

# Matrix Concepts Holdings

## 12M16 Results Inline

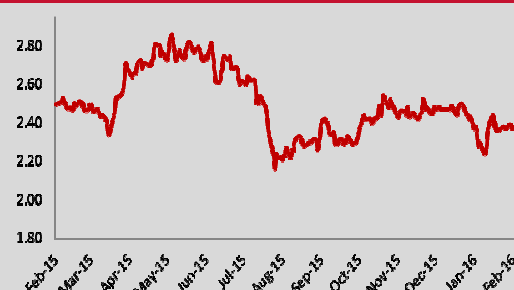
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- Period** ■ 4Q16/12M16
- Actual vs. Expectations** ■ Matrix Concepts (MATRIX)'s 12M16 net profit of RM213.2m came in within our full-year estimate accounting for 88% our 15-month full-year estimates. While its performance seems to beat streets' expectations at 101% of the full-year estimate, we reckon that the street is only accounting for only 12-month period for FY16. To recap, MATRIX announced a change in financial year-end from Dec-15 to Mar-16, during its 3QCY15 results announcement.
- In term of sales, MATRIX has performed exceptionally well recording total sales of RM805.5m for 12M16, accounting for 94% of our total estimates of RM854.0m.
- Dividends** ■ 4<sup>th</sup> interim dividend of 3.75 sen declared, bringing its 12M16 dividend to a total of 15.0 sen (7.4% yield), and we are expecting a total dividend of 17.9 sen for 15M16.
- Key Results Highlights** ■ **YoY**, 12M16 net profit grew by 17% underpinned by revenue growth of 17%, while EBITDA margin improved by 2ppt to 57%. The commendable revenue growth was mainly driven by the steady billings from its on-going residential and commercial projects in Bandar Sri Sendayan and Taman Seri Impian. In terms of sales and administrative costs, it saw a significant increase by 38% to RM111.1m, which was not surprising under current market circumstances.
- **QoQ**, 4Q16 net profit was up by 19% due to similar reasons above.
- Outlook** ■ Its unbilled sales remain healthy at RM633.2m, sufficient to sustain the group for another 1–1.5 years. MATRIX's outlook remains intact, driven by strong demand for affordable housing within Greater Klang Valley. To recap, MATRIX has planned to launch c.3,000 units of low-cost housing in Seremban with a price tag <RM300k to cater for the need for such products.
- Change to Forecasts** ■ No change to our FY16E earnings as 5QFPE16 is expected to be weak due to the festivities period, while we revised our FY17E earnings higher by 6.7% as we speed up our progressive billings recognition for its on-going projects. We have kept our FY16-17E sales assumptions unchanged.
- Rating** **MARKET PERFORM**
- Valuation** ■ MARKET PERFORM maintained. We are reiterating our MARKET PERFORM call on MATRIX with an unchanged Target Price of RM2.46 with a discount of 30% to its FD RNAV of RM3.51.
- Our TP of RM2.46 implies FY17E FD PER of 7.1x, which already represents an 18% premium to its mid-cap peers' average of 6.0x.
- The 30% discount is the narrowest compared to the RNAV discount applied to the mid-cap peers that averages at 62%, due to its affordable landed residential offerings in Seremban (<RM500k).
- Currently, they have 57.3m of warrants outstanding with a strike price of RM2.40 trading at a premium of 17%.
- Risks** ■ (i) Weaker-than-expected property sales, (ii) Higher-than-expected sales and administrative costs, (iii) Negative real estate policies, (iv) Tighter lending environment.

# MARKET PERFORM ↔

**Price:** RM2.37  
**Target Price:** RM2.46 ↔

### Share Price Performance



KLCI	1,664.17
YTD KLCI chg	-1.7%
YTD stock price chg	-4.8%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MCH MK Equity
Market Cap (RM m)	1,332.4
Issued shares	562.2
52-week range (H)	2.87
52-week range (L)	2.10
3-mth avg daily vol:	252,035
Free Float	61%
Beta	0.8

### Major Shareholders

TIAN HOCK LEE	19.2%
SHINING TERM SDN BHD	15.1%
AMBANG KUSSA	4.7%

### Summary Earnings Table

FYE Mar (RM m)	2014A	2016E*	2017E
Turnover	598	839	714
EBIT	246	330	284
PBT	245	329	283
<b>Net Profit (NP)</b>	<b>183</b>	<b>243</b>	<b>212</b>
Consensus (CNP)	n.a.	211	218
Earnings Revision	n.a.	0%	7%
EPS (sen)	29.9	40.0	34.9
EPS growth (%)	19%	34%	-13%
NDPS (sen)	12.9	18.0	15.7
BV/Share (RM)	1.12	1.50	1.69
PER (x)	7.9	5.9	6.8
Price/BV (x)	2.11	1.58	1.40
Net Gearing (x)	0.0	0.1	0.0
Dividend Yield (%)	5.4	7.6	6.6

\*MATRIX changed year end from Dec to March, hence 15M for FYE16

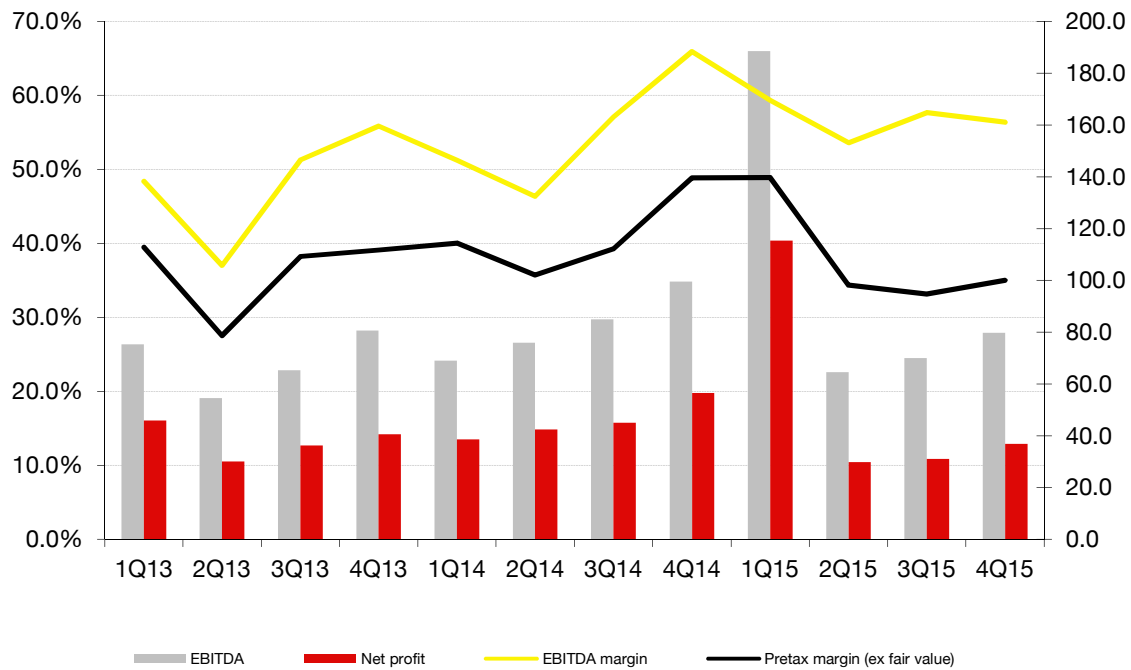
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Result Highlight

	4Q16	3Q16	QoQ	4Q14	YoY	12M16	12M14	YoY
<b>Revenue</b>								
Revenue	141.5	121.4	17%	151.0	-6%	700.9	598.3	17%
Op costs w/o deprn/amort	-63.0	-52.5	20%	-52.9	19%	-302.3	-272.3	11%
Other Op Income	1.3	1.2	8%	1.5	-14%	4.2	3.6	19%
<b>EBITDA</b>	<b>79.8</b>	<b>70.0</b>	<b>14%</b>	<b>99.6</b>	<b>-20%</b>	<b>402.9</b>	<b>329.5</b>	<b>22%</b>
<b>EBIT</b>	<b>79.2</b>	<b>69.4</b>	<b>14%</b>	<b>99.0</b>	<b>-20%</b>	<b>400.6</b>	<b>327.2</b>	<b>22%</b>
Net interest	-0.8	0.1	-1047%	-0.5	82%	-3.0	-1.7	74%
Selling & Marketing, Admin Cost	-28.8	-29.3	-2%	-24.7	17%	-111.1	-80.7	38%
Fair Value Adjustments on IP	0.0	0.0	n.m.	0.0	n.m.	0.0	0.0	n.m.
<b>Pre-tax profit</b>	<b>49.5</b>	<b>40.2</b>	<b>23%</b>	<b>73.8</b>	<b>-33%</b>	<b>286.5</b>	<b>244.8</b>	<b>17%</b>
Taxation	-12.7	-9.1	39%	-17.3	-26%	-73.2	-62.1	18%
Minority Interests	0.0	0.0	n.m.	0.0	n.m.	0.0	0.0	n.m.
<b>Net profit</b>	<b>36.8</b>	<b>31.1</b>	<b>19%</b>	<b>56.5</b>	<b>-35%</b>	<b>213.2</b>	<b>182.6</b>	<b>17%</b>
<b>Core net profit</b>	<b>36.8</b>	<b>31.1</b>	<b>19%</b>	<b>56.5</b>	<b>-35%</b>	<b>213.2</b>	<b>182.6</b>	<b>17%</b>
EPS (sen)	6.7	5.9		12.4		44.1	48.9	
DPS (sen)	3.8	3.5		6.5		15.0	19.0	
NTA/share (RM)	1.5	1.5		1.5		1.5	1.5	
Net gearing/(cash) (x)	0.1	0.1		0.0		0.1	0.0	
EBITDA margin	56%	58%		66%		57%	55%	
Pretax margin	35%	33%		49%		41%	41%	
Effective tax rate	26%	23%		23%		26%	25%	

Source: Company, Kenanga Research

Earnings Trend



Source: Company, Kenanga Research

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<b>FD RNAV</b>							
	Stake	Remaining GDV*** (RM'm)	Remaining Net Profit*** (RM'm)	Start of DCF	Assumed durations (years)	WACC (%)	NPV (RM m) ***
<b>On-going Projects</b>							
BSS	100%	770	162	2,013	2	10%	120
STV 1&2	100%	786	165	2,013	3	10%	150
TSI	100%	223	47	2,013	1	10%	35
Taman Desa Port Dickson 3	100%	6	1	2,013	2	10%	1
Lobak Commercial Centre (Phase 1)	100%	16	3	2,013	3	10%	3
Unbilled sales	100%	593	124	2,013	2	10%	108
<b>Pipeline Projects</b>							
BSS	100%	4,771	1,013	2,014	8	10%	526
TSI	100%	891	187	2,014	8	10%	97
Kota Gadong Perdana	100%	926	195	2,016	3	10%	108
Third 9 Residence	100%	145	30	2,014	2	10%	21
Lobak Commercial Centre	100%	29	6	2,013	4	10%	4
Labu Land	100%	760	160	2,015	4	10%	85
Rasah Kemayan Land	100%	800	168	2,016	3	10%	85
KL land (near PWTC)	100%	250	53	2,014	4	10%	36
Sendayan Tech Park	100%	170	36	2,016	3	10%	27
Agriculture land for future industrial use (STV3)	100%	110	23	2,016	3	10%	14
Puchong Land	100%	500	71	2,016	5	10%	40
Replenish	100%	620	121		10	10%	50
*** after shareholding							
<b>Other lands</b>		<b>NBV (RM'm)</b>	<b>NBV (RM psf)</b>	<b>Market Price (RM'm)</b>	<b>Market Price (RM psf)</b>	<b>Market Value RM'm)</b>	
Lot No. 769, Mukim Pasir Panjang, Port Dickson	100%	2	2	3	3	2	
Lot No. 847, Mukim Pasir Panjang, Port Dickson	100%	0	1	3	5	3	
<b>Revised Asset Value</b>						<b>1,513</b>	
Shareholder's equity (as at 30 June 2013)						540	
<b>RNAV</b>						<b>2,053</b>	
<b>RNAV per share (RM)</b>						<b>MYR 3.54</b>	
No of paid-up shares ('m)						579.6	
Dilution impact on RNAV*						251.7	
<b>Diluted RNAV per share (RM)*</b>						<b>MYR 3.51</b>	
Diluted no of shares ('m)*						656.9	
<b>% Discount to RNAV</b>						30%	
<b>Target Price</b>						<b>MYR 2.46</b>	

Source: Kenanga Research

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### Income Statement

FY Mar (RM'm)	2012A	2013A	2014A	2016E	2017E
Revenue	456	575	598	839	714
EBITDA	146	211	249	334	288
Depreciation	-2	-3	-3	-3	-3
Operating Profit	144	209	246	331	285
Interest Exp	-1	-1	-2	-1	-1
PBT	143	207	245	330	284
Taxation	-39	-54	-62	-86	-71
Minority Interest	0	0	0	0	0
Net Profit	103	153	183	244	213
Core Net Profit	103	153	183	244	213

### Balance Sheet

FY Mar (RM'm)	2012A	2013A	2014A	2016E	2017E
Fixed Assets	22	12	184	184	284
Intangible Assets	0	0	0	0	0
Inventories	2	2	2	3	3
Receivables	135	141	79	111	133
Cash	86	116	97	83	153
Total Assets	707	900	996	1,408	1,480
Payables	211	246	196	280	244
ST Borrowings	4	4	35	42	59
Other ST Liability	12	52	36	19	19
LT Borrowings	7	15	36	136	136
Other LT Liability	0	0	0	0	0
Minorities Int.	0	0	0	0	0
<b>Net Assets</b>	<b>473</b>	<b>552</b>	<b>686</b>	<b>914</b>	<b>1,031</b>
Share Capital	300	301	457	551	551
Reserves	0	1	7	7	7
<b>Equity</b>	<b>473</b>	<b>552</b>	<b>686</b>	<b>914</b>	<b>1,031</b>

### Cashflow Statement

FY Mar (RM'm)	2012A	2013A	2014A	2016E	2017E
Operating CF	-20	199	59	52	275
Investing CF	-13	-143	-53	-165	-100
Financing CF	105	-135	-53	7	-105
Change In Cash	71	-79	-47	-105	70
Free CF	6	110	68	-27	246

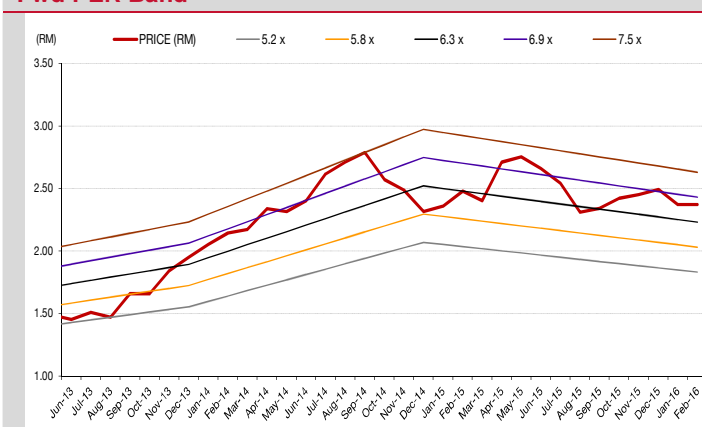
### Financial Data & Ratios

FY Mar (RM'm)	2012A	2013A	2014A	2016E	2017E
<b>Growth</b>					
Turnover (%)	-27%	26%	4%	40%	-15%
EBITDA (%)	34%	45%	18%	34%	-14%
Operating Prof (%)	34%	45%	18%	34%	-14%
PBT (%)	34%	45%	18%	35%	-14%
Core Net Profit (%)	49%	48%	19%	34%	-13%
<b>Profitability</b>					
EBITDA Margin	32%	37%	42%	40%	40%
Operating Margin	32%	36%	41%	39%	40%
PBT Margin	31%	36%	41%	39%	40%
Core Net Margin	23%	27%	31%	29%	30%
Effective Tax Rate	28%	25%	26%	26%	25%
ROA	17%	19%	19%	20%	15%
ROE	29%	30%	29%	31%	22%
<b>DuPont Analysis</b>					
Net Margin (%)	23%	27%	31%	29%	30%
Leverage Fact (x)	1.5	1.6	1.5	1.5	1.4
ROE (%)	29%	30%	29%	31%	22%
<b>Leverage</b>					
Debt/Asset (x)	0.0	0.1	0.1	0.1	0.1
Debt/Equity (x)	0.0	0.1	0.1	0.2	0.2
(Net Cash)/Debt	-75.6	-96.7	-25.6	94.7	42.6
Net Debt/Equity (x)	-0.2	-0.1	0.0	0.1	0.0
<b>Valuations</b>					
FD EPS (sen)	16.9	25.0	29.9	40.0	34.9
NDPS (sen)	4.2	30.4	12.9	18.0	15.7
BVPS (RM)	0.77	0.90	1.12	1.50	1.69
PER (x)	13.9	9.5	7.9	5.9	6.8
N. Div. Yield (%)	1.8	12.8	5.4	7.6	6.6
PBV (x)	3.06	2.62	2.11	1.58	1.40
EV/EBITDA (x)	0.0	6.5	5.7	4.7	5.1

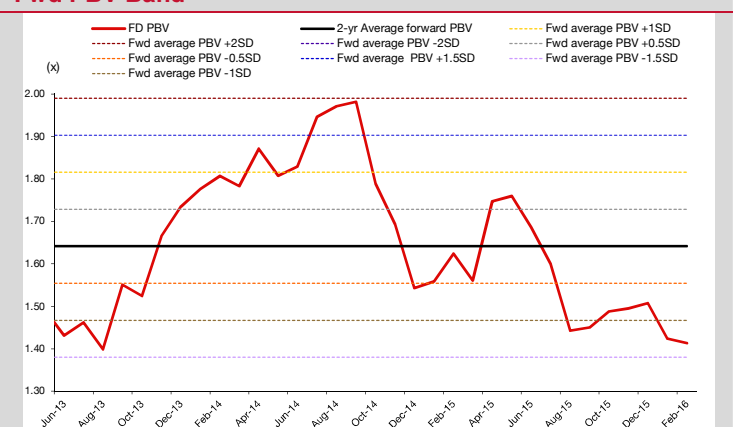
Source: Kenanga Research

\*MATRIX changed year end from Dec to March, hence 15M for FYE16

### Fwd PER Band



### Fwd PBV Band



Source: Bloomberg, Kenanga Research

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### Peer Comparison

NAME	Price (24/2/16)	Mkt Cap	PER (x)			Est. NDiv. Yld. (%)	Historical ROE (%)	P/BV (x)	Net Profit (RMm)			FY15/16 NP Growth (%)	FY16/17 NP Growth (%)	Target Price (RM)	Rating
	(RM)		(RMm)	FY14/15	FY15/16				FY16/17	FY14/15	FY15/16				
<b>DEVELOPERS UNDER COVERAGE</b>															
S P SETIA BHD*	2.89	7,596	20.3	9.6	11.6	5.2%	7.1%	1.2	361.0	763.9	631.8	111.6%	-17.3%	3.50	MARKET PERFORM
IOI PROPERTIES GROUP BHD*	2.08	9,176	10.3	16.7	16.3	2.9%	3.9%	0.6	528.6	552.4	562.8	4.5%	1.9%	2.09	UNDERPERFORM
UEM SUNRISE BHD*	1.02	4,628	9.6	18.4	15.2	2.5%	7.8%	0.7	479.9	251.7	304.1	-47.6%	20.8%	1.07	MARKET PERFORM
SUNWAY BHD	3.00	5,340	8.7	9.1	10.7	3.3%	13.2%	0.8	592.2	566.0	485.0	-4.4%	-14.3%	3.20	MARKET PERFORM
MAH SING GROUP BHD^	1.29	3,108	9.1	8.3	7.9	5.0%	16.1%	0.9	339.2	372.4	389.8	9.8%	4.7%	1.35	MARKET PERFORM
ECO WORLD DEVELOPMENT GROUP BHD	1.29	3,050	69.4	24.1	11.8	0.0%	2.5%	0.9	44.0	126.6	257.8	188.0%	103.7%	1.90	OUTPERFORM
UOA DEVELOPMENT BHD*	2.08	3,161	11.3	9.4	8.7	6.7%	12.2%	1.0	279.1	338.1	363.1	21.2%	7.4%	2.22	OUTPERFORM
MALAYSIAN RESOURCES CORP BHD	1.19	2,126	-28.5	55.4	32.6	27.3%	-3.3%	1.1	-74.6	38.4	65.3	-151.4%	70.1%	1.39	MARKET PERFORM
KSL HOLDINGS BHD	1.30	1,300	4.1	4.6	4.5	8.8%	15.3%	0.7	252.0	271.7	276.5	7.8%	1.8%	1.72	OUTPERFORM
MATRIX CONCEPTS HOLDINGS BHD	2.37	1,332	7.9	6.0	6.8	7.6%	29.5%	1.6	182.6	243.1	212.0	33.1%	-12.8%	2.46	MARKET PERFORM
CRESCENDO CORPORATION BHD*	1.72	391	9.1	20.5	19.3	1.9%	15.3%	0.5	43.3	19.1	20.3	-55.9%	6.3%	1.74	UNDERPERFORM
HUA YANG BHD	1.83	483	4.4	4.3	4.6	7.2%	25.9%	0.9	110.6	111.6	106.1	0.9%	-4.9%	2.20	OUTPERFORM
<b>CONSENSUS NUMBERS</b>															
IGB CORPORATION BHD	2.37	3,164	14.9	11.7	11.9	3.3%	5.1%	0.7	212.7	271.0	267.0	27.4%	-1.5%	4.10	NEUTRAL
YNH PROPERTY BHD	1.99	808	63.0	14.7	11.5	1.5%	1.5%	0.9	12.8	54.8	70.2	327.2%	28.1%	1.83	NEUTRAL
GLOMAC BHD	0.85	616	6.7	7.2	6.5	5.2%	9.8%	0.6	91.9	85.5	94.2	-6.9%	10.2%	1.03	BUY
PARAMOUNT CORP BHD	1.55	655	9.7	8.2	7.4	5.8%	7.3%	0.7	67.6	80.2	88.7	18.7%	10.5%	2.40	BUY
TAMBUN INDAH LAND BHD	1.35	573	5.9	5.7	5.8	6.0%	24.0%	1.3	97.6	99.7	98.9	2.2%	-0.9%	1.60	BUY

\* Core NP and Core PER

\*\* Crescendo per share data is based on non-Fully Diluted

^ Last price and TP is Ex-rights and Ex-Bonus.

Source: Kenanga Research

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**Stock Ratings are defined as follows:****Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of 3% to 10%.
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

**Sector Recommendations\*\*\***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of 3% to 10%.
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

**\*\*\*Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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