Matrix Concepts

A Defensive Developer

OUTPERFORM

Price:	**RM3.22**
Target Price:	**RM4.80**

Initiating Coverage on Matrix Concepts with an OUTPERFORM recommendation and TP of RM4.80 based on 20% discount to its FD RNAV of RM6.00. We like the stock on account of the following factors: (i) its flagship Bandar Sri Sendayan (BSS) and Sendayan TechValley (STV) at Seremban and Taman Sri Impian@Kluang, Johor enjoys growing demand driven by sustainable factors such as rising affordable housing demand and attractive industrial land prices, (ii) it is reaping higher margins due to low land costs, and (iii) balance sheet is in net cash position, which paves the way for aggressive GDV replenishments in Seremban. We are estimating FY13E and 14E earnings of RM146m (+41% YoY) and RM167m (+15% YoY) based on sales assumptions of RM708m-RM760m where industrial lot land sales from STV constitute 28% and 21% of our assumptions. Valuations are attractive with dividend yields of 9.4%-7.8% and PER of 6.6x-5.8x vs. mid-cap peer averages of 4.3%-4.9% and 8.3x-7.1x for FY13 and FY14.

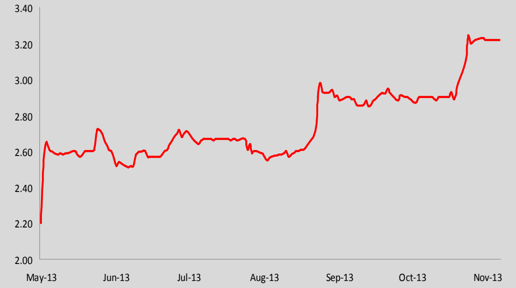
An affordable housing and industrial developer. Matrix has two major township landbanks; Bandar Sri Sendayan (BSS; 5,233 ac) located in Seremban, Negeri Sembilan and Taman Seri Impian (TSI) located in Kluang, Johor (900 ac). Identifiable remaining GDV of RM8.3b provides visibility up to 2022, which is far longer compared to many developers. Its main drivers are its township developments and Sendayan TechValley (STV) in BSS, which are targeted at the owner-occupiers market. Seremban is part of the Greater Klang Valley-KL Conurbation and thus, BSS has indirectly benefited from the spill-over effects due to the significant property price increase in the Klang Valley. STV has also attracted FDIs (e.g. Hino-Motor, Messier-Buggati-Dowty) which will further spur more economic activities in the area. Matrix Concepts' demand profiles leave them relatively unscathed from the recent tightening measures.

Low land cost = high margins. Matrix Concept's landbanks are largely locked at favourably low prices, at around 5% to 6% of Land Cost/GDV ratio as compared to the industry average of 10%-20%. Hence, the lower holding cost for the group means they reap higher gross margins of 40%-45% as compared to the average gross development margins of 20%-30%. It also provides them more pricing flexibility against the competitors which helps combat the recent property cooling measures.

Deeply net cash with more gearing headroom. As at 9M13, the company is in a net cash position of 0.36x post IPO. After netting-off their newly announced landbank commitments, and estimated dividend obligations for FY14E, we estimate that the group has RM124m (combination of cash and debt) to use for further landbanking in Seremban. Assuming that land cost is 10%-15% of GDV and a comfortable net gearing limit of 0.3x, the group can replenish up to RM0.8b-RM1.2b worth of GDV from FY14E onwards. However, the group is looking at landbank of between RM300m-RM700m next year and is likely to stick within the vicinity of BSS.

Attractive valuations and dividend yields. Matrix has a minimum 40% dividend payout policy and is the only developer to pay out quarterly dividends so far, which reiterates their strong cashflow position. Additionally, valuations are attractive with dividend yields of 9.4% and 7.8% and PER of 6.6x and 5.8x for FY13E and FY14E, respectively. This compares favourable to the mid-cap peers' averages of 4.3% and 4.9% and 6.6x and 5.8x for Even at our TP, the group's implied FY13E and FY14E dividend yields are 6.3% and 5.2%, which are still attractive compared to its peers. At our TP, corresponding Fwd PERs will be pegged at 9.9x and 8.6x, which is slightly higher than its mid-cap peers' averages of 8.3x-7.1x. However, this is justifiable as its market cap will increase from current RM969m to RM1.44b. Our TP provides a total return of 55%.

Share Price Performance



KLCI	1818.15
YTD KLCI chg	7.6%
YTD stock price chg	N.A

Stock Information

Bloomberg Ticker	MCH MK Equity
Market Cap (RM m)	968.9
Issued shares	300.9
52-week range (H)	3.27
52-week range (L)	2.20
3-mth avg daily vol:	525,369
Free Float	58%
Beta	N.A.

Major Shareholders

HOCK LEE TIAN	19.9%
SHINING TERM SDN BHD	16.1%
MAGNITUDE POINT SDN	6.4%

Summary Earnings Table

FYE Dec (RM m)	**2012A**	**2013E**	**2014E**
Turnover	456.1	561.9	634.9
EBIT	143.8	195.2	226.6
PBT	142.8	194.9	226.0
Net Profit (NP)	**103.5**	**146.0**	**167.2**
Consensus (CNP)	-	148.0	159.0
Earnings Revision	-	-	-
EPS (sen)	34.4	48.6	55.6
EPS growth (%)	49%	41%	15%
NDPS (sen)	8.6	30.4	25.0
BV/Share (RM)	1.57	1.75	2.06
PER (x)	9.4	6.6	5.8
Price/BV (x)	2.1	1.8	1.6
Net Gearing (x)	(0.16)	(0.41)	(0.07)
Dividend Yield (%)	2.7	9.4	7.8

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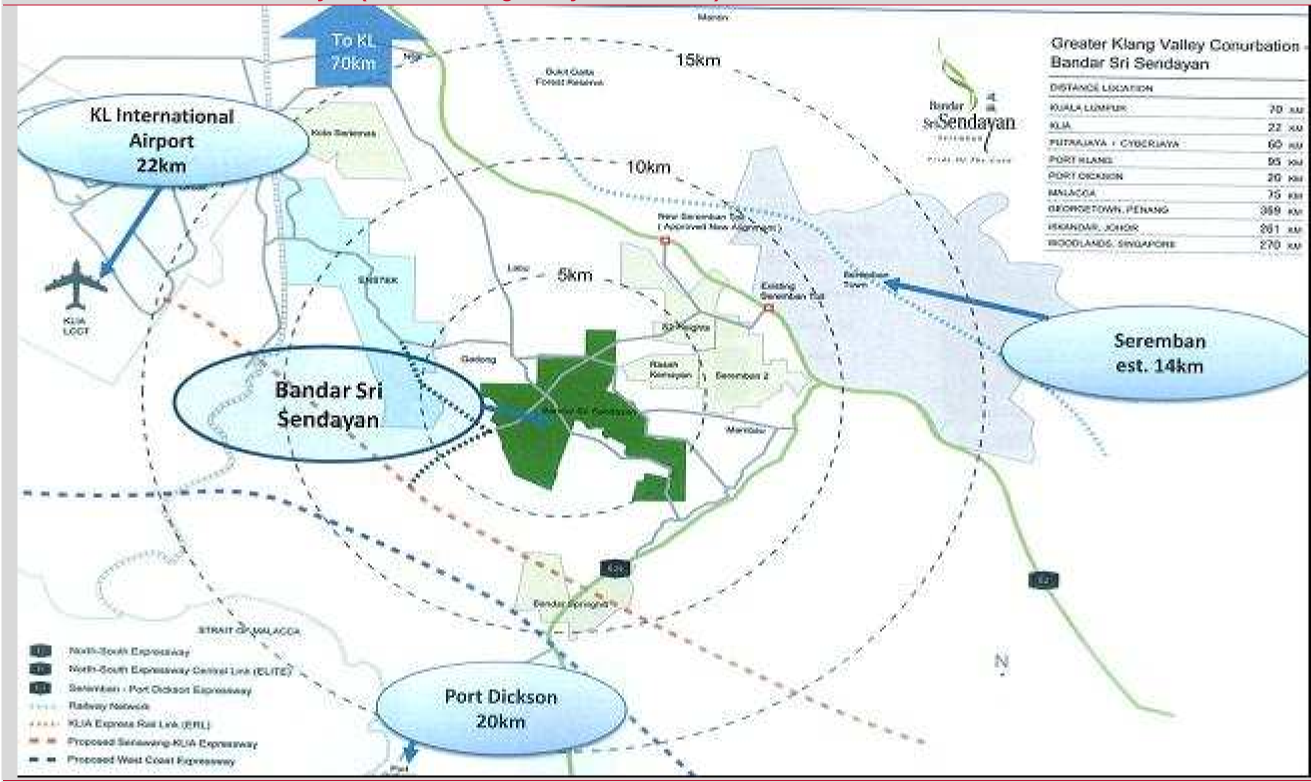
BRIEF INTRODUCTION

Township players in Negeri Sembilan and Johor. Since our IPO note on Matrix Concepts back on 10-May-2013, the group's IPO was a success, being 11.3x oversubscribed and it was listed on 28-May-13 on Bursa's Main Board. It managed to raise RM137.5m proceeds based on an IPO price of RM2.20/share. The group has two major township landbanks; Bandar Sri Sendayan (BSS; 5,233 ac) located in Seremban, Negeri Sembilan and Taman Seri Impian (TSI; 900ac)) located in Kluang, Johor. Its main driver is its projects in Negeri Sembilan, which accounted for 75.0% of FY12 revenue with 17.8% from its Johor projects, and the remaining 7.2% from the Johor land sale.

Longer than average visibility. Currently, it has a remaining landbank of 2732 ac and has identified GDV of RM8.3b (including on-going launches which span 954ac land with GDV of RM1.8b) while there are some landbanks with no guidance yet (e.g. Sendayan Icon Park and some vacant land in TSI). Its Seremban landbank makes up 63% of the total landbank, while its Kluang landbank constitutes 31% while the remaining comprises its Port Dickson and KL land. Their remaining GDV provides visibility up to 2022, assuming c.12% growth p.a. The nine years visibility is on par with the small developers such as CRESCENDO (OP; TP:RM4.00) and SCIENTEX (OP; TP:RM6.28) while it has longer visibility than the bigger developers and HUAYANG (OP; TP:RM2.91) with average visibility of five to seven years only.

Location of Bandar Sri Sendayan (Greater Klang Valley Conurbation)



Source: Company

INVESTMENT CASE

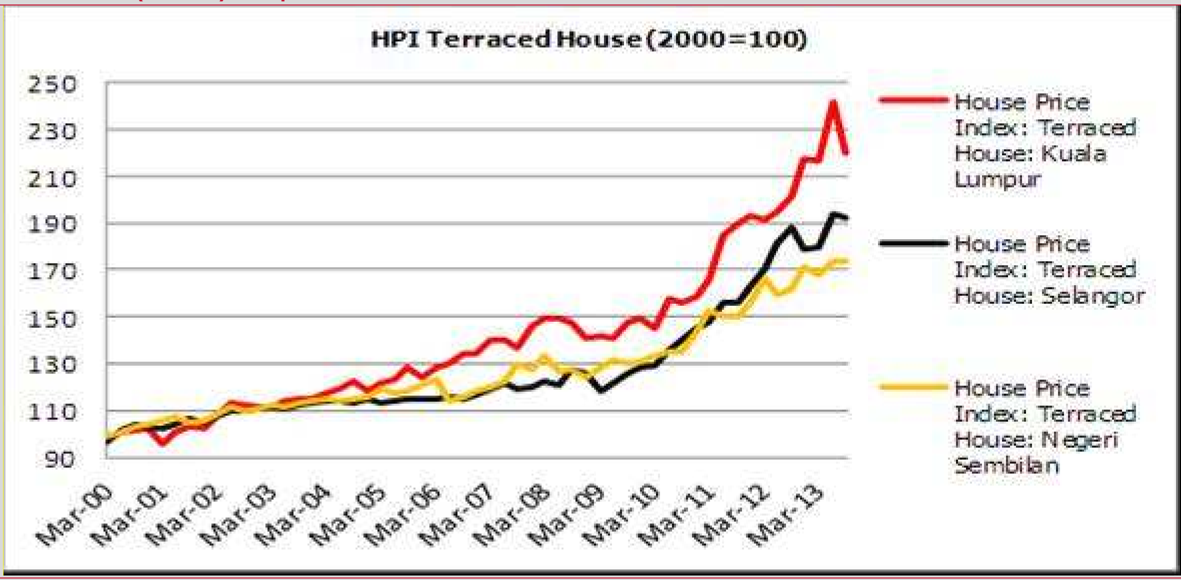
1. Growing demand driven by sustainable factors such as rising affordable housing demand and attractive industrial land prices

SEREMBAN

Affordability issues in Selangor and KL… Over the past few years**,** property prices in the matured areas of Klang Valley has risen significantly with landed double-storey terraces average prices touching RM700k/unit and above in Selangor (i.e Bandar Rimbayu, Puchong and even Cyberjaya). We also noticed that in the last three years, developers are landbanking further and further away from Kuala Lumpur's city center as sizeable landbanks suitable for township developments are harder to come by; while land for affordable housing requires cheaper costs with key areas such as Bangi, Semenyih, Rawang, Cyberjaya and Putrajaya becoming popular areas.

At the moment, the hottest projects in town are landed residentials and affordable housing projects like those in Semenyih e.g. Setia EcoHill Semenyih (e.g. SP Setia (MP; TP: RM3.60). The area is located about 50km North of Bandar Sri Sendayan. We understand that SP Setia is going to launch its EcoHill link homes (1500sf) with a starting price of RM400,000/unit or RM267psf vs. BSS link homes (2720sf) which are being sold at c.RM470,000/unit or RM170psf onwards. We also understand that Mah Sing is looking forward to launch 2.5-storey link homes (22' x 75') at c.RM800k/unit while 2-storey link house (24' x 80') in Cyberjaya are selling above RM1.0m/unit. We also understand that areas like Bandar Rimbayu started off with double-storey terraces at RM580,000/unit onwards and is now aiming to launch cluster homes of above RM800,000/unit onwards. The high prices in the Klang Valley have pushed many young families to the outer ring of Klang Valley and thus, Seremban has been growing in popularity amongst home buyers.

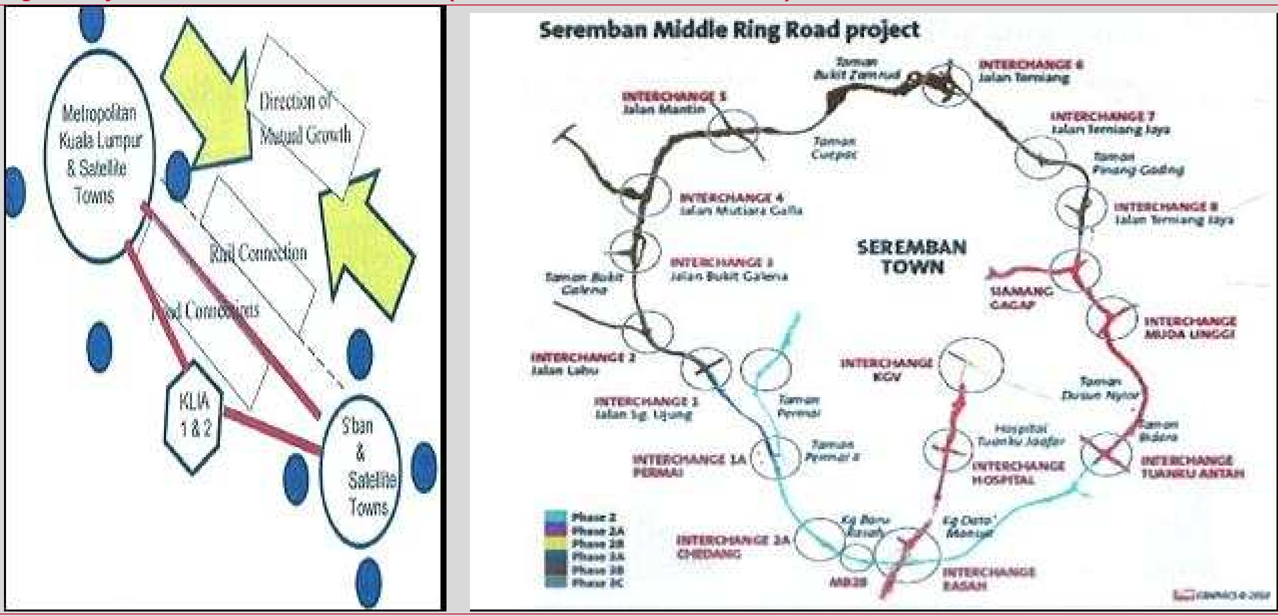
House Price Index (Terrace) Comparisons



Source: JPPH, CEIC, Kenanga Research

…has made Seremban popular. Seremban is part of the Greater Klang Valley-Kuala Lumpur Conurbation. Matrix's Bandar Sri Sendayan in Seremban is also strategically located due to its accessibility via main highways, namely the Seremban-Port Dickson Expressway, the North-South Expressway, the proposed Senawang-KLIA Expressway and the proposed West Coast Expressway. It is 30 minutes away from KLIA and LCCT. The strategic investment in infrastructure by the Negeri Sembilan's state government for projects such as the Paroi-Senawang-KLIA highway, Seremban Middle Ring Road (worth RM2.4b) and other road upgrading works facilitate the rising number of commuters, (estimated at over 100,000 people daily), between Negeri Sembilan to Kuala Lumpur. In Seremban, many young families or even retirees can still afford a decent size landed double-storey terrace home which is ideal for young children or those who want to enjoy larger garden spaces.

Regional Dynamics of Conurbations Growth (KL and Seremban-Nilai Corridor)



Source: Company

Bandar Sri Sendayan enjoys spill-over effects from matured areas of Klang Valley. In 2008, the company began its 1,263 ac (remaining: 941ac) integrated township in Seremban, Negeri Sembilan, known as Bandar Sri Sendayan with total GDV of RM4.3b (remaining RM3.7b). The township enjoys all the features of a bread-and-butter earnings driver given the strong population and economic drivers. It is near KLIA/LCCT (30-minute drive) and other townships and industrial areas like Seremban 2, S2 Heights, Bandar Enstek, Oakland Commercial Centre and Industrial Park, Tuanku Jaafar Industrial Park, Senawang Industrial Park and Nilai Industrial Estate. BSS will also be home to the new academic and training centre of the Royal Malaysia Air Force (RMAF). Matrix Concepts has delivered RM620m worth of projects in BSS since 2008. The completed projects in the area include single storey terrace, single storey semi-d, double storey terrace, double storey semi-D, single storey shop office, single storey stall, triple storey shop office and commercial lots.

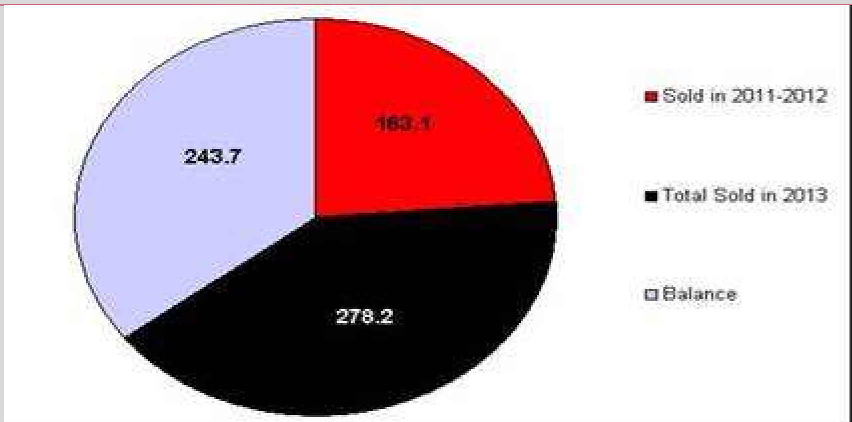
Bandar Seri Sendayan

Source: Company, Kenanga Research

A good mix of buyers to sustain demand. We also notice rising interest in the area because the buyers' profile has changed from purely 90% Bumiputra to a fairly good mix of of 40% Bumiputra and 40% Chinese. This is another point worth noting; as the bulk of its house buyers are Bumiputeras, Matrix Concepts has no issues meeting the Bumiputera requirements unlike their counterparts in Klang Valley. Moreover, it has also attracted buyers from Klang Valley which makes up c. 40% of take-ups as compared to zero during the initial phase. We believe the rising interest could be driven by the spaciousness and facilities in the township, which provides ample comfort for the residents.

Industrial land at Sendayan TechValley (STV). It spans 685 ac within BSS, serving as a FDI melting pot, which drives economic activity and housing demand around the region. Besides being within the Greater Klang Valley with quick access to KLIA (22km), Sendayan TechValley also offers competitive advantages given that: (i) it is the first developer in Malaysia to initiate collaboration with Gas Malaysia to provide gas pipeline in the area; and (ii) it offers attractive business incentives where the company offers flexible payment arrangements such as short-term leases and staggered payments (12-15 months) to tax exemptions and business grants. As long as Malaysia continues to attract FDIs, particularly in the manufacturing space, we believe STV will be one of the key locations. Currently, the group has c.244 ac landbank remaining which will last them another two years. STV industrial lot land has recently been transacted at between RM35-40psf which is comparable to Johor such as: (i) UEMLAND (OP; TP: RM3.05) SiLC's latest transaction was back in 2011 at RM36psf and we reckon prices should be closer to RM50psf given the run-up of prices over the last two years; (ii) Crescendo (OP; TP: RM4.00) Nusa Cemerlang Industrial Park is now fetching a market value of RM35-40psf.

STV Land (acres)



Source: Company, Kenanga Research

1MDB's land will be the new RMAF site. 1MDB acquired 750ac of landbank from the company back in 2011 to relocate the new academic and training centre of the Royal Malaysia Air Force (RMAF) to BSS which will also be home to the new academic and training centre of the Royal Malaysia Air Force (RMAF, previously located in Sungai Besi, KL). We believe the area will also enjoy strong population growth eventually which will invigorate property buying and renting activities in the area. While it may take 3-5 years before this impact is felt, we remain confident of the medium to longer-term demand prospects of this area which we think is akin to Manjung, Perak where the naval base there provided resilient demand for developers like YNH Properties (NOT RATED).

JOHOR

Taman Seri Impian @ Kluang, Johor... Spanning over 636.6ac of freehold land, Matrix's second township development – Taman Seri Impian (TSI) @ Kluang, Johor has a total GDV of RM1.3b (with a remaining GDV of RM679.2m). Taman Seri Impian is located about 60 minutes drive from the JB City center, reachable from the south via Kota Tinggi. To the east of Seri Impian is Mersing town, the gateway to world renowned Pulau Tioman diving sites. The township is easily accessible via the existing Jalan Kluang – Bandar Tenggara and well connected to the proposed Kluang – Pasir Gudang Expressway strategic interchange/ exit point.

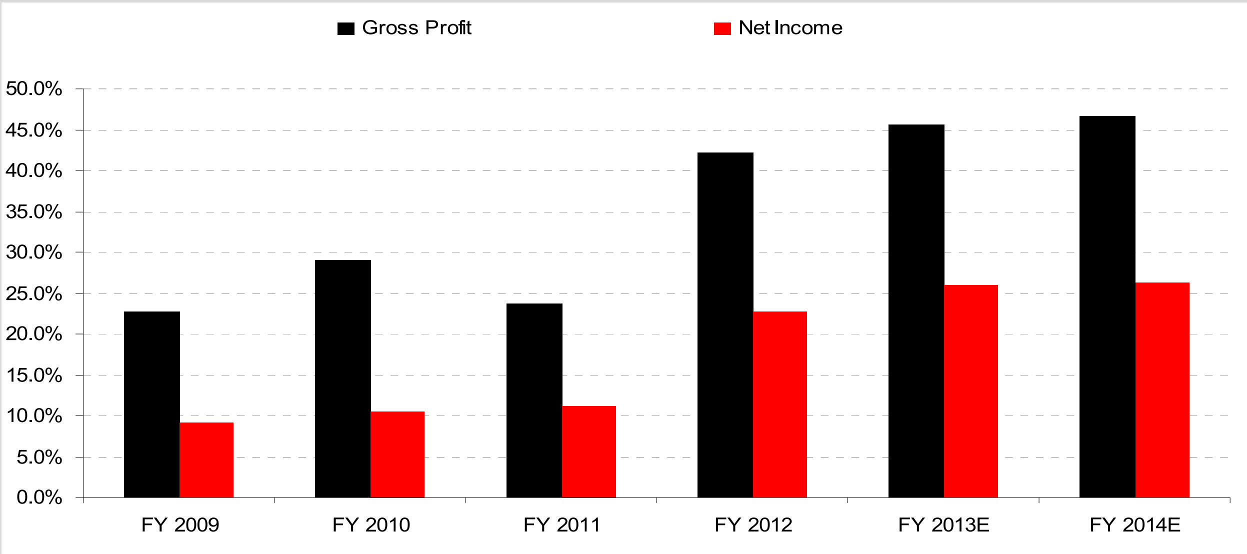
…an affordable township. TSI commenced in 2005 and is well planned with a host of residential and commercial properties of various ranges, shopping complexes, transportation hub, government and private institutions, mosque, religious school, healthcare centres and etc. As a township in Kluang, Seri Impian provides relatively safe neighbourhood with 24-hours gated and guarded residency in each individual neighbourhood. Its project is largely affordable landed residentials, being priced at RM280k/unit on average and targets the local market. On the upcoming launches, Matrix planned to launch Impiana Villa 2 (est GDV= RM85.6m) in 3Q14, which consists of 54 units of 2-storey bungalows and 74 units of semi-d houses. We are still bullish on affordable housings in Johor, particularly landed residentials, given the recent price increases.

(*Refer to Appendix for Project Details and Maps*)

2. Low land cost and expanding margins

Banking on low land costs. Matrix Concept's landbanks are largely locked at favourably low prices. Its BSS and TSI were both transacted at an extremely low cost of RM3psf many years ago before the recent property boom, which implies 5%-6% of Land Cost/GDV ratio as compared to the industry average of 10%-20%. Currently, the asking price for nearby land in BSS ranges between RM5.60 and RM8.00 while land price around TSI has also doubled to around RM6psf. Moreover, the recent acquisition of two parcel of lands in Labu and Rasah Kemayan, Seremban was also transacted at a relatively cheaper average cost of RM6psf or 6%-7% of guided GDV. Hence, the lower holding costs for the group means they reap higher gross margins of 40%-45% versus the average gross development margins of 20%-30%. It also provides them more pricing flexibility against the competitors which helps combat the recent property cooling measures put in place.

Margin Trends



Source: Company, Kenanga Research

3. BSS prices still have ample upsides

Adding value to BSS…. The group has expressed confidence in their property prices as they believe that they are offering values for all their property buyers. An example includes adding further amenities i.e. Sendayan Metropark, Matrix Global Schools and Clubhouse to BSS which further attracts more buyers. These amenities are under construction at the moment and will likely be delivered in the next two years and will further enhance the value of BSS while keeping demand strong.

BSS Facilities

Source: Company

…with economic drivers to drive population growth. To date, Sendayan TechValley has already secured committed FDI of RM2.7b from renowned companies from France, Japan, United Kingdom and Germany, amongst others. Several of the light-to-medium industries include **Hino Motor, Messier-Bugatti-Dowty, Daihatsu Motor, Nippon Kayaku, Linatex (Wier Group), Schmidt + Clemens, Meditop Corporation, Daihatsu;** and so far 60%-65% has been taken up. Full operations of these industrial players are likely in the next 6-12 months time as they are either in the midst of construction or at trial runs. Additionally, local SMEs from areas such as Shah Alam and Puchong are moving to STV for expansion reasons while monetizing the higher land prices of their old sites. All these industrial activities are enough to keep BSS's land active for the upcoming years, providing job opportunities to their residents.

STV Foreign Direct Investors (Indicative Investments to date)

Company Name	Total Investments (RM 'm)
Hino Motor	150
Messier-Buggatti-Dowty	300
Keen Point	200
TMC Metal	20
Akashi-Kikai Industry / Daihatsu	220
Meditop Corporation	150
MBM Resources/ Mitsubishi	300
Nippon Kayaku	600
Linatex	350
Schmidt + Clemens	500
Weir Group	354
Total	**3,144**

Source: Company

Property prices in BSS to go up further! BSS has been developed successfully over time while the terrace houses' prices have been on the rise from RM110k/unit during the initial phase to about RM400k/unit now. Going forward, they will be pricing their double-storey terrace homes at RM450-480k/unit and the group believes that prices for double-storey terrace house prices could breach RM500k/unit in less than two years. It is also worth noting that neighbouring townships are fetching >RM200psf ASPs for new launches and recently delivered double-storey terraces compared to BSS's average of RM170psf.

STV industrial lot prices are moving up! Since Klang Valley's capital values have increased significantly over the years, we do notice that industrial developments have been moving further out and it appears that Nilai and Seremban do offer competitive land costs while still being accessible (airports, highways, proximity to Klang Valley). The implied that the cost for the industrial land was extremely low at RM3psf or RM9psf including the infrastructure cost. Industrial lots sold at RM11psf at least 5 years ago have now gone up to RM36-40psf. We understand that the ready-to-develop industrial land in Sendayan TechValley is being sold at RM36-45psf. Industrial lots will likely be priced at between RM45-50psf next year. To further enhance the industry activities and facilitate the tenants there, Matrix Concepts plans to reserve 30ac land in STV to build Semi-D industrial properties for light industrial, which will be targeted at small industrial players or supporting industries to the existing medium to heavy industry players in the area. The project would likely kick-off in FY15 onwards or after most of the existing industry players commenced full productions. We expect that the group will be able to see further profit and margin expansion with more higher-priced product launches and industrial lot sales, going forward.

4. Beefing up branding with their maiden foray into KL

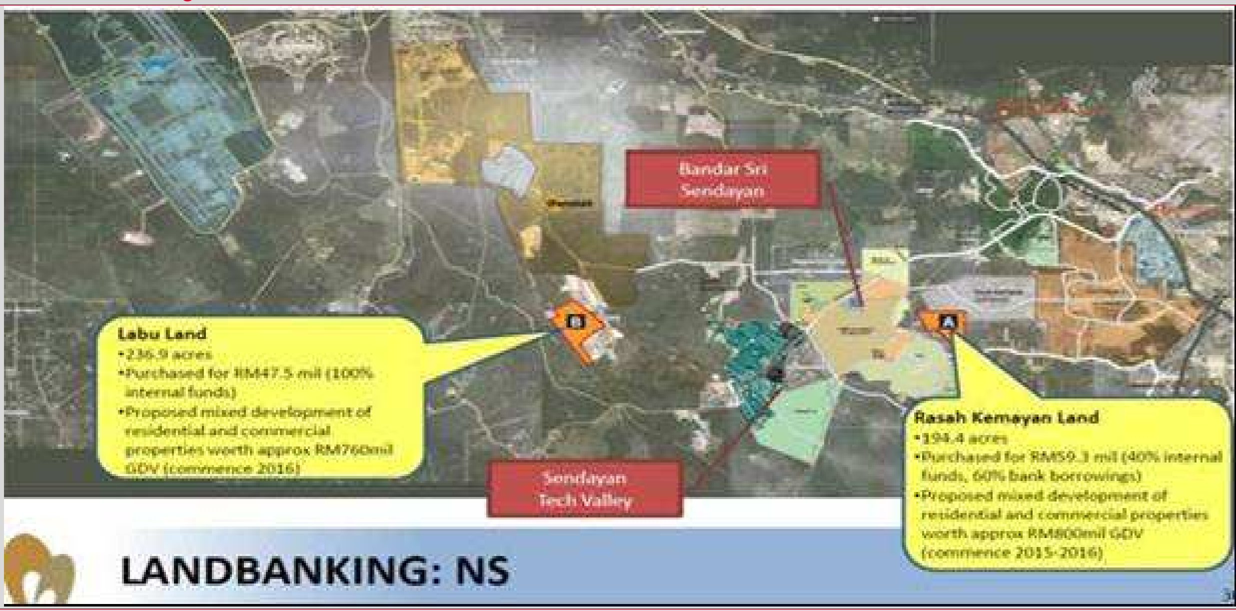
Maiden foray into KL. The company announced acquisition of 1.1ac freehold land in Aug-13 along Jalan Ipoh Kecil via Jalan Putra (which is behind Jalan Raja Laut) and nearby PWTC and Sunway Putra Place. The land acquisition should be completed next year. It is also within walking distance to the PWTC LRT and Chow Kit Monorail station. The land will be funded by 60:40 debt-equity ratio, which should not be an issue since the company has minimal borrowings and is net cash post IPO. The land cost of RM43.6m (RM950psf) is fair considering it makes up 17% of its estimated GDV of RM250m and we believe the group could reap 20%-25% gross margins. Although the margins are lower than its BSS' gross margins of 40%-50%, the development is meant to promote the company's branding in the Klang Valley and improve its visibility to promote its BSS products.

KL Project GDV estimated at RM250m. The project enjoys a high plot ratio of 8x and will mainly feature service apartments, SOHOs and retail components. We understand that the service apartments/SOHO will be mainly small units (studios and 1-2 bedrooms) and will likely be priced between RM700-800psf to target the young working adults market. If so, most units should be priced between RM350k-RM700k/unit which we deem as digestible by the market. Currently the group is in the midst of planning and submission and hopes to get approvals by mid-2015. They intend to kick-off substructure works prior to launching, meaning that the project would commence sales in 2016.

(*Refer to Appendix for Location Map*)

5. Strong balance sheet and strength in BSS makes way for growth opportunities

New Landbank in Negeri Sembilan



Source: Company

Expanding BSS via two land acquisitions. Given the increasing interest of BSS, Matrix Concept has replenished its landbank there through the acquisition of two parcels of freehold agriculture land in Labu and Rasah Kemayan in July 2013, which is nearby BSS. The acquisitions should be completed next year. The two parcel of land will add 431ac and RM1.6b worth of GDV to the remaining land size and GDV of 805.6ac and RM3.0b in BSS. We reckon the GDV is being estimated conservatively at RM142psf (assuming utilisation rate of 60%) while some secondary landed houses in Rasah Kemayan are already asking for c.RM280psf. In addition to that, the land cost only takes up 6.7% of the GDV which imply high gross margins of more than 40%. Hence, we believe the two developments will be lucrative for the company. Matrix Concept is planning for a mixed development of residential and commercial properties and would likely to commence the 1st phase in 2015-16. We believe this would not be the end of the development in BSS because we reckon that there is still ample vacant land surrounding BSS, which could potentially be up for sale and Matrix Concept may continue to further expand in the area.

Deeply net cash with more gearing headroom. As at 9M13, the company is in a net cash position of 0.36x post IPO. The group has announced three landbank deals so far amounting to RM150.4m, which should be completed by FY14. Also, the group has utilized 55% of its IPO proceeds, meaning another RM61.8m remains to be used over the next 1-1.5 years. After netting-off the mentioned and estimated dividend obligations for FY14E, we estimate that the group has c.RM110m (combination of cash and debt) for further landbanking in Seremban. Assuming that land cost is 10%-15% of GDV and a comfortable net gearing limit of 0.3x, the **group can replenish up to RM0.8b-RM1.1b worth of GDV** from FY14E onwards.

Scenario of Proceeds and implied GDV replenishment appetite

Cash Flow and Debt	Usage Period	RM'b
Net debt / (cash)	@ end FY13E	(0.22)
(A) Expected Dividend Payout	Paid in FY14E	0.08
(B) Remaining Unutilized Cash from IPO	Paid in FY14E	0.06
© Land cost of the 3 announced landbanks	Paid in FY14E	0.15
Net debt / (cash) net A, B, C	@ end FY14E	0.07
Estimated Shareholders Funds	@ end FY14E	0.62
(D) Net Gearing / (Cash Position) (x)	@ end FY14E	0.1
Available new funds (cash & debt) assuming net gearing max of 0.3x and (D) *		0.11
Land cost as % of GDV		10%
Implied GDV		**1.13**
Land cost as % of GDV		15%
Implied GDV		**0.75**
*assumes no additional operating cash flow from FY14E property billings		

Source: Kenanga Research

Utilization of IPO Proceeds as at 3Q13

Purpose	Time frame for utilization from the date of listing	Proposed Utilization	Actual Utilization	Deviation	
		RM'm	RM'm	RM'm	%
Working capital	24 months	55.0	15.0	-1.2	-2.2
Infrastructure and common facilities	24 months	55.0	42.9	0.0	-
Construction of clubhouse	24 months	10.0	10.0	0.0	-
Repayment of bank borrowings	12 months	11.0	0.0	0.0	-
Estimated listing expenses	1 months	6.5	7.7	1.2	18.2
Total		**137.5**	**75.7**		
Remaining IPO Proceeds			**61.8**		

Note: The additional listing expenses of approximately RM1.2m were due to underestimation of miscellaneous expenses relating to the Company's listing on the Main Market of Bursa Securities such as printing costs and campaigning expenses. This amount has been adjusted against the gross proceeds allocated for working capital.

Source: Company, Kenanga Research

Landbanking plans. The company is unlikely to do any landbanking in KL until its current KL Project is proven successful. For the past two years, Klang Valley developers have been aggressively acquiring landbank in Semenyih and Bangi in Selangor but they have yet to move further south to Nilai and Seremban in Negeri Sembilan. This gives Matrix an advantage to aggressively landbank in these areas given their traction in the state and we believe it will continue dominating the Negeri Sembilan market for years to come. Matrix will continue its landbanking expansion in the BSS and Sendayan Techvalley area in the future. We understand there is c.1000ac of landbanks surrounding BSS which are undeveloped and are largely agriculture in nature. They also do not discount landbanking in mass township areas of Johor. While the company has not given us guidance on GDV replenishment targets for the next two years, we believe they can comfortably replenish up to RM300-700m GDV in a year's time, which is also supported by our analysis above.

6. Attractive valuations and dividend yields

Peer Comparisons

NAME	Price (27/11/13) (RM)	Mkt Cap (RMm)	PER (x) FY13/14	PER (x) FY14/15	Div Yield % FY13/14	Div Yield % FY14/15	Historical ROE (%)	P/BV (x)	FY12/13 NP Growth (%)	FY13/14 NP Growth (%)
Mid Cap Developers										
YNH	1.72	724	11.9	10.8	2.3%	2.9%	5.7%	0.8	25.6%	10.3%
Glomac	1.12	814	5.5	5.3	5.1%	5.4%	13.3%	1.0	41.6%	3.9%
KSL	2.03	784	4.8	5.0	2.5%	2.7%	17.7%	0.6	-16.6%	-3.8%
Crescendo	3.17	722	10.8	8.7	4.8%	5.6%	9.7%	1.4	43.9%	24.7%
Paramount	1.52	513	8.9	8.0	5.9%	5.9%	7.7%	0.7	8.9%	11.8%
Hua Yang	2.15	568	7.3	5.1	4.1%	5.9%	23.5%	1.4	10.0%	44.5%
Tambun Indah	1.41	554	8.7	6.7	5.5%	6.0%	21.3%	1.8	-4.4%	28.8%
Average			**8.3**	**7.1**	**4.3%**	**4.9%**	**14.1%**	**1.1**	**15.6%**	**17.2%**
Matrix	**3.22**	**969**	**6.6**	**5.8**	**9.4%**	**7.8%**	**29.1%**	**1.8**	**41.1%**	**14.6%**

Source: Bloomberg, Kenanga Research

Minimum 40% dividend payout policy... The group is very certain of its cash flow and has set an official dividend payout policy. For 9M13, the group surprised investors due to the following factors: (i) it is the only developer to pay out quarterly dividends, (ii) although the IPO took place in late May-13, the group rewarded post IPO shareholders with FY12 dividends, and (iii) declared a set of special dividends in 3Q13 amounting to 5.0 sen.

…and attractive dividend yields and valuations ! For FY13, we believe total dividend payout will be 60% (due to the exceptional dividends arising from FY12), which implies a net yield of 9.4%. We estimate FY14E dividend payout of 45% which implies a dividend yield of 7.8%. This is also extremely attractive against its mid-cap peers which are averaging FY13E and 14E yields of 4.3% and 4.9%. Valuations are also attractive since Matrix is trading at 6.6x and 5.8x FY13E and 14E PERs which is attractive vis-à-vis its mid-cap developer peers of 8.3x and7.1x.

Quarterly Dividends for FY13

	1Q13* Actual	2Q13 Actual	3Q13 Actual	4Q13 Estimate	FY13E
Interim Dividends - NDPS (sen)	0.0	5.3	5.0	5.0	
Special or Dividends frompPrevious year - NDPS (sen)	10.1	0.0	5.0	0.0	
Total Dividends - NDPS (sen)	**10.1**	**5.3**	**10.0**	**5.0**	**30.4**

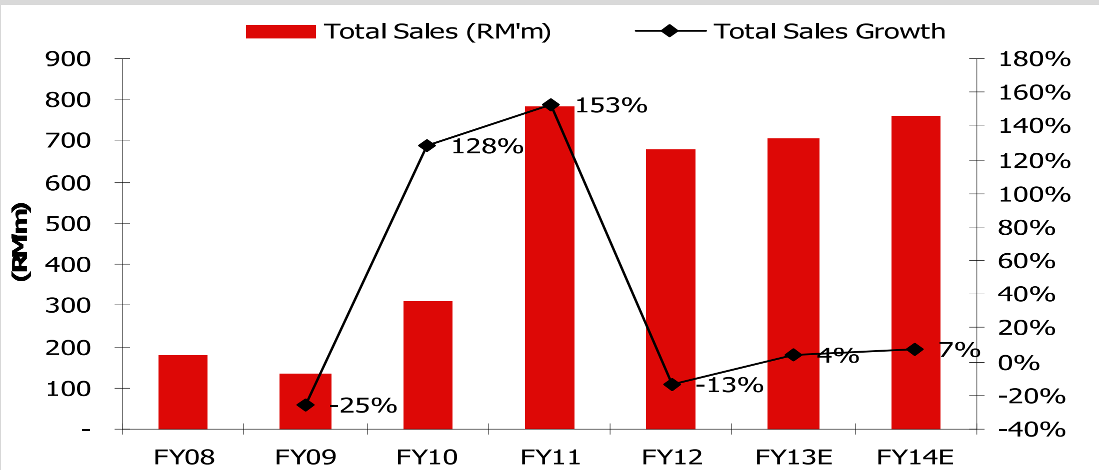
** Note: This was actually an interim dividend. However, the dividend was paid from FY12 earnings rather than 1Q13, and thus we regard it as special dividends.*

Source: Company, Kenanga Research

FINANCIALS

Net cash position. As mentioned earlier, the company is in a net cash position of 0.36x at 9M13. After taking into account its land obligations, utilisation of IPO proceeds and dividend obligations, we estimate that the company will continue to remain in a net cash position in FY14.

Sales Trends



Source: Company, Kenanga Research

Estimating FY13E and14E earnings of RM146m (+41% YoY) and RM167m (+15% YoY). Main new project drivers worth RM646m will be Hijayu (1-2 storey terrace) @ BSS, Impiana Avenue @ TSI (2-storey bungalows, semi-detached homes, 2-storey shop offices), Lobak Commercial Centre Phase 2 (2-storey shop offices and commercial lots) @ Seremban, Third 9 Residence (2-storey terraces, bungalows, semi-detached homes) @ Seremban; note that this does not include on-going launches and industrial lot sales. Our estimates assume FY13E and FY14E sales of RM708m-RM760m where industrial lot land sales from STV make-up 28% and 21% of our assumptions. We have assumed FY13E and FY14E launches (property and industrial lot sales) of RM785m and RM845m and high take-up rates of 90% each due to: (i) no issues in selling Bumiputera units, (ii) take-ups for industrial lots at typically 100% of yearly allocations. As mentioned earlier, we are **estimating FY13E and FY14E net dividend yields of 9.4% and 7.8%** based on 60% and 45% payout ratio, respectively.

New property launches in FY14

Location	New Project Launches	No. of Units/ Type	Expected Commencement	Acres	Est. GDV (RM 'm)
BSS	Hijayu 1A (Phase 2)	367 units of 2-storey terrace houses	Q1 2014	37.8	167
	Hijayu 3A	150 units of 1-storey houses & 439 units of 2-storey terrace houses	Q2 2014	52.1	199.9
TSI	Impiana Avenue 3	60 units of 2-storey shop office	Q1 2014	2.3	19.2
	Impiana Villa 2	54 units of 2-storey bungalows and 74 units of semi-d houses	Q3 2014	23.7	85.6
Seremban	Lobak Commercial Centre (Phase 2)	14 units of 2-storey shop offices and 2 units of commercial lots	Q3 2014	2.1	29.3
	Third 9 Residence	148 units of 2-storey terrace houses, 38 unis of 2-storey semi-d houses and 31 units of 2-storey bungalows	Q4 2014	41.8	144.7
TOTAL				**159.8**	**645.7**

*** Note: New project launches do not include STV industrial lots pipeline and on-going projects**

Source: Company, Kenanga Research

RECOMMENDATIONS

Initiating coverage with OUTPERFORM and TP of RM4.80. We like Matrix for its sustainable demand profile, strong balance sheet and defensive qualities including a strong dividend yield of 9.4%-7.8%. Our TP is based on a 20% discount to its FD RNAV of RM6.00m. Our applied discount rate is fair compared to the discount range to FD RNAVs used for affordable housing developers under our coverage of 0%-30%, like HUAYANG (OP; TP: RM2.91 and CRESCENDO (OP; TP: RM4.00). Our FD RNAV is based on DCF of future profits (10% WACC), assuming an average net margin of 21% over nine years. We are comfortable with our valuations because at our TP, the implied FY13E and 14E dividend yields are 6.3% and 5.2% vs. mid-cap peer averages of 4.3% and 4.9%. The company's current market cap is now RM969m and is set to exceed the RM1.0b market cap soon meaning it will soon join the big-boys league. So at our TP, the implied FY13E and FY14E of 9.9x and 8.6x, which is slightly higher than mid-cap peer averages of 8.3x and 7.1x, is justifiable as its market cap will rise to RM1.44b based on our TP which provides a total return of 55%.

Matrix Valuations at our TP

NAME	Price (27/11/13) (RM)	Mkt Cap (RMm)	PER (x) FY13/14	PER (x) FY14/15	Div Yield % FY13/14	Div Yield % FY14/15	Historical ROE (%)	P/BV (x)	FY12/13 NP Growth (%)	FY13/14 NP Growth (%)
Mid-Cap Developers Average			**8.3**	**7.1**	**4.3%**	**4.9%**	**14.1%**	**1.1**	**15.6%**	**17.2%**
Matrix @ TP	**4.80**	**1,442**	**9.9**	**8.6**	**6.3%**	**5.2%**	**29.1%**	**2.7**	**41.1%**	**14.6%**

Source: Kenanga Research

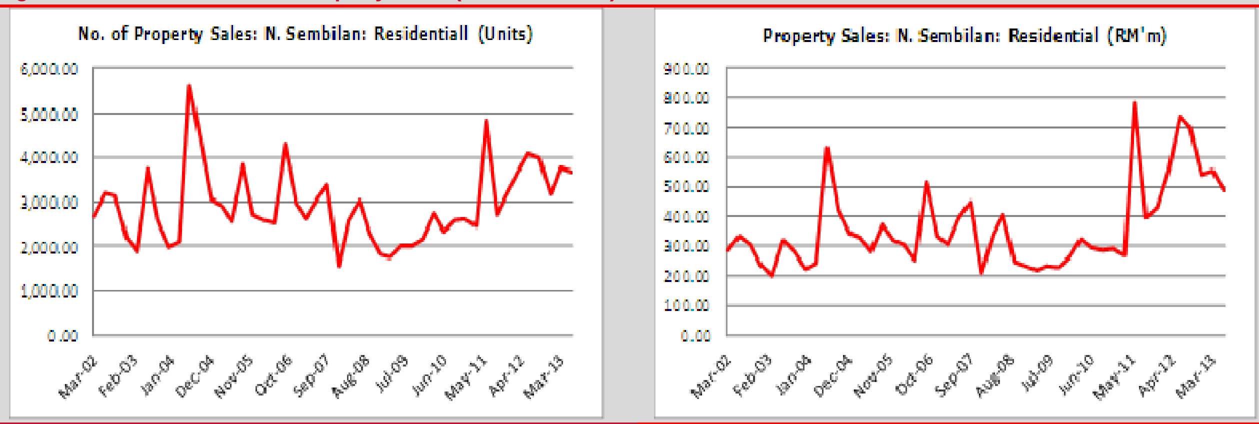
FD RNAV

	Stake	Total GDV	Remaining GDV*** (RM'm)	Remaining Net Profit*** (RM'm)	Start of DCF	Assumed durations (years)	WACC (%)	NPV (RM m) ***
On-going Projects								
BSS	100%	770	770	162	2,013	2	10%	120
STV 1&2	100%	786	786	165	2,013	3	10%	150
TSI	100%	223	223	47	2,013	1	10%	35
Taman Desa Port Dickson 3	100%	6	6	1	2,013	2	10%	1
Lobak Commerical Centre (Phase 1)	100%	16	16	3	2,013	3	10%	3
Unbilled sales	100%	593	593	124	2,013	2	10%	108
Pipeline Projects								
BSS	100%	4,771	4,771	1,002	2,014	8	10%	521
TSI	100%	891	891	187	2,014	8	10%	97
Kota Gadong Perdana	100%	926	926	195	2,016	3	10%	108
Third 9 Residence	100%	145	145	30	2,014	2	10%	21
Lobak Commercial Centre	100%	29	29	6	2,013	4	10%	4
Labu Land	100%	760	760	160	2,015	4	10%	85
Rasah Kemayan Land	100%	800	800	168	2,016	3	10%	85
KL land (near PWTC)	100%	250	250	53	2,014	4	10%	36
*** after shareholding								
Other lands		**Land size ('m sf)**	**NBV (RM'm)**	**NBV (RM psf)**		**Market Price (RM'm)**	**Market Price (RM psf)**	**Market Value RM'm)**
Lot No. 769, Mukim Pasir Panjang, Port Dickson	100%	1	2	2		3	3	**2**
Lot No. 847, Mukim Pasir Panjang, Port Dickson	100%	1	0	1		3	5	**3**
Revised Asset Value								**1,377**
Shareholder's equity (as at 30 June 2013)								540
RNAV								**1,917**
Dilution impact on RNAV*								66.0
Diluted RNAV per share (RM)*								**MYR 6.00**
Diluted No of shares ('m)*								330.5
% Discount to RNAV								20%
TARGET PRICE								**MYR 4.80**

Source: Kenanga Research

RISKS & SECTOR OUTLOOK

Negeri Sembilan – Residential Property Sales (Unit and Value)

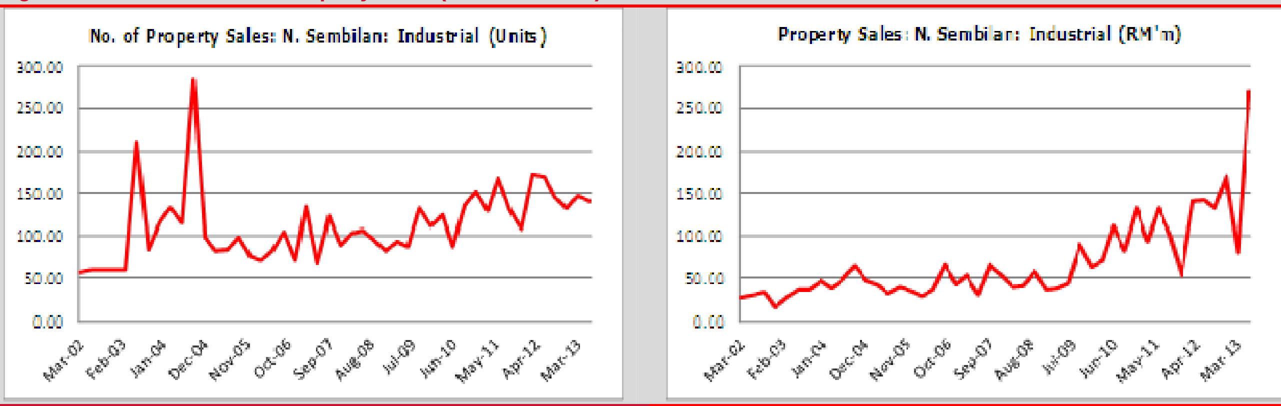


Source: Kenanga Research

Overview of the Negeri Sembilan property market. In 2012, the 5-year CAGR for Negeri Sembilan residential property sector in terms of sales value and volume was 13.3% and 7.1%, respectively. In 2012, sales value and volume in Negeri Sembilan grew by 35.1% and 13.3% respectively while incoming supply declined by 6.6%. Despite demand significantly outpacing supply, residential property prices in Negeri Sembilan grew by only 8.6% annually over the last four years, implying affordable pricing points, which will ensure sustainable demand.

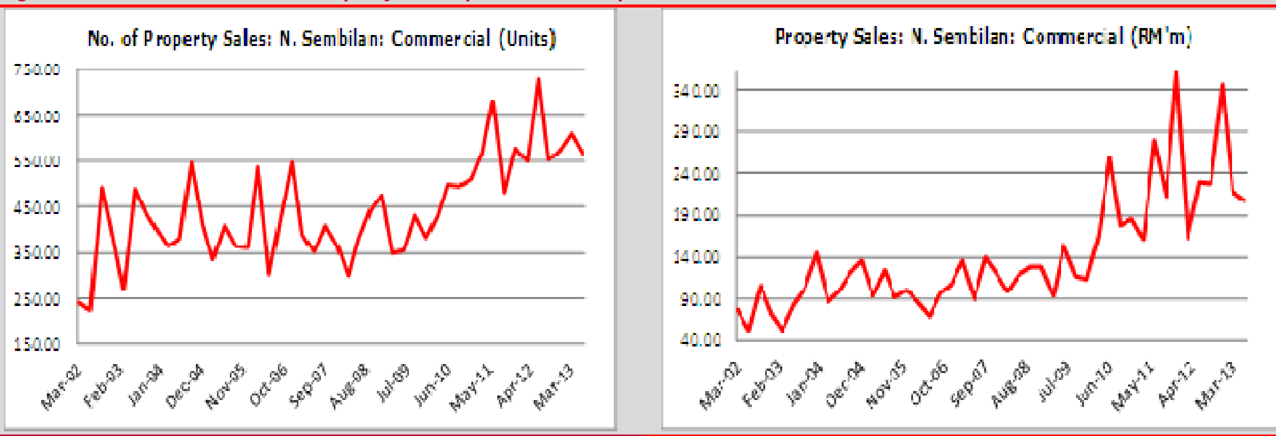
Over the last two years, property price has been rising rapidly within the Klang Valley region. While the local young families and SME are complaining about the housing affordability, Matrix is providing the solution to the problem. As the group's major township, Bandar Seri Sendayan is located near the KL International Airport and merely an hour's drive from Kuala Lumpur, we reckon that Matrix is one of the biggest beneficiaries of the Klang Valley property boom. As of now, 40% of their residential properties sales come from Klang Valley buyers.

Negeri Sembilan – Industrial Property Sales (Unit and Value)



Source: Kenanga Research

Negeri Sembilan – Commercial Property Sales (Unit and Value)



Source: Kenanga Research

Concentration risk. As 69% of the group's future project GDV and 44% of the group's future landbanks are concentrated within the Seremban region, lack of location diversification means the group's fortune is completely tied up to the Seremban's property outlook.

Cessation of DIBS and foreign buyers risk. These measures are unlikely to deter demand for Matrix's projects as the group does not offer any DIBS incentive to their buyers prior to the budget announcement. The group's residential projects have been focusing on the affordable housing development (with each unit's selling price at <RM500k/unit) and thus, foreigners are not allowed to buy their residential properties. Meanwhile, its Sendayan TechValley industrial lot's selling price is typically above RM1m/unit meaning that foreign investors (FDIs) can buy into these properties. As such, we believe these two measures will not have any impact to their projects sales.

RPGT hikes. In line with our property strategy report, we think that the RPGT hikes will have the least impact on new launches, i.e. developers. The measure is likely to weed out more speculators in the secondary market, particular those taking advantage of the discounted prices compared to the primary market. This, in our view, will ironically encourage more demand for the primary rather than secondary properties due to the former having a 2-4 year construction period. In Matrix's case, their buyers are typically owner-occupiers rather than speculators, meaning they are the least affected by these measures.

Expect property demand to surge pre-GST implementation, which will more than neutralise Budget 2014 negative measures. While new residentials will be tax-exempted, developers will not be able to claim back the GST incurred on cost (e.g. building materials, labour costs, market costs, hidden costs like fees) and thus, will pass it on to buyers. In our recent property sector report (refer to report date 8/10/13 for more details on GST impact on property), we had highlighted that we anticipate a surge in demand pre-GST implementation as the populace will buy big-ticket items ahead of future price increases on new properties, as observed in countries like Canada, Australia and New Zealand. Similar trends were observed in Singapore, although it may not be representative given that it is an island economy. In Matrix's case, this will be a greater push factor for demand of their affordable housing offerings.

Genuine buyers to resurface in 2014? While we admit that the cooling measures implemented by the government in Budget 2014 may taper developers' sales slightly in the next 3-6 months, we strongly believe demand will surge in the next 6-18 months as more genuine buyers surface while investors will be looking to hedge against rising inflation brought about by GST implementation and subsidy rationalizations. This will be beneficial to developers' 2014 sales, as we expect property investors and genuine buyers to buy ahead of future price increases since financing terms for the primary market is more favourable compared to that of the secondary (e.g. rebates, LTVs, lending rates, property valuations, etc.) and we do expect developers to front-load their launches in 2014 on the back of higher demand, which will be a big booster to future earnings.

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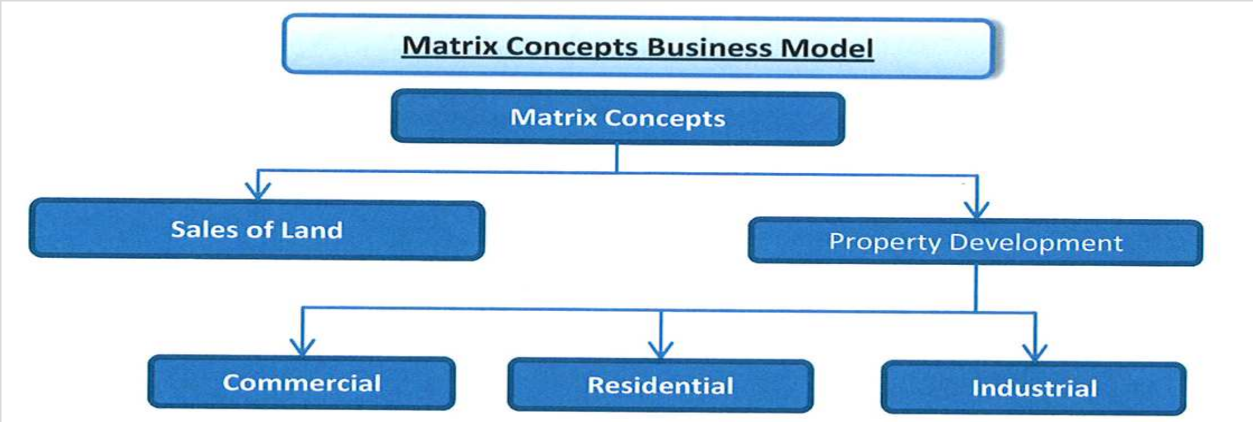
Appendix

Company background. Matrix Concepts Holdings (Matrix) is a Seremban, Negeri Sembilan based property developer, focusing on development of residential, commercial and industrial properties. It started out back in 1996 as Brilliant Radical Sdn Bhd and subsequently Matrix Concepts Holdings Sdn Bhd in 2003 before becoming a public-listed company in 2004. The company is principally focused on development of affordable and quality mass market properties catering to the mid-end market. Helming the company are the group's Managing Director, Dato' Lee Tian Hock, and Deputy Managing Director, Mr. Ho Kong Soon, both whom have more than 25 and 20 years of experience in the property development business, respectively.

The group is currently undertaking the development of two township projects. Bandar Sri Sendayan in Seremban, Negeri Sembilan which the group signed a joint-venture agreement in 2005 through BSS Development with MBI to develop 5233 ac into a township project. The second development, Taman Seri Impian located in Kluang, Johor was also a joint-venture agreement with KKTNJB signed in 2005 through Matrix to develop a 900 acre township project. To date, Matrix has built a strong track record by completing development projects worth RM2.2b GDV on approximately 1,860 acres of land in Negeri Sembilan and Johor.

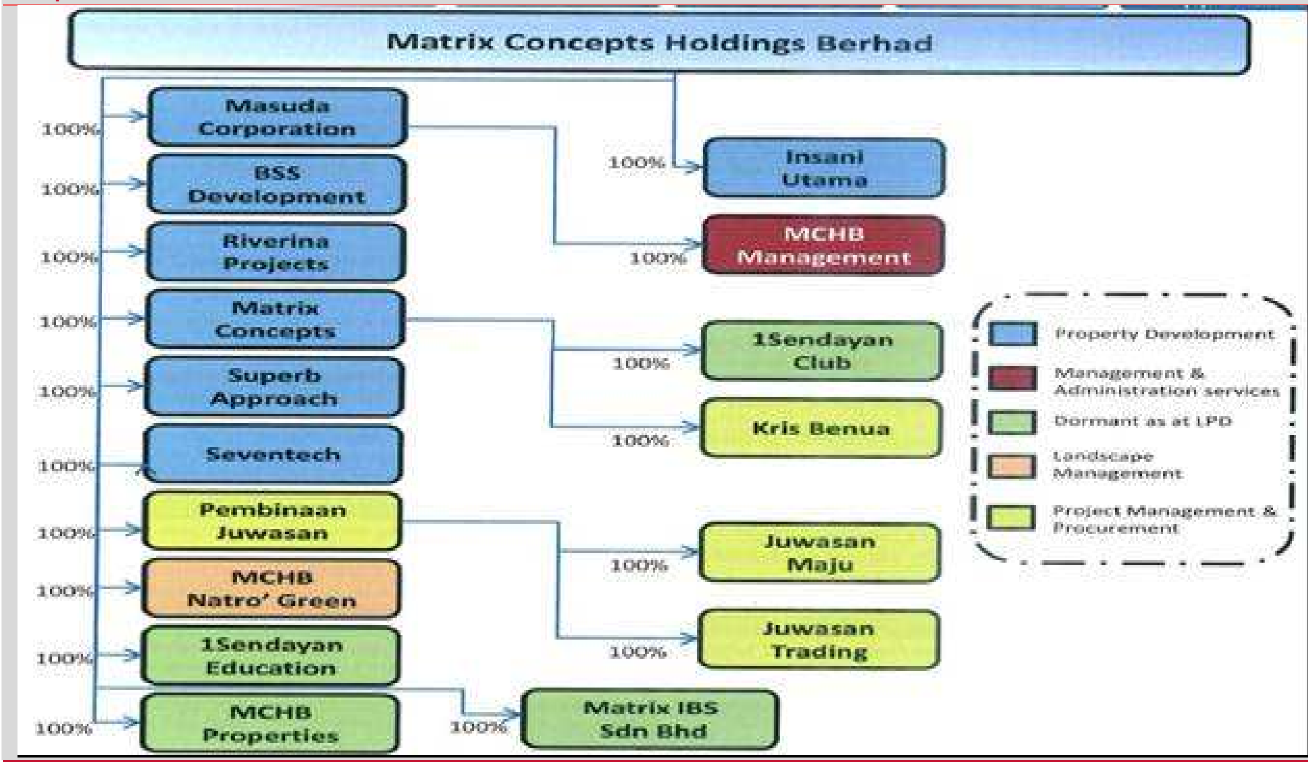
Matrix Concepts Holdings Bhd (Matrix) debuted on Bursa Malaysia on 28 May 2013, at an IPO price of RM2.20/ share. It received an overwhelming response for its IPO with its public tranche being oversubscribed by 11.3x. Through the IPO, the group managed to raise RM137.5m in proceeds, based on public issue of 62.5m new shares of RM1.00/share.

Business Model



Source: Company. Kenanga Research

Corporate Structure



Source: Company. Kenanga Research

Company Milestones

Year	Details
1997	• Commenced operations as a property development company • Began maiden property project, Tmn Bahau in Negeri Sembilan
1999	• 1st JV with Menteri Besar Incorporated (MBI) of Negeri Sembilan to develop Tmn Andalas on approx 39 acres of land • Launched Phase 1 of Tmn Andalas with 90% units sold within 6 months
2004	• Acquired Seventech, a property development company to expand to Johor • Commenced 1st Johor project with the development of Tmn Anggerik Tenggara
2005	• Entered JV with KKTNJB to undertake township development in TSI, Kluang, Johor • Entered JV with MBI to develop 2nd flagship development project in BSS, Seremban • Accredited with ISO 9001:2000 status
2006	• Begins with development of TSI township development
2008	• Begins development of BSS with Nusari Bayu 1 (residential area) and Sendayan Metropark (commercial plots)
2009	• Upgraded to ISO 9001:2008 by BM TRADA Certification Ltd
2011	• Disposed piece of land (750 acres) to 1Malaysia Development Berhad for purpose of setting up new academia and training centre for the RMAF at BSS
2012	• Signed MOU with 6 foreign companies from Japan, Taiwan, Hong Kong and France for purchase of industrial lots at Sendayan Techvalley
2013	• Listed on the Main Market of Bursa Malaysia Securities Berhad on 28 May • Expands BSS with purchase of 2 neighbouring lands at Labu & Rasah Kemayan for RM106.8m • Makes maiden foray into Kuala Lumpur with purchase of 1.1 acre land nearby PWTC for RM43.6m

Source: Company; Kenanga Research

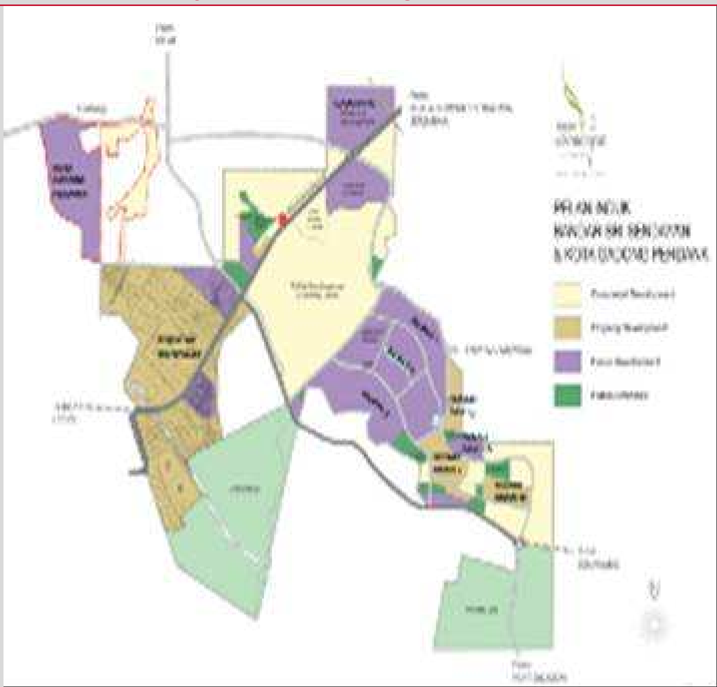
Management Profile

Name	Position	Background
Dato' Haji Mohamad Haslah bin Mohamad Amin	Non-Independent Non-Executive Chairman	• 20 years of experience in both domestic and international financial industry, substantially with Maybank Group • Graduated in 1975 from the Institute of Bankers, with a Diploma in Banking • Currently the CEO of MBI, a Negeri Sembilan State owned entity
Dato' Lee Tian Hock	Group Managing Director / Chief Executive Officer	• Founder of Matrix Concepts Group, he is responsible for the Group's business direction and overall strategies and policies • Has approximately 30 years of experience in the property development industry and was involved in the development of Taman Rasah Jaya – then the largest housing scheme in Negeri Sembilan • Graduated with a degree in Housing, Building and Planning from University Sains Malaysia
Ho Kong Soon	Group Deputy Managing Director / Chief Operating Officer	• Responsible for the overall project management as well as overseeing daily operations of the Group • Has approximately 20 years of experience and was involved in the development of the Allson Klana Resort Hotel, Kasturi Klana Park Condominium and Taman Semarak housing scheme in Negeri Sembilan • Graduated with Bachelor of Engineering degree from University of Malaya
Dato' Firdaus Muhammad Rom bin Harun	Independent Non-Executive Director	• 39 years of experience in the corporate sector and civil service • Currently the Political Secretary to the Menteri Besar of Negeri Sembilan
Rezal Zain bin Abdul Rashid	Independent Non-Executive Director	• Has approximately 20 years of experience in audit, corporate finance, as well as enterprise building • Member of the Malaysian Institute of Accountants and the Australian Society of Certified Practicing Accountants (now known as CPA Australia)
Dato' (Ir) Batumalai Ramasamy	Independent Non-Executive Director	• Has 35 years of experience as an engineer in the Department of Irrigation and Drainage (DID) in various jurisdictions of KL, Kedah, Perak, Johor and Negeri Sembilan; overseeing, planning, designing, operations and management of all the irrigation and drainage areas.

Source: Company; Kenanga Research

Key Projects

Bandar Seri Sendayan and Kota Gadong Perdana



Bandar Sri Sendayan

Land size (ac):	1263
GDV (RM'm):	4298
Completed GDV (RM'm):	620.0
Ongoing (RM'm):	769.5
Unbilled Sales (RM'm):	392.0
Completion Date	End-2018 est.
Location	to KL (70km)
	to KLIA (22km)
	to Putrajaya/Cyberjaya (60km)
	to Port Klang (85km)
	to Port Dickson (20km)

Residential Development

- Medium to high end residential properties including terrace houses, semi-detached houses and bungalows.
- Gated and guarded communities with walkways that link to schools, public community shops and sports facilities
- **Completed** – 2,727 units of single-story and double-storey terrace houses, single-storey and double-storey semi-detached houses.
- **Undertaking Development** – 2,181 units of single-storey and double-storey terrace houses, single-storey semi-detached houses.
- **Planned development** – 3,930 units of single-story and double-storey terrace houses, double-storey semi-detached houses, double-storey bungalows and bungalow lots.
- **Location** – Nusari Bayu, Nusari Aman, Idaman Bayu, Idaman Yu and Hijayu.

Commercial Development

- Focus on development of double-storey and three-storey shop offices, small office home office (SoHo) units, trade and exhibition centre and commercial plots
- Open areas for alfresco activities, open air dining and shopping, with external walkways
- **Completed** – 46 units of single-storey community shops, 25 units of double-storey shops and offices and 18 lots of commercial plots and one single-storey stall.
- **Undertaking Development** – 29 units of double –storey shop offices, 9 units of three-storey shop offices, and 6 lots of commercial plots.
- **Plan to develop** – trade exhibition centre comprising of commercial developments such as retail space for fashion, leather, designer goods, household goods, DIY stores, medical and pharmaceutical outlets, two floating restaurants and a cultural village.
- **Location** – Sendayan Metropark, Sendayan Merchant Square, Sendayan Tech Valley, Sendayan Icon Park, Sendayan Auto City, some areas within Sendayan Clubhouse, Nusari Bayu, Nusari Aman, Nusari Hijayu, and Idaman Yu.

Other Developments

- **Leisure** – clubhouse and sports facilities, lake and cultural village with lakeside restaurants in Sendayan Icon Park, 26-acre Sendayan Green Park, football field, amphitheatre, reflexology path, gazebos. Areas zoned include 1 Sendayan Clubhouse and Sendayan Icon Park.
- **Institutional** – own private institutions to provide primary, secondary and post-secondary education in 1 Sendayan Clubhouse.
- **Government** – new training base for Royal Malaysian Air Force (TUDM), occupying 750ac with residential properties for air force officials, administrative buildings and facilities, air force academia, training centre, and golf course, 55ac for State administrative centre, and the State Syariah Court Complex.
- **Agriculture** – 1300 ac of sub divided plots.
- **Other infrastructure, public amenities and services** – police station, fire department, petrol station, medical centre, supermarket and shopping centres, fibre-optic backbone for high-speed broadband.

Sources: Company, Kenanga Research

Sendayan TechValley Masterplan

Sendayan TechValley

Land size (ac):	685 (129 lots)
Sold (ac)	441.3 (77 lots)
Remaining (ac)	243.7 (52 lots)
Completion	end 2013 est.
List of Foreign Investors	Hino Motor (RM150m) Messier-Buggatti-Dowty (RM300m) Keen Point (RM200m) TMC Metal (RM20m) Nippon Kayaku (RM600m) MBM Res/ Mitsubishi (est. RM300m) Akashi Kikai/Daihatsu (RM220m) Meditop Corporation (RM150m) Linatex (RM350m) Schmidt + Clements (RM500m)

Industrial Developments

- Industrial properties and plots focussing on eco-friendly techno-entrepreneur park, namely Sendayan TechValley leveraging on its strategic location to boost economic activity.
- Easily accessible by land, air, rail and sea.
- **Targeted industries in Sendayan TechValley** – international automotive and aircraft part manufacturers, information and communications technology, biotechnology research and development, manufacturing and processing businesses.
- **Undertaking Development** – 93 lots of industrial plots with infrastructure, utilities and facilities
- **Plan to develop** – 84 units of double-storey corporate showrooms/factories, 30 units of double storey semi-detached corporate showrooms/factories in Sendayan TechValley and 32 lots of industrial plots in Sendayan Auto City.

Sources: Company, Kenanga Research

STV Foreign Direct Investments

Source: Company

Taman Seri Impian (Kluang, Johor)

Taman Seri Impian (Kluang, Johor)

Land size (ac):	636.6
GDV (RM'm):	1322.4
Completed GDV (RM'm):	420.7
Ongoing GDV (RM'm):	222.5
Remaining GDV (RM'm):	679.2
Unbilled Sales (RM'm):	55.9
Completion Date	Mid-2019 est.

Sources: Company, Kenanga Research

KL Landbank Map

Source: Company

Income Statement

FY Dec (RM'm)	2010A	2011A	2012A	2013E	2014E
Revenue	195.6	624.3	456.1	561.9	634.9
EBITDA	32.8	108.9	146.1	199.7	231.4
Depreciation	(1.8)	(2.0)	(2.3)	(4.6)	(4.8)
Operating Profit	31.0	106.9	143.8	195.2	226.6
Interest Exp	(1.1)	(0.6)	(1.0)	(0.2)	(0.6)
PBT	30.0	106.3	142.8	194.9	226.0
Taxation	(7.9)	(26.4)	(39.3)	(48.9)	(58.7)
Minority Interest	(1.5)	(10.5)	0.0	0.0	0.0
Net Profit	20.5	69.4	103.5	146.0	167.2
Core Net Profit	20.5	69.4	103.5	146.0	167.2

Balance Sheet

FY Dec (RM'm)	2010A	2011A	2012A	2013E	2014E
Fixed Assets	9.9	11.0	21.5	22.5	23.5
Intangible Assets	0.0	0.0	0.0	0.0	0.0
Inventories	0.8	0.8	2.4	3.1	3.5
Receivables	50.2	101.2	135.0	166.3	187.9
Cash	10.2	14.0	85.7	268.2	161.8
Total Assets	656.2	506.4	707.1	837.1	1,018.7
Payables	120.5	219.2	211.4	245.6	272.1
ST Borrowings	308.6	3.6	3.9	37.0	49.3
Other ST Liability	5.2	32.9	12.1	12.1	12.1
LT Borrowings	15.8	12.2	6.6	16.0	66.7
Other LT Liability	1.0	0.9	0.3	0.3	0.3
Minorities Int.	2.1	0.0	0.0	0.0	0.0
Net Assets	**205.1**	**237.6**	**472.9**	**526.2**	**618.2**
Share Capital	40.7	51.1	300.0	300.5	300.5
Reserves	0.3	0.3	0.3	1.2	1.2
Equity	203.0	237.6	472.9	526.2	618.2

Cashflow Statement

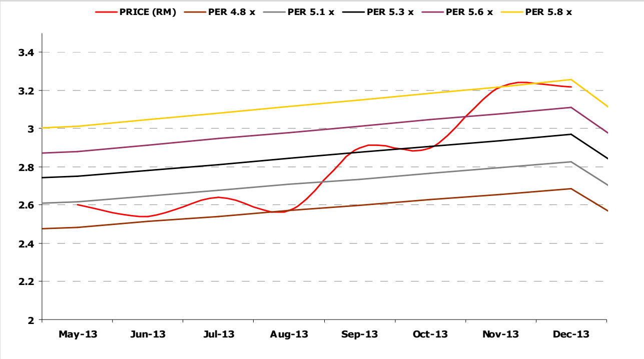
FY Dec (RM'm)	2010A	2011A	2012A	2013E	2014E
Operating CF	10.6	335.8	(20.4)	237.9	61.4
Investing CF	(1.6)	(3.0)	(12.8)	(55.8)	(243.4)
Financing CF	(7.5)	(319.0)	104.6	(48.2)	(12.2)
Change In Cash	1.5	13.8	71.4	134.0	(194.2)
Free CF	16.3	358.7	6.0	285.9	(31.3)

Financial Data & Ratios

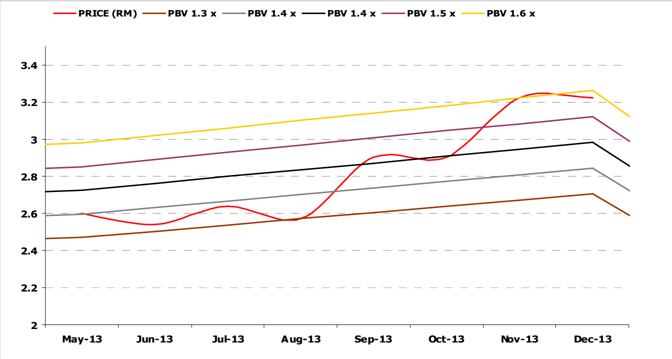
FY Dec (RM'm)	2010A	2011A	2012A	2013E	2014E
Growth					
Turnover (%)	-4%	219%	-27%	23%	13%
EBITDA (%)	22%	232%	34%	37%	16%
Operating Profit (%)	24%	245%	34%	36%	16%
PBT (%)	23%	255%	34%	37%	16%
Core Net Profit (%)	11%	238%	49%	41%	15%
Profitability					
EBITDA Margin	17%	17%	32%	36%	36%
Operating Margin	16%	17%	32%	35%	36%
PBT Margin	15%	17%	31%	35%	36%
Core Net Margin	10%	11%	23%	26%	26%
Effective Tax Rate	27%	25%	28%	25%	26%
ROA	3%	12%	17%	19%	18%
ROE	11%	32%	29%	29%	29%
DuPont Analysis					
Net Margin (%)	10%	11%	23%	26%	26%
Leverage Factor (x)	3.2	2.1	1.5	1.6	1.6
ROE (%)	11%	32%	29%	29%	29%
Leverage					
Debt/Asset (x)	0.49	0.03	0.01	0.06	0.11
Debt/Equity (x)	1.60	0.07	0.02	0.10	0.19
Net Cash/(Debt)	(314.2)	(1.8)	75.3	215.2	45.7
Net Debt/Equity (x)	1.6	0.01	n.cash	n.cash	n.cash
Valuations					
EPS (sen)	6.8	23.1	34.4	48.6	55.6
NDPS (sen)	6.8	6.7	8.6	30.4	25.0
BVPS (RM)	0.68	0.79	1.57	1.75	2.06
PER (x)	47.3	14.0	9.4	6.6	5.8
N. Div. Yield (%)	2.1	2.1	2.7	9.4	7.8
PBV (x)	4.8	4.1	2.1	1.8	1.6
EV/EBITDA (x)	n.a.	n.a.	n.a.	3.8	4.0

Source: Kenanga Research

Fwd PER Band



Fwd PBV Band



Source: Kenanga Research

NAME	Price (29/11/13)	Mkt Cap	PER (x)			Est. NDiv. Yld.	Historical ROE	P/BV	Net Profit (RMm)			FY12/13 NP Growth	FY13/14 NP Growth	Target Price	Rating
	(RM)	(RMm)	FY12/13	FY13/14	FY14/15	(%)	(%)	(x)	FY12/13	FY13/14	FY14/15	(%)	(%)	(RM)	
DEVELOPERS UNDER COVERAGE															
UEM Sunrise	2.30	10,004	22.2	15.5	17.2	0.9%	8.8%	1.7	448.4	644.4	577.8	43.7%	-10.3%	2.76	OUTPERFORM
SP Setia	2.78	6,835	17.4	16.3	13.8	2.7%	10.5%	1.2	393.8	418.1	494.8	6.2%	18.3%	3.60	MARKET PERFORM
Sunway Berhad	2.55	4395	11.2	10.0	8.9	3.6%	16.1%	0.9	393.9	440.3	495.5	11.8%	12.5%	3.08	OUTPERFORM
IJM Land*	2.57	4,006	20.4	13.7	10.9	1.9%	8.5%	1.2	196.1	292.6	368.8	49.3%	26.0%	3.15	OUTPERFORM
Mah Sing Group	2.22	3,082	10.9	9.1	7.5	4.2%	19.9%	1.6	230.6	275.5	335.5	19.5%	21.8%	2.56	OUTPERFORM
UOA Development*	1.99	2,666	8.4	8.2	7.3	6.5%	15.4%	1.0	301.3	306.9	346.0	1.9%	12.7%	2.10	MARKET PERFORM
Scientex Berhad	5.60	1,238	11.7	8.3	7.0	4.2%	17.5%	1.8	110.3	155.0	182.8	40.5%	17.9%	6.28	OUTPERFORM
Matrix Concepts	3.22	969	9.4	6.6	5.8	9.4%	29.1%	1.8	103.5	146.0	167.2	41.1%	14.6%	4.80	OUTPERFORM
Crescendo	3.06	696	14.8	10.4	8.4	4.9%	9.7%	1.3	55.7	80.2	100.0	43.9%	24.7%	4.00	OUTPERFORM
Hua Yang	2.11	557	7.9	7.2	5.0	4.2%	23.5%	1.4	70.5	77.5	112.0	10.0%	44.5%	2.91	OUTPERFORM
Hunza Properties*	2.31	486	23.4	29.8	22.5	1.3%	26.7%	0.6	19.8	15.6	20.6	-21.5%	32.3%	2.15	UNDERPERFORM
** Core NP and Core PER*															
CONSENSUS NUMBERS															
BERJAYA LAND BHD	0.83	4,130	32.2	83.0	51.9	n.a.	2.4%	0.8	128.4	49.8	79.6	-61.2%	60.0%	0.93	BUY
IGB CORPORATION BHD	2.55	3,699	19.6	17.7	17.2	2.7%	4.6%	0.9	189.2	208.8	215.6	10.4%	3.3%	3.82	NEUTRAL
YNH PROPERTY BHD	2.71	737	15.6	12.5	10.9	2.3%	5.7%	0.9	47.2	59.0	67.4	25.0%	14.3%	1.78	NEUTRAL
YTL LAND & DEVELOPMENT BHD	1.73	792	31.7	50.3	43.4	n.a.	2.6%	0.8	25.0	15.8	18.2	-36.9%	15.8%	1.40	BUY
GLOMAC BHD	0.95	792	7.5	5.3	5.1	5.2%	13.3%	0.9	105.2	149.0	154.8	41.6%	3.9%	1.30	BUY
KSL HOLDINGS BHD	1.10	792	3.6	4.3	4.9	1.5%	17.7%	0.6	221.9	185.5	160.4	-16.4%	-13.5%	2.38	BUY
PARAMOUNT CORP BHD	2.07	517	9.8	9.0	8.1	5.9%	7.7%	0.7	52.7	57.4	64.2	8.9%	11.8%	1.71	BUY
IVORY PROPERTIES GROUP BHD	1.52	274	48.4	n.a.	8.8	n.a.	10.5%	0.7	5.7	n.a.	31.2	n.a.	n.a.!	n.a.	BUY
TAMBUN INDAH LAND BHD	0.61	558	8.3	8.7	6.8	5.5%	21.3%	1.9	67.0	64.1	82.6	-4.4%	28.8%	1.88	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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