluang, Johor).

In Bandar Sri Sendayan (BSS), it has completed over RM490m in GDV since 2010. It has 805 acres of undeveloped land that could generate RM3.1bn GDV up to 2018.

In Taman Seri Impian (TSI), it has completed RM340m in GDV since 2008. There is another c.RM810m GDV to be realised from future launches (up to 2019) on the remaining undeveloped landbank (294 acres).

The Group also owns 339 acres of land located in Seremban for future developments.

Fig. 1: Flagship developments



Source: Presentation slides, Prospectus, HwangDBS Vickers

Prospects

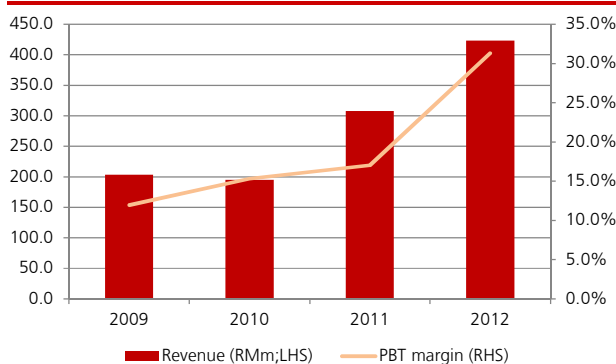
Steady demand for properties. We believe demand for properties in Seremban and Kluang – where Matrix’s key projects are located – will continue to rise. Developers like Matrix stand to benefit more from: i) a growing population base as urbanisation accelerates in secondary towns like Seremban and Kluang. For example, BSS is located close to IJM Land’s successful Seremban 2 township; and ii) better affordability arising from widening property price gaps in Seremban (vs Kuala Lumpur) and Kluang (vs Johor Bahru).

Reflecting the strong demand for its properties, Matrix had registered high take-up rates at previous launches in BSS and TSI, at 98-100% for residential units and 83-100% for commercial properties.

FY12-FY14 net profit CAGR of 30%. We penciled in RM550m property sales this year and RM900m next year from future launches (see Appendix 2 and 4 for details). Coupled with RM440m unbilled sales from ongoing projects (see breakdown in Appendix), we estimate FY13-14F group revenues at RM451m (-1% y-o-y) and RM589m (+31% y-o-y), respectively, and net profit at RM130m (+26% y-o-y) and 152m (17% y-o-y).

We assumed 34%-38% PBT margins for FY13-14F, which are above its historical range of 12%-31% (Fig 2). Specifically, PBT margins are expected to rise supported by a better product mix and higher selling prices.

Fig. 2: Historical revenue (excluding sale of land) and PBT margins



Source: Prospectus, HwangDBS Vickers

In our forecasts, we did not include lumpy land sales. The Group had booked RM338m from sale of raw and industrial land in FY11 and RM113m in FY12, which skewed revenues in those years (see Fig 3).

Fig. 3: Historical revenue segmental breakdown

(RMm)	FY09	FY10	FY11	FY12
Residential	187.4	176.7	254.7	328.1
Commercial	16.2	18.6	31.6	15.2
Industrial	-	-	21.4	79.8
Sales of land	0.4	0.3	316.5	33.0
Total	204.0	195.6	624.2	456.1

Source: Prospectus, HwangDBS Vickers

Potential earnings boost from land sales. This will likely come from Sendayan Techvalley (ST), which is part of BSS. Out of a total area of 685 acres (comprising 57 lots), about 347 acres (79 lots) had been sold so far, leaving 338 acres (79 lots).

Using the recent transacted price of RM30 psf (or RM1.31m/acre) as a guide, the Group could rake in RM443m sales from the remaining landbank.

The rapid development in ST – which has attracted established foreign names like Hino Motor, MBM Resources-Mitsubishi, Messier-Buggatti Dowty, Akashi-Kikai Industry and Nippon Koyaku to set up operation - could lead to more foreign investments and new jobs creation, which will in turn spur demand for its residential and commercial properties.

Sound balance sheet. Post-IPO, the Group's proforma balance sheet (as of end-FY12) is as follows: (a) RM75m net cash (or RM0.25/share); and (b) RM1.60 book value per share; this will increase by 26 sen per share if we include RM243m revaluation surplus based on an independent valuation at end-2012.

Dividend appeal. Matrix has a dividend payout policy of at least 40% of net income. Our forecast DPS is 17 sen in FY13 and 20 sen in FY14, which translate into 8-9% FY13-14 dividend yields based on IPO price of RM2.20 and 6-7% based on our RM2.85 TP.

Risks

Landbank replenishment. Matrix may eventually run out of land bank to be developed if it does not acquire more land. The Group's 1.4k acres of undeveloped landbank at BSS and TSI is expected to last until 2018 and 2019, respectively

Nevertheless, the debt-free Group is in a strong position to gear up and acquire new landbank, given its strong balance sheet and future cash inflows

Valuation

Fair value of RM2.85. This is pegged to 30% discount to our RM4.05 estimated RNAV (10% discount rate, FY13-18). It works out to RM855m market cap for Matrix.

This implies 7x FY13 and 6x FY14 PE, which are almost at par with similar-size peers (Fig 4).

The stock offers 36% potential total return, including FY13F dividend yield of 6%,

Matrix Concepts Holdings Bhd

Fig. 4: Peer valuation comparison (10 May '13)

	Price (RM)	Mkt Cap (RMm)	RNAV (RM)	PER (X)			PBV (X)			Dividend yield (%)		
				FY12	FY13F	FY14F	FY12	FY13F	FY14F	FY12	FY13F	FY14F
Guocoland	1.30	910.6	n.a.	31.4	n.a.	n.a.	1.2	n.a.	n.a.	1.5	n.a.	n.a.
YTL Land	1.08	895.5	3.27	25.6	40.7	32.0	0.9	1.6	1.6	0.0	0.0	0.0
Wing Tai	2.16	678.1	4.23	8.1	6.2	6.1	0.7	0.7	0.6	2.3	1.8	2.8
Crescendo	2.90	564.9	5.83	9.4	7.7	6.4	0.9	0.9	0.8	4.1	4.6	5.5
Daiman	2.64	555.9	7.94	14.3	n.a.	n.a.	0.6	n.a.	n.a.	3.8	n.a.	n.a.
Matrix Concepts*	2.85	855.0	4.05	8.3	6.6	5.6	1.8	1.5	1.3	4.8	6.1	7.1

Note: n.a. - Consensus figure(s) not available

* HwangDBS Vickers numbers

Source: HwangDBS Vickers, Bloomberg

Fig. 5: Peer financial comparison (10 May '13)

	Revenue (RMm)			PBT margin (%)			NI margin (%)		
	FY12	FY13F	FY14F	FY12	FY13F	FY14F	FY12	FY13F	FY14F
Guocoland	112.9	n.a.	n.a.	25.7	n.a.	n.a.	25.7	n.a.	n.a.
YTL Land	581.4	102.0	251.0	8.3	35.3	25.9	6.0	21.6	11.2
Wing Tai	437.0	558.0	557.0	27.4	31.2	26.9	19.1	19.7	20.1
Crescendo	282.6	345.7	406.5	28.4	30.3	32.4	21.2	21.3	21.8
Daiman	169.8	n.a.	n.a.	29.8	n.a.	n.a.	22.8	n.a.	n.a.
Matrix Concepts*	456.1	451.3	588.9	31.3	38.4	34.4	22.7	28.8	25.8

Note: n.a. - Consensus figure(s) not available

* HwangDBS Vickers numbers

Source: HwangDBS Vickers, Bloomberg

Appendix*

1: Bandar Sri Sendayan - Ongoing projects

Project	Type	Site Area (acres)	No. of units	Take-up rate	Est. GDV (RMm)	Unbilled Sales (RMm)	Est. Completion
Nusari Aman 1B	Single-storey terrace houses	38.2	341	100%	60.0	13.2	2013
	Double-storey terrace houses		174	100%	43.1		
Nusari Aman 2	Double-storey terrace houses	35.4	350	100%	101.4	81.9	2013
	Single-storey terrace houses		122	100%	25.8		
Metro Park Shop 1A	Double-storey shop offices	2.5	29	100%	13.9	4.5	2013
	Three-storey shop offices		9	89%	6.0		
Sendayan Tech Valley 1 & 2	Industrial lot	514.9	93	57%	488.9	89.1	2013
Nusari Aman 2D & 3A	Double-storey terrace houses	33.7	230	100%	78.1	62.3	2013
	Single-storey semi-D houses		18	100%	7.8		
	Single-storey terrace houses		37	100%	9.1		
Idaman Bayu 2	Double-storey terrace houses	4.8	56	89%	23.7	8.9	2014
Nusari Bayu 2B	Double-storey terrace houses	8.1	80	100%	24.5	27.2	2014
	Double-storey semi-D houses		10	100%	4.7		
Hijayu 1B	Double-storey terrace houses	21.5	154	100%	57.7	68.5	2014
	Single-storey terrace houses		75	99%	19.5		
Hijayu 3D	Double-storey terrace houses	43.5	534	40%	186.9	37.7	2014
1Sendayan Clubhouse	Clubhouse	7.2	1	n/a	50.0	n/a	2014
Sub Centre @ Nusari Bayu	Commercial lots	20.0	4	25%	30.0	n/a	Ready for sale
Sub Centre @ Nusari Hijayu	Commercial lots	8.1	2	n/a	12.0	n/a	Ready for sale
Total		737.9	2,319	84%	1,243.1	393.3	

2: Bandar Sri Sendayan - Future projects

Project	Type	Site Area (acres)	No. of units	Est. GDV (RMm)	Expected Completion
Hijayu 1A, 3A, 3B, & 3C	Double-storey terrace houses	190.3	1,833	702.8	2015, 2016
	Single-storey terrace houses		150	37.5	
Hijayu (Resort Homes)	Double-storey semi-D houses	85.1	200	160.0	2017
	Double-storey terrace houses		308	154.0	
Hijayu (Resort Villa)	Double-storey bungalows	49.5	102	157.8	2017
	Bungalow lots		1	4.0	
Hijayu (Residence)	Double-storey bungalows	56.0	67	120.6	2017
	Bungalow lots		6	18.8	
Sendayan Merchant Square 1 & 2	Double-storey shop offices	79.2	303	425.7	2016, 2017
	Commercial lots		7	50.0	
Idaman Yu 1 & 2	Double-storey terrace houses	146.2	1,113	604.5	2016, 2017
	Single-storey terrace houses		150	42.0	
	Double-storey shop offices		38	34.6	
	Commercial lots		2	4.5	
Sendayan Metropark 1B & 2	Double-storey shop offices	17.5	178	282.0	2017, 2018
	Three-storey shop offices		4	7.2	
Sub Centre @ Sendayan Tech Valley 1A	Double-storey shop offices	46.4	32	38.4	2018
	Commercial lots		1	1.7	
	Double-storey semi-D factories		30	30.0	
	Double-storey terrace factories		84	58.8	
1Sendayan Clubhouse	Commercial lot	18.98	1	n/a	Tba
	Institute		1	n/a	
Sendayan Icon Park	Icon City	116.4	n/a	n/a	tba
Sendayan Auto City	Industrial lot	115.2	32	182.0	2015
	Commercial lot		10	70.0	
Total		920.8	4,653.0	3,186.9	

Matrix Concepts Holdings Bhd**3: Taman Sri Impian - Ongoing projects**

Project	Type	Site Area (acres)	No. of units	Take-up rate	Est GDV (RMm)	Unbilled Sales	Year Completed
Taman Seri Impian 4 (Impiana Casa 1)	Single-storey terrace house	42.3	329	100%	47.6	12.4	2013
	Double-storey terrace house		136	100%	32.5		
Impiana Casa 2	Double-storey terrace house	32.5	137	69%	38.84	34.5	2014
	Single-storey terrace house		151	75%	28.7		
Total		74.8	753	90%	147.7	46.9	

4: Taman Sri Impian - Future projects

Project	Type	Site Area (acres)	No. of units	Est. GDV (RMm)	Est. Completion
Impiana Avenue 3	Double-storey shop offices	2.3	60	19.2	2015
Impiana Villa 2	Double-storey bungalows	23.7	54	48.6	2016
	Double-storey semi-D houses		74	37.0	
Impiana Bayu 1	Double-storey terrace houses	167.0	215	60.2	2015
	Single-storey terrace houses		304	54.7	
Impiana Bayu 2	Double-storey terrace house	167.0	215	68.8	2016
	Single-storey terrace houses		304	60.8	
	Double-storey shop offices		94	n/a	tba
	Double-storey terrace houses		209	n/a	
	Commercial lots		1	n/a	
	Stall		1	n/a	
Impiana Villa 3	Double-storey semi-D houses	21.4	166	79.7	2016
Impiana Avenue 4, 5, 6, & 7	Double-storey shop offices	47.5	615	299.1	2016-2019
	Three-storey shop offices		92	82.8	
	Commercial lots		2	n/a	tba
	Petrol land		1	n/a	
Taman Seri Impian 2	Double-storey terrace houses	11.8	280	n/a	tba
Impiana Casa 2	Stall	19.8	1	n/a	tba
	Double-storey terrace houses		161	n/a	
Total		273.7	2,849	810.9	

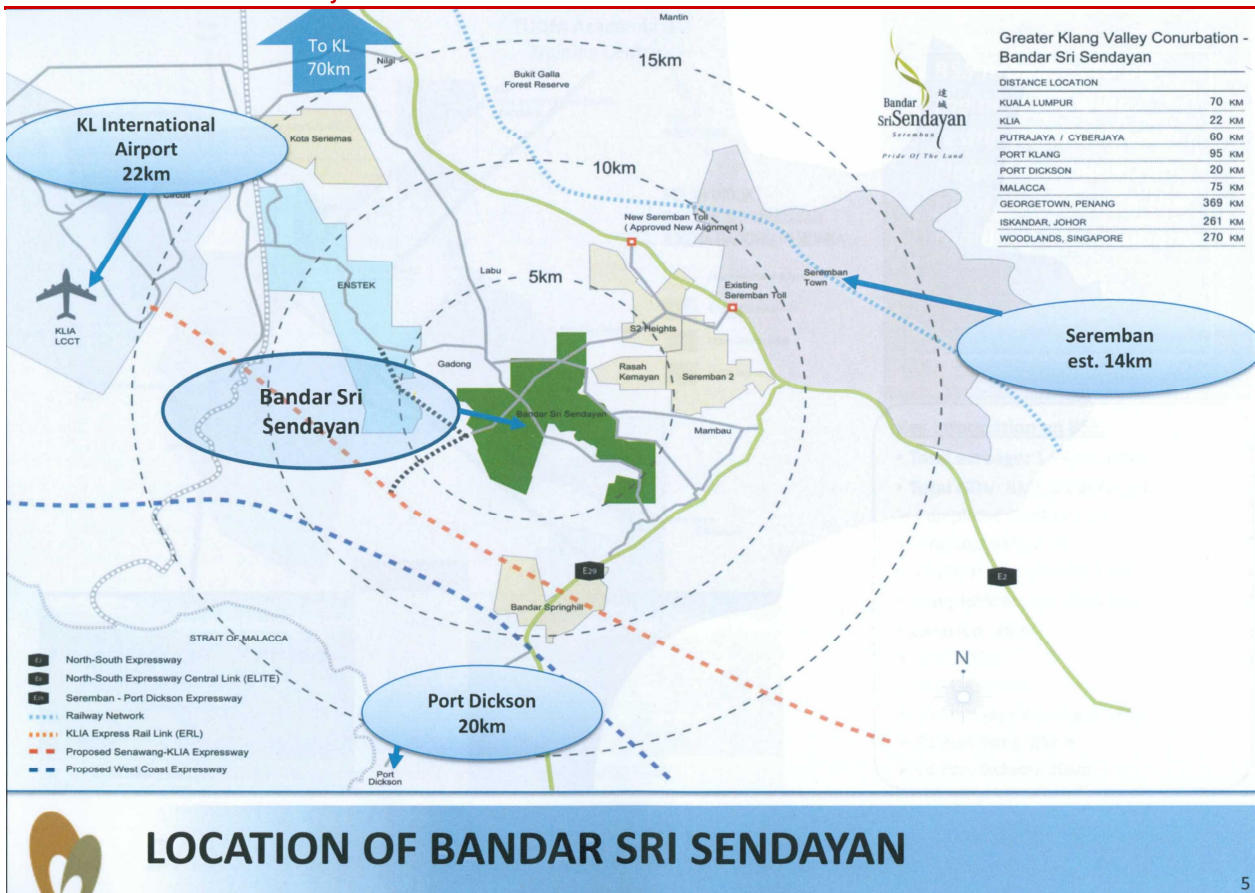
5: Taman Desa PD 3 - Ongoing projects

Type	Site Area (acres)	No. of units	Est. GDV (RM'mil)	Unbilled sales (RMm)	Expected completion
Single-storey terrace houses	4.3	56	5.5	4.5	2013

6: Other future projects

Project	Type	Site Area (acres)	No. of units	Est. GDV (RMm)	Est. completion
Kota Gadong Perdana	Residential properties	294.6	3,632	926.4	2018
Third 9 Residence	Residential units	41.8	217	144.7	2015
Lobak Commercial Centre	Double-storey shop offices	7.3	n/a	45.5	2016
	Commercial lots				
Total		343.7	3,849	1,116.6	

6: Location of Bandar Sri Sendayan



* Source: Presentation slides, Prospectus, HwangDBS Vickers

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