

14 April 2014

Matrix Concepts

1-for-2 Bonus Issue

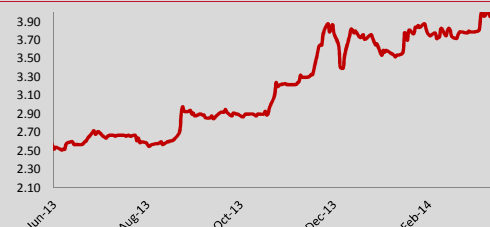
- News**
- Last Friday, MATRIX proposed a 1-for-2 bonus issue.
 - Concurrently, MATRIX also announced the completion of the land acquisition in Labu measuring 236.9 acres from Koperasi Sendayan Labu Seremban Bhd for RM47m, which was announced in Jul-2013.
- Comments**
- We are positive on the proposed 1-for-2 bonus issue corporate exercise as it rewards shareholders and it also improves the stocks liquidity.
 - Pending Bursa and shareholders' approvals, the bonus issue is expected to be completed by 3Q14. Post-bonus, the share base will increase by 50% to 451.8m shares. Hence, the current share price will also be adjusted from RM4.11 to RM2.74, while our TP will be adjusted accordingly from RM4.80 to RM3.20.
- Outlook**
- MATRIX has planned new residential and commercial project launches in FY14 with GDV close to RM700m with an average selling price of RM500k for its landed residential properties targeted at Klang Valley home buyers. This excludes some RM416m worth of 'ready for sale' or completed projects, of which a major bulk is the STV industrial lots.
 - In terms of landbanking, they are on the lookout for more land in Seremban and we do expect some land deals to take place this year given their light balance sheet.
- Forecast**
- No changes to our earnings estimate.
- Rating**
- Maintain OUTPERFORM**
- We continue to like MATRIX for its (i) strong affordable housing market exposure, which will continue to enjoy resilient demand, (ii) low land cost, which provides them a margin edge, and (iii) industrial property exposure in Seremban, which is enjoying a boom given its proximity to the Klang Valley.
- Valuation**
- No changes to our TP of RM4.80 (ex-bonus RM3.20) based on 20% discount to its fully diluted RNAV of RM6.00.
- Risks to Our Call**
- Unable to meet sales target.
 - Delays in property launches.
 - Sharp escalation of raw material prices.

OUTPERFORM ↔

Cum-Price/Ex-Price: RM4.11/RM2.74

Cum-TP/Ex-TP: RM4.80/RM3.20 ↔

Share Price Performance



KLCI	1,822.55
YTD KLCI chg	-2.4%
YTD stock price chg	10.9%

Stock Information

Bloomberg Ticker	MCH MK Equity
Market Cap (RM m)	1,140.3
Issued shares	301.7
52-week range (H)	3.91
52-week range (L)	2.17
3-mth avg daily vol:	745,838
Free Float	59%
Beta	n.a.

Major Shareholders

HOCK LEE TIAN	19.9%
SHINING TERM SDN BHD	16.0%
SUPREME INTEREST SDN	5.0%

Summary Earnings Table

FYE Dec (RM m)	2013A	2014E	2015E
Turnover	574.7	647.3	725.1
EBIT	208.6	226.7	257.8
PBT	207.2	225.9	256.6
Net Profit (NP)	152.9	167.2	190.2
Consensus (CNP)	n.a.	162.7	202.8
Earnings Revision			
EPS (sen)	50.8	55.5	63.2
EPS (sen)**	33.8	37.0	42.1
EPS growth (%)	48%	9%	14%
NDPS (sen)	30.4	25.0	28.4
NDPS (sen)**	30.4	16.7	18.9
BV/Share (RM)	1.83	2.14	2.49
BV/Share (RM)**	1.22	1.43	1.66
PER (x)	8.1	7.4	6.5
Price/BV (x)	2.2	1.9	1.7
Net Gearing (x)	(0.1)	0.1	0.0
Dividend Yield (%)	7.4	6.1	6.9
**Post Bonus			

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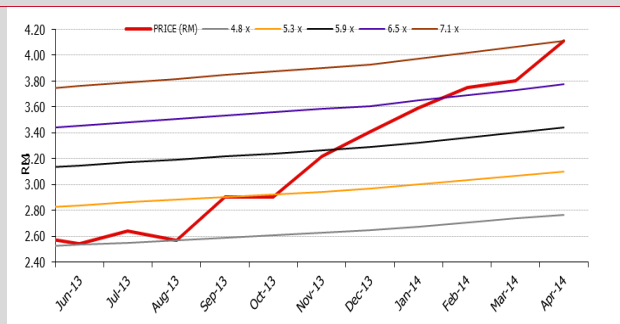
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Post-Bonus Issue:

Income Statement						Financial Data & Ratios					
FY Dec (RM'm)	2011A	2012A	2013A	2014E	2015E	FY Dec (RM'm)	2011A	2012A	2013A	2014E	2015E
Revenue	624.3	456.1	574.7	647.3	725.1	Growth					
EBITDA	108.9	146.1	211.2	231.0	263.0	Turnover (%)	219%	-27%	26%	13%	12%
Depreciation	(2.0)	(2.3)	(2.6)	(4.3)	(5.2)	EBITDA (%)	232%	34%	45%	9%	14%
Operating Profit	106.9	143.8	208.6	226.7	257.8	Operating Profit (%)	245%	34%	45%	9%	14%
Interest Exp	(0.6)	(1.0)	(1.4)	(0.8)	(1.2)	PBT (%)	255%	34%	45%	9%	14%
PBT	106.3	142.8	207.2	225.9	256.6	Core Net Profit (%)	238%	49%	48%	9%	14%
Taxation	(26.4)	(39.3)	(54.3)	(58.7)	(66.4)	Profitability					
Minority Interest	(10.5)	0.0	0.0	0.0	0.0	EBITDA Margin	17%	32%	37%	36%	36%
Net Profit	69.4	103.5	152.9	167.2	190.2	Operating Margin	17%	32%	36%	35%	36%
Core Net Profit	69.4	103.5	152.9	167.2	190.2	PBT Margin	17%	31%	36%	35%	35%
						Core Net Margin	11%	23%	27%	26%	26%
						Effective Tax Rate	25%	28%	25%	26%	26%
						ROA	12%	17%	19%	17%	16%
						ROE	32%	29%	30%	28%	27%
						DuPont Analysis					
						Net Margin (%)	11%	23%	27%	26%	26%
						Leverage Factor (x)	2.1	1.5	1.6	1.7	1.7
						ROE (%)	32%	29%	30%	28%	27%
						Leverage					
						Debt/Asset (x)	0.03	0.01	0.06	0.14	0.13
						Debt/Equity (x)	0.07	0.02	0.09	0.24	0.21
						(Net Cash)/Debt	306.8	(75.6)	(96.7)	38.0	25.1
						Net Debt/Equity (x)	0.01	(0.16)	(0.12)	0.07	0.04
						Valuations					
						EPS (sen)	15.4	22.9	33.8	37.0	42.1
						NDPS (sen)	4.5	5.7	30.4	16.7	18.9
						BVPS (RM)	0.53	1.05	1.22	1.43	1.66
						PER (x)	17.8	12.0	8.1	7.4	6.5
						N. Div. Yield (%)	1.6	2.1	11.1	6.1	6.9
						PBV (x)	5.2	2.6	2.2	1.9	1.7
						EV/EBITDA (x)	n.a.	n.a.	5.6	5.5	4.8

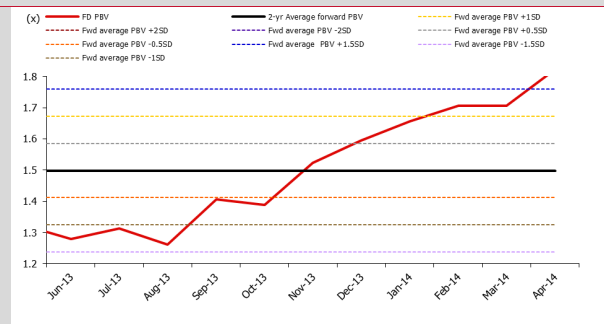
Source: Kenanga Research

Fwd PER Band



Source: Kenanga Research

Fwd PBV Band



NAME	Price (11/04/14)	Mkt Cap (RMm)	PER (x)			Est. NDiv. Yld. (%)	Historical ROE (%)	P/BV (x)	Net Profit (RMm)			FY13/14 NP Growth (%)	FY14/15 NP Growth (%)	Target Price (RM)	Rating
	(RM)		FY13/14	FY14/15	FY15/16				FY13/14	FY14/15	FY15/16				
DEVELOPERS UNDER COVERAGE															
UEM Sunrise*	2.30	10,436	22.7	17.3	16.2	1.7%	10.2%	1.6	459.1	603.3	643.1	31.4%	6.6%	2.60	OUTPERFORM
IOI Properties	2.75	8907	16.5	15.4	12.5	0.7%	5.2%	0.8	538.9	580.0	711.4	7.6%	22.7%	3.25	OUTPERFORM
SP Setia*	2.95	7,253	17.4	16.4	13.0	4.4%	8.7%	1.1	417.9	441.2	558.4	5.6%	26.6%	3.03	MARKET PERFORM
Sunway Berhad	3.02	5205	10.8	9.6	9.1	2.6%	32.4%	0.9	482.3	540.0	571.9	12.0%	5.9%	3.33	OUTPERFORM
IJM Land*	3.01	4,692	23.9	14.9	13.2	1.7%	8.5%	1.4	196.1	315.0	356.0	60.7%	13.0%	3.31	OUTPERFORM
Mah Sing Group	2.24	3,185	11.3	9.5	8.2	4.2%	17.6%	1.5	280.6	334.6	385.5	19.2%	15.2%	2.45	OUTPERFORM
UOA Development*	2.20	2,946	8.6	8.2	7.9	6.4%	16.0%	1.1	344.6	361.0	371.2	4.8%	2.8%	2.25	OUTPERFORM
Matrix Concepts	4.11	1,245	8.1	7.4	6.5	6.1%	29.8%	1.9	152.9	167.2	190.2	9.4%	13.8%	3.20***	OUTPERFORM
Crescendo* *	3.04	692	8.3	8.2	7.4	5.0%	18.4%	0.9	84.2	84.4	93.2	0.3%	10.5%	3.15	OUTPERFORM
Hua Yang	1.83	483	6.9	6.3	4.7	6.0%	23.5%	1.2	70.5	76.6	102.9	8.7%	34.4%	1.96	OUTPERFORM
* Core NP and Core PER															
** Crescendo per share data is based on non-Fully Diluted															
***RM3.20 is a post bonus TP. Pre-bonus TP is RM4.80															
CONSENSUS NUMBERS															
BERJAYA LAND BHD	0.84	4,155	37.3	N.A.	N.A.	N.A.	2.1%	0.8	111.5	N.A.	N.A.	N.A.	N.A.	0.93	BUY
IGB CORPORATION BHD	2.69	3,610	18.0	16.3	15.4	2.5%	4.9%	0.8	200.8	221.4	234.9	10.3%	6.1%	3.75	NEUTRAL
YNH PROPERTY BHD	1.90	773	18.5	12.3	10.9	2.6%	5.1%	0.9	41.8	63.1	71.2	50.9%	12.9%	1.76	NEUTRAL
YTL LAND & DEVELOPMENT BHD	0.93	767	34.6	48.7	42.0	N.A.	2.5%	0.8	22.1	15.8	18.2	-28.8%	15.8%	1.00	NEUTRAL
GLOMAC BHD	1.09	792	6.8	7.0	6.2	4.6%	14.1%	0.9	116.1	113.4	127.2	-2.4%	12.2%	1.22	NEUTRAL
KSL HOLDINGS BHD	2.15	831	4.8	4.0	4.1	1.4%	14.4%	0.6	172.4	208.7	200.9	21.0%	-3.7%	2.04	BUY
PARAMOUNT CORP BHD	1.71	578	10.8	9.5	9.0	5.3%	7.5%	0.8	53.5	60.8	64.2	13.6%	5.6%	1.88	BUY
IVORY PROPERTIES GROUP BHD	0.61	272	18.8	N.A.	N.A.	N.A.	3.9%	0.7	14.5	N.A.	N.A.	N.A.	N.A.	N.A.	BUY
TAMBUN INDAH LAND BHD	1.92	760	9.8	8.0	6.4	4.9%	24.4%	2.4	77.5	95.0	118.7	22.5%	25.0%	1.87	BUY
Source: Kenanga Research															

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 stock'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 stock's Expected Total Return is WITHIN the range of 3% to 10%.
UNDERWEIGHT	:	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 are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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