

10 May 2013

# Matrix Concepts

## A Greater Klang Valley play

**Matrix Concepts Holdings (Matrix) is a Seremban, Negeri Sembilan based property developer with a market capitalization of RM660m. It owns a remaining landbank of 2355ac or a total GDV of RM6.5b which provides visibility of up to 2019. Their major driver, Bandar Sri Sendayan, Seremban is a beneficiary of increasing demand for affordable homes in the Greater Klang Valley. BSS also has economic growth angles given its Sendayan Tech Valley (STV) which attracts a range of FDIs in the light-to-medium industrial space. The stock offers attractive FY13-14E dividend yields of 8.1%-9.0% based on its dividend policy of 40% payout of PAT. We peg Matrix's Fair Value at RM2.75 based on a conservative 40% discount to our DCF-driven FD RNAV of RM4.56.**

**Vast land bank in Negeri Sembilan and Johor.** Matrix Concepts has two major township landbanks with remaining 2355ac, which amounts to a GDV of RM6.5b; Bandar Sri Sendayan (BSS) in Seremban, Negeri Sembilan and Taman Seri Impian in Kluang, Johor. Its major driver is BSS, which makes up 82% of the landbank. Seremban is part of the Greater Klang Valley-Kuala Lumpur Conurbation and is strategically located and accessible via main highways, including the North-South Expressway and the proposed West Coast highway. The township enjoys all the features of a bread-and-butter earnings driver given the strong population and economic drivers, including proximity to KLIA/LCCT, other townships and industrial parks (e.g. Seremban 2, Bandar Enstek, Tuanku Jaafar Industrial Park, Nilai Industrial Estate).

**Resilient demand from affordable housing demand and industrial activities.** Seremban enjoys the spill-over effects from the rising prices of homes in Klang Valley, as it is easily 50%-80% cheaper than areas like Kota Kemuning. Additionally, their industrial park, Sendayan Tech Valley, which spans 685ac (remaining: 338ac) in BSS, has attracted international names like Hino Motor and Daihatsu Motor as there is migration of industrial activities towards cheaper locations. This also means expanding development margins since Matrix's land cost is low. BSS will also be home to the new academic and training centre of the Royal Malaysia Air Force (RMAF; previously located in Sungai Besi, KL) as 1MDB has acquired land from the company; this forms another new source of future housing demand. Notably, the main buyers of the company's units consist of Bumiputera buyers, hence they have no issues in meeting Bumiputera requirements, which is a cash-flow plus for the company.

**Strong balance sheet positions it for land banking activities.** The company is in a net cash position. Based on FY13E balance sheet and 0.4x net gearing limit, we estimate that the group can raise another c. RM220m for new landbanking which implies RM1.5b worth of new GDV assuming that land cost makes up 15% of GDV. If so, this would increase the group's total remaining GDV by 23% to c. RM8b. In the meantime, the group's strong net cash position allows them to pay out favourable dividends until sizeable landbanking activities take place.

**Estimating FY13-14E net profit growth of +30% YoY and +10% YoY,** underpinned by FY13-14E new launches of RM0.9b-RM1.0b and average take-up rates of 70% each. Current unbilled sales stand at RM445m providing close to 1 year visibility. At IPO price, it will trade at FY13-14E PER of 4.9x-4.5x vs. mid-cap developers average of 7.2x-5.9x, while implied dividend yield of 8.1%-9.0% is richer than its peer average of 4.8%.

# SUBSCRIBE

**IPO Price: RM2.20**  
**Target Price: RM2.75**

### Share Price Performance

KLCI	1766.07
YTD KLCI chg	4.6%
YTD stock price chg	N.A.

### Major Shareholders

Dato' Lee Tian Hock	28.52 %
Datin Yong Chou Lian	16.80 %
Ho Kong Soon	5.06 %

### IPO Proceeds

	RM'm
Working Capital	55.0
Infrastructure and Common Facilities	55.0
Repayment of Bank Borrowings	11.0
Construction of Clubhouse	10.0
Estimated Listing expenses	6.5

### Summary of IPO

Enlarged Share Capital (m)	62.5
IPO Price (RM)	2.20
Gross Proceeds from Public Issue (RM'm)	137.5
Estimated Listing expenses (RM'm)	6.5

### Summary Earnings Table

FYE Dec (RM m)	2012A	2013E	2014E
Turnover	456.1	677.5	508.9
EBIT	143.8	179.9	199.4
PBT	142.8	178.9	197.1
<b>Net Profit (NP)</b>	<b>103.5</b>	<b>134.2</b>	<b>147.8</b>
EPS (sen)	34.5	44.7	49.3
EPS growth (%)	49%	30%	10%
NDPS (sen)	8.6	17.9	19.7
BV/Share (RM)	1.58	1.84	2.14
PER	6.4	4.9	4.5
Price/Bv (x)	1.4	1.2	1.0
Net Gearing (x)	(0.16)	(0.19)	(0.24)
Dividend Yield (%)	3.9	8.1	9.0

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## Background & Business

**Company background.** Matrix Concepts is a Negeri Sembilan-based property developer which 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. In 1997, its maiden project was Taman Bahau in Negeri Sembilan with 595 residential and commercial units worth RM35m delivered by 1999. As at 2012, the company completed projects worth RM1.9b GDV (RM2.1b GDV as at March 2013) and sold 19,389 out of a total 19,412 residential and commercial properties. As at 2012, total on-going projects include 2,659 units of residential, commercial and industrial properties amounting to an estimated GDV of RM1b, of which 72.4% have been sold.

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 KKTJNB signed in 2005 through Matrix to develop a 900 acre township project.

## IPO Details

**IPO details.** The group intends to raise RM137.5m based on public issue of 62.5m new shares of RM1.00/share and indicative issue price of RM2.20. Expected market capitalisation is RM660m. Details of utilisation of proceeds are as below;

<b>IPO Use of Proceeds</b>		
<b>Utilization of Proceeds</b>	<b>%</b>	<b>(RM)</b>
Working Capital	40%	55,000,000
Construction of Clubhouse	7%	10,000,000
Infrastructure and Common Facilities	40%	55,000,000
Repayment of Bank Borrowings	8%	11,000,000
Estimated Listing Expenses	5%	6,500,000
<b>TOTAL</b>		<b>137,500,000</b>
<b>No. of new shares issue (shs)</b>	<b>62,500,000</b>	
<b>IPO Price (RM)</b>	<b>2.20</b>	
<b>Proceeds from IPO (RM)</b>	<b>137,500,000</b>	

*Source: Company*

## INVESTMENT CASE

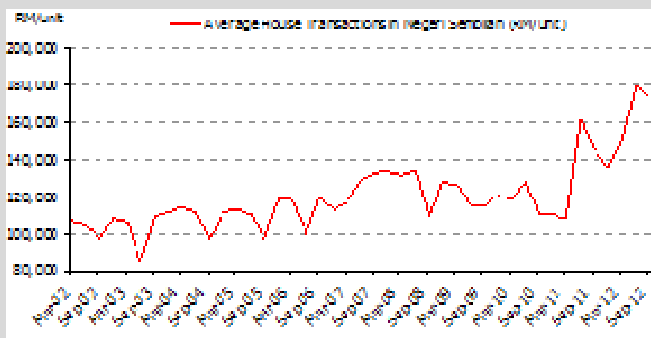
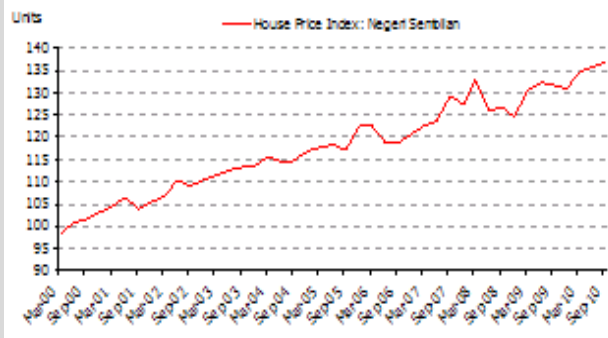
**Vast land bank in Negeri Sembilan and Johor.** Matrix Concepts has two major township landbanks; Bandar Sri Sendayan (5,233 ac) located in Seremban, Negeri Sembilan and Taman Seri Impian located in Kluang, Johor (900 ac). Currently, it has a remaining landbank of 2355ac. However, its main driver is its projects in Negeri Sembilan, which accounted for 75.0% of FY12 revenue while only 17.8% were from its Johor projects, and the remaining 7.2% was from the Johor land sale. Currently, the group has a remaining total GDV of RM6.5b (16% are from on-going phases) left to be developed, which provides visibility up to 2019.

**Seremban is part of the Greater Klang Valley-Kuala Lumpur Conurbation.** Seremban is part of the Greater Klang Valley-Kuala Lumpur Conurbation. BSS 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. Another point worth noting is that the main buyers of the company's units consist of Bumiputera buyers, hence they have no issues meeting Bumiputera requirements.

**Bandar Sri Sendayan is the major earnings driver.** In 2008, the company began its 5,233 ac (remaining: 1942ac) integrated township in Seremban, Negeri Sembilan, known as Bandar Sri Sendayan (BSS) of total GDV of RM6.83b (remaining RM5.4b). The township enjoys all the features of a bread-and-butter earnings driver given strong population and economic drivers. It is near KLIA/LCCT (30-minute drive), as well as, 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; previously located in Sungai Besi, KL) as 1MDB has acquired land from the company.

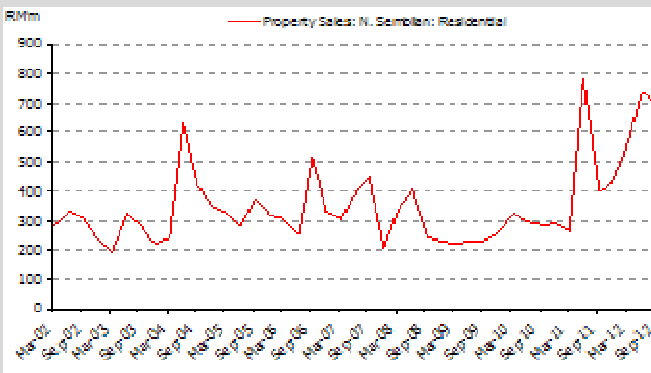
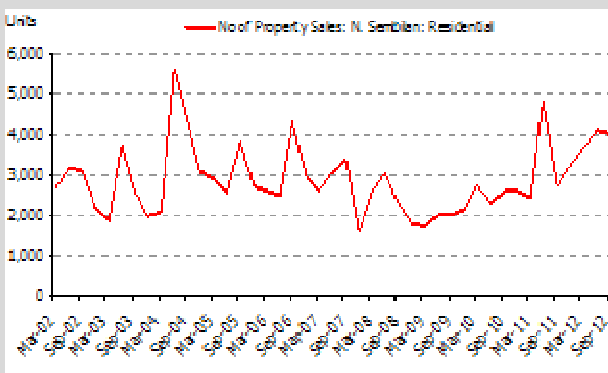
**Beneficiary of the demand for 'affordable housing'.** Klang Valley residential prices have been moving up strongly over the last 5 years. We also noticed that in the last 3 years, developers are landbanking further and further away from Kuala Lumpur's city center as sizeable township landbanks are tougher to come by, while demand for affordable housing requires cheaper land costs; key areas are the likes of Bangi, Semenyih, Rawang, Cyberjaya, Putrajaya and of late, Kota Kemuning (e.g. IJMLAND (OP; TP: RM2.93) Rimbayu and Dijaya (OP; TP: RM2.15) 'Canal City'). The Kota Kemuning area is about 90km North-West of BSS. We understand that IJMLAND has launched its Rimbayu link homes (2322sf) with a starting price of RM580,000/unit or RM250psf vs. BSS link homes (2400sf) which are being sold at between RM300,000-360,000/unit or RM125-150psf. This will also appeal to the civil servants of RMAF – this will be a new source of demand and although it may take 3-5 years before this impact is felt, we remain confident of the medium to longer-term demand prospects of the area as we akin this to Manjung, Perak where the naval base that provided resilient demand for developers like YNH Properties (NOT RATED).

**Negeri Sembilan – HPI and Average House Prices by Transactions**



Source: CEIC, Kenanga Research

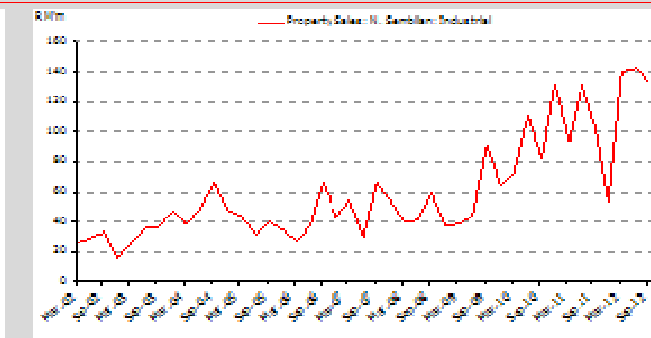
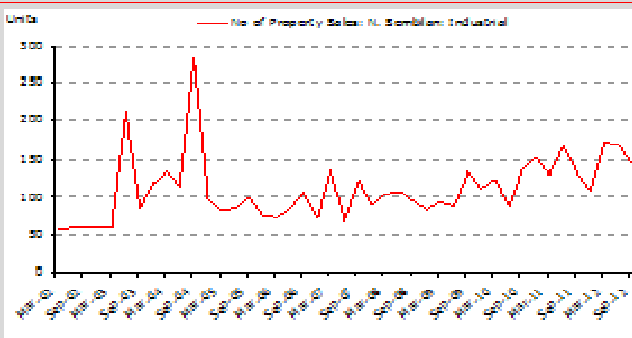
**Negeri Sembilan – Residential Property Sales (Units and Value)**



Source: CEIC, Kenanga Research

**Riding on industrial demand.** Sendayan TechValley, spanning 685 ac within BSS, serves as a FDI melting pot, driving economic activity and housing demand around the region. Several of the light-to-medium industries that it attracted include Hino Motor, Messier-Bugatti-Dowty, Daihatsu Motor and others. Since Klang Valley’s capital values have increased significantly over the years, we do notice that industrial areas 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). We understand that the ready-to-develop industrial land in Sendayan TechValley are being sold at RM30-35psf. Relative to Johor, it appears pricing is just slightly cheaper; 1) UEMLAND (OP; TP: RM3.60) 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 2 years; 2) Crescendo (OP; TP: RM3.56) Nusa Cemerlang Industrial Park is now fetching a market value of RM35-40psf. However, Sendayan TechValley is within Greater Klang Valley and can easily access KLIA (22km). As long as Malaysia continues to attract FDIs, particularly in the manufacturing base space, we believe Sendayan will be one of the key locations.

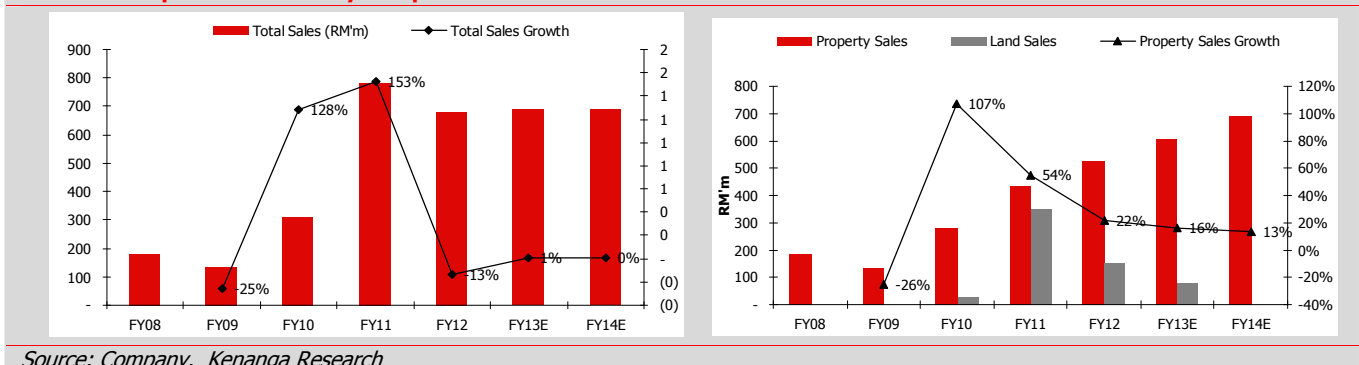
**Negeri Sembilan – Industrial Property Sales (Units and Value)**



Source: CEIC, Kenanga Research

**Healthy growth in sales.** As at 2012, based on its on-going projects, the company has launched RM1bn worth of properties, of which 72.4% have been sold. Given the resilient demand profiles, the group was able to achieve strong total sales growth since FY10. However, in FY12, total sales slipped by 13% due to the lumpy one-off sale of BSS land to 1MDB. Stripping-off the land sales, we note that property sales have been on an improving trend. We are also comforted by the reduction in land sales. While we believe it is important for the developer to secure strategic partners/demand drivers (e.g. 1MDB or big industrial players), we would prefer that the developer focuses on realizing its land value via development to maximize shareholders returns. For FY13-14E, we are estimating total sales growth of 3%-0%, which is flatish because the land sales have distorted the property development growth; stripping off the land sales, we are estimating FY13-14E property sales to increase by 18%-13%. (More details of sales assumptions in later sections.)

## Matrix Concept Sales Trends by Components



Source: Company, Kenanga Research

**Moving up the value-chain.** In line with the growth in demand for high-end residential and commercial properties (e.g. semi-detached, bungalows, retail/office spaces, industrial developments), the company is moving up the value chain to reap the fruits of its labour since its townships are maturing. Venturing into the upper-middle and higher-end markets in Seremban and Kluang allows it to reap richer margins as its land cost is as low as RM3psf (RM9psf if we include infrastructure works) allowing it to increase its GDV/ac to c. RM2.8m/ac vs. RM0.8m/ac before 2000. FY11 gross margins actually expanded to 39% from 29% in FY10 since composition of richer margin products (e.g. bungalows, semi-detached houses, commercial properties and industrial properties) grew to 33% in FY11 from only 12% in FY10. Its current higher-end developments include; 1) Impiana Casa and Impiana Villa in Kluang, Johor of total GDV of RM65m (161 units of bungalows); 2) Third 9 Residence @ Seremban featuring a mid to high end development of GDV RM144.7m. Sendayan does not need to meet the usual low-mid cost housing requirement (30%) largely due to their favourable relationship with the State Government for successfully resettling the Felda settlers when they acquired the land. This serves as a good margin booster for them as mid-to-low-cost housing tends to be loss making.

**Expanding margins on the back of low land cost.** For FY10,11,12 Matrix Concepts recorded gross margins of 29%, 24% and 42%, respectively. FY11 revenue near tripled in revenue to RM624m mainly due to sale of land to 1MDB. Stripping-off the one-off land sale, FY11 revenue would have been RM308m, which is still a 57% YoY increase. However, when stripping-out the low 9% gross margin from 1MDB land sales in FY11, FY11 gross margin would have improved to 39%, which is close to its small-mid cap peers of 42%. FY12 saw better gross margins of 42% largely due to strong recognition of Sendayan Tech Valley 1&2 sales, which carries gross margins of 64% while its recognition of RM25m land sales saw improved gross margins of 23%. We expect margins to be maintained at current levels as the company will continue to undertake more affordable mid-end landed development projects, which tend to rake in lower margins. (Refer below for assumptions).

**Strong balance sheet positions it for land banking activities.** By the end of 2012, Matrix Concepts' balance sheet would have turned from a net debt position to a net cash position largely due to sale of BSS land to 1MDB for RM294m. Post IPO, it will continue to maintain a net cash position as it has sufficient IPO funds to meet its material obligations. This is extremely comfortable as our ideal developers' net gearing levels should be 0.2-0.4x. Clearly, there is sufficient gearing headroom to buy more sizeable landbanks or niche ones in prime locations. Based on FY13E balance sheet and 0.4x net gearing limit, we estimate that the group can raise another c.RM220m for new landbanking which implies RM1.5b worth of new GDV assuming that land cost makes up 15% of GDV. If so, this would increase the group's total remaining GDV by c. 23% to c. RM8b. In the meantime, the group's strong net cash position allows them to pay out favourable dividends until sizeable landbanking activities take place.

## OUTLOOK & RISKS

**Landbanking outlook.** The company is likely to look for landbank replenishments in Negeri Sembilan and Johor to tap onto the mass to upgraders market. The group intends to look into more niche landbank to drive stronger growth opportunities while their ongoing township projects serve as strong earnings base drivers. As a result, we do not foresee heavy gearing on the group's end as we believe they are unlikely to do township landbanking at this stage and rather focus on quick turnaround ones or expanding their presence in Seremban.

**Overview of the Negeri Sembilan property market.** In 2011, the 4-year CAGR for Negeri Sembilan residential property sector in terms of sales value and volume was 8.4% and 5.6% respectively. Over the same period, the number of completed residential properties declined by 22.5% while incoming supply grew by 2.3%. In 2011, sales value and volume in Negeri Sembilan grew by 56.7% and 28.6% respectively while incoming supply grew by 4.4%. Despite demand significantly outpacing supply, residential property prices in Negeri Sembilan grew by only 4.6% annually over the last 3 years, implying affordable pricing points, which will ensure sustainable demand.

**Risks.** As a property development company, it is natural for Matrix Concepts to face risk factors inherent to the property sector. Risks for the company include; 1) a softening of the Malaysian property market; 2) difficulty in acquiring land bank; 3) fluctuations in raw material prices such as steel and cement prices; 4) negative banking and real estate policies; 5) economic/political risks. The group also faces some concentration risks given that BSS is its largest earnings driver.

**Kenanga Research calls OVERWEIGHT on developers.** Back in late Mar-13, we upgraded the sector to OVERWEIGHT. We believe developers are long-due for a performance, particularly when the current market environment favours high beta stocks. Positive news flow (e.g. MRT, KL-Singapore high-speed rail, RRI and TRX awards, Iskandar Malaysia plays including more G2G agreements and listing of IWH) will keep the sector buoyant. We also believe there is pent-up demand as buyers turned cautious pre-GE. Since there are no major changes in the government, both at a state and Federal level, we believe the sector will fare well. (Refer to our Sector Report "Time for developers to shine!" on 7/5/13 and "The 'stars are aligned' for Iskandar Developers on 28/3/13).

## FINANCIALS & VALUATIONS

**Estimating FY13-14E net profit of RM134m (+30% YoY) and RM148m (+10% YoY).** We estimate FY13-14E property only sales of RM609m-RM691m, underpinned by FY13-14E new launches of RM0.9b-RM1.0b and average take-up rates of 70% each. The main contributors to these new launches include Hijayu 1A (RM246m), Hijayu 3D (RM169m), Hijayu 3C (RM153.7m), Hijayu 3B (RM140.3m) and Third 9 Residence (RM145m). Including land sales, FY13-14E total sales will amount to RM688m-RM691m as land sales amounted to RM79m-RM0m. However, there is a timing lag between the signing of the land sales SPA and recognition of the land sales. In FY12, the group secured RM154m land sales, although c. 80% of the recognition will be felt in FY13E; note that margins for land sales can range between 9%-25%, which can depress overall group margins when there is a lumpy recognition. So, due to the timing of completion of the land sale SPA, FY13-14E revenue will be RM677m (+49% YoY) – RM509m (-25% YoY). Furthermore, as mentioned earlier, we are expecting margins to expand and are estimating FY13-14E EBIT margins of 27%-38%. Current unbilled sales stand at RM445m providing close to 1 year visibility.

Note: These land sales are from BSS and Sendayan Tech Valley.

**Strong FY13-14E dividend yield of 8.1%-9.0%** The group recommends a dividend policy to pay out a minimum of 40% of PAT, which implies FY13-14E DPS of 17.9-19.7 sen. This is extremely attractive as mid cap developer's dividend yields range between 3%-4%. Noticeably, the group has not declared any dividends for FY12 (refer to Note 1) and we believe there is a possibility that the group may pay out some dividends as FY12 net profit swelled by 49% YoY to RM103m; we have estimated a conservative 25% payout for FY12 which will be distributable to the IPO shareholders, which translates to 8.6 sen or 3.9% yield. We strongly believe the group will be able to dish out such dividends because it is operating in a resilient owner-occupancy market rather than an investor driven one and is in a net cash position.

Note 1: We have assumed that FY12 dividends have not been paid out since developers tend to pay out in the last quarter; if there are any payouts, we reckon actual payments will take place in the following year.

### Peer Comparison

NAME	Price (9/5/13)	Mkt Cap	PER (x)	PER (x)	Est. NDiv. Yld.	Historical ROE	P/BV	FY12/13 NP Growth (%)	FY13/14 NP Growth (%)	Target Price	Rating
	(RM)	(RMm)	FY13/14	FY14/15	(%)	(%)	(x)	(%)	(%)	(RM)	
<b>Mid Cap Developers</b>											
YNH*	1.89	797	9.5	6.6	4.2%	6.1%	0.9	66.0%	42.5%	1.82	SELL
Glomac*	1.10	779	7.7	6.1	4.5%	13.1%	1.0	-2.3%	25.9%	1.13	BUY
KSL*	2.16	835	6.2	5.6	1.6%	13.0%	0.8	2.8%	10.9%	2.20	NEUTRAL
Matrix Concept	2.20	660	4.9	4.5	8.1%	29.1%	1.2	29.7%	10.2%	2.75	SUBSCRIBE
Crescendo	2.98	580	7.9	5.9	4.8%	9.7%	0.9	31.8%	34.2%	3.56	OUTPERFORM
Paramount*	1.54	520	8.1	7.3	5.5%	8.2%	0.7	13.6%	10.5%	1.90	BUY
Hua Yang	2.30	455	6.3	5.1	4.7%	22.3%	1.2	32.9%	23.1%	2.30	OUTPERFORM
<b>Average</b>			<b>7.2</b>	<b>5.9</b>	<b>4.8%</b>	<b>15.5%</b>	<b>1.0</b>	<b>25%</b>	<b>22%</b>		

Source: Bloomberg, Company, Research

\*Based on Bloomberg Consensus

**Valuations.** At indicative IPO price of RM2.20, the group will trade at FY13-14E PER of 4.9x-4.5x which more attractive than its mid-cap developers peer average of 7.2x-5.9x. However, we do note that its FY13E PBV will trade at 1.2x compared to peer's 1.0x Fwd PBV and is typical to see since its listing price is reflective of more current land valuations compared to its historical low book value. Furthermore, its post-IPO ROE is extremely strong at 30% in FY13E albeit being a net cash company compared to peers 16%.

**Recommendation.** Our FD RNAV (DCF driven; refer overleaf) for MATRIX is RM4.56/share based on 10% WACC (conservative as we assume market leaders discount rate), implied 21% net margins and remaining total GDV of RM6.5b over an 8 year duration. Currently, we are pegging FD RNAV discounts of 5%-47% (average 23%) to derive Target Prices given our unexciting NEUTRAL sector call. We derive a **TP of RM2.75** as we peg a 40% discount to its FD RNAV given the group's net cash position and strong dividend yields while factoring for its mid-size market capitalisation and earnings/asset concentration risks in Seremban. Our TP implies; 1) FY13-14E dividend yields of 6.5%-7.2%, 2) FY13-14E PERs of 6.1x and 5.6x; 3) FY13-14E PBV 1.6x-1.4x. The stock provides a total return of 33.1%, including 7.2% dividend yield based on IPO Price of RM2.20.



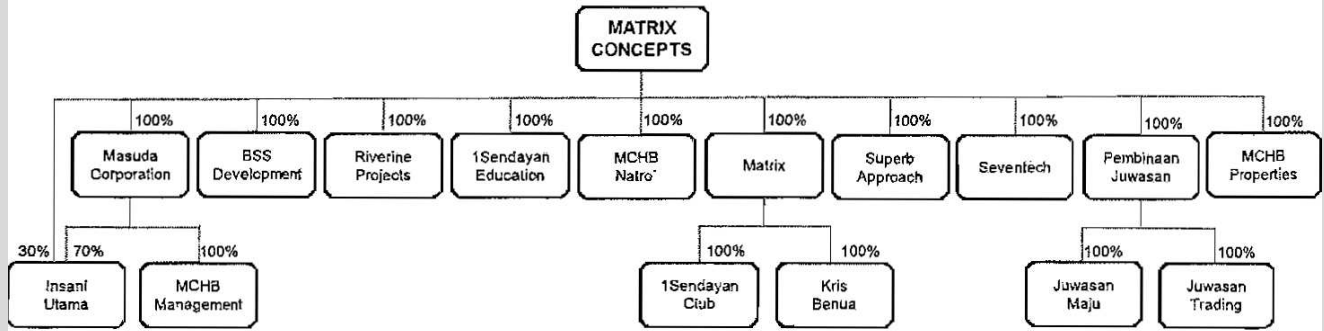
<b>RNAV Estimates</b>							
	<b>Stake</b>	<b>Total GDV</b>	<b>Remaining GDV*** (RM'm)</b>	<b>Remaining Net Profit*** (RM'm)</b>	<b>Assumed durations (years)</b>	<b>WACC (%)</b>	<b>NPV (RM m) ***</b>
<b><u>On-going Projects</u></b>							
Unsold but launched	100%	1,032	705	147	1-2	10.4%	129
Unbilled sales	100%	456	456	95	1-2	10.4%	81
<b><u>Pipeline Projects</u></b>							
Hijayu Series	100%	2,056	2,056	428	5	10.4%	312
Nusari Bayu 2B	100%	29	29	6	1	10.4%	5
Auto City	100%	252	252	52	3	10.4%	39
Idaman Yu Series	100%	686	686	143	4	10.4%	89
Sendayan MetroPark	100%	289	289	60	4	10.4%	35
Sub Centre @ STV1A	100%	129	129	27	3	10.4%	15
Kota Gadong Perdana, Mukim Labu	100%	926	926	193	3	10.4%	107
Third 9 Residence, Bandar Seremban	100%	145	145	30	2	10.4%	22
Lobak Commercial Centre, Bandar Seremban	100%	20	20	4	3	10.4%	3
Impiana Casa 2	100%	60	60	12	2	10.4%	10
Impiana Villa 2	100%	86	86	18	3	10.4%	15
Impiana Bayu Series	100%	245	245	51	3	10.4%	39
Impiana Avenue 3	100%	19	19	4	2	10.4%	3
Impiana Villa 3	100%	80	80	17	2	10.4%	13
Impiana Avenue 4	100%	26	26	5	2	10.4%	4
Impiana Avenue 5	100%	21	21	4	2	10.4%	3
Impiana Avenue 6	100%	29	29	6	2	10.4%	4
Impiana Avenue 7/Impiana Square	100%	305	305	63	3	10.4%	34
*** after shareholding							
<b><u>Other lands</u></b>							
		<b>Land size ('m sf)</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%	1	2	2	2	2	<b>0</b>
Lot No. 847, Mukim Pasir Panjang, Port Dickson	100%	1	0	1	1	2	<b>1</b>
<b>Revised Asset Value</b>							<b>965</b>
*** after shareholding							
Shareholder's equity @ IPO							473
<b>RNAV</b>							<b>1,438</b>
<b>RNAV per share (RM)</b>							<b>MYR 4.79</b>
No of paid-up shares ('m)							300.0
Dilution impact on RNAV*							66.0
<b>Diluted RNAV per share (RM)*</b>							<b>MYR 4.56</b>
Diluted No of shares ('m)*							330.0
<b>% Discount to RNAV</b>							-40%
<b>TARGET PRICE</b>							<b>MYR 2.75</b>

Source: Research



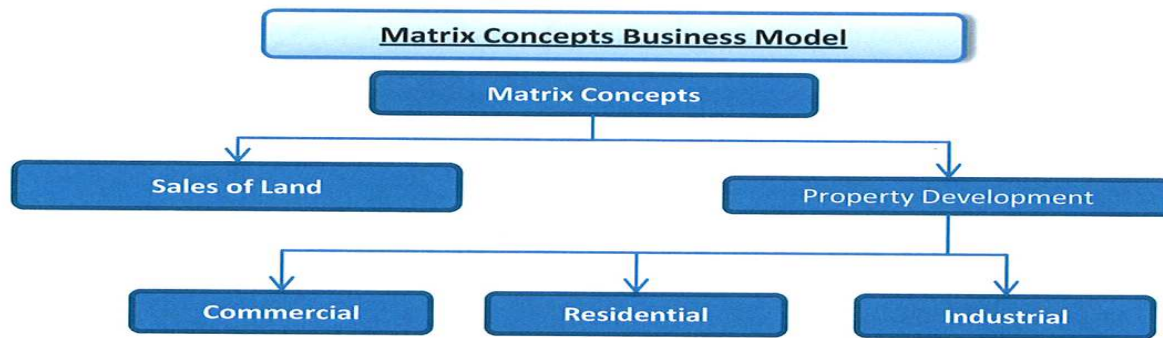
7. Appendix

Company Structure



Source: Company. Kenanga Research

Business Model



Source: Company. Kenanga Research

IPO Timeline

Event	Indicative Date
Opening date of Application for the IPO	8 May 2013
Closing date of Application for the IPO	15 May 2013
Balloting of Applications	17 May 2013
Despatch of notices of allotment for the Shares to successful applicants	27 May 2013
Listing date	28 May 2013

Source: Company

IPO Allocation of Retail/Institutional

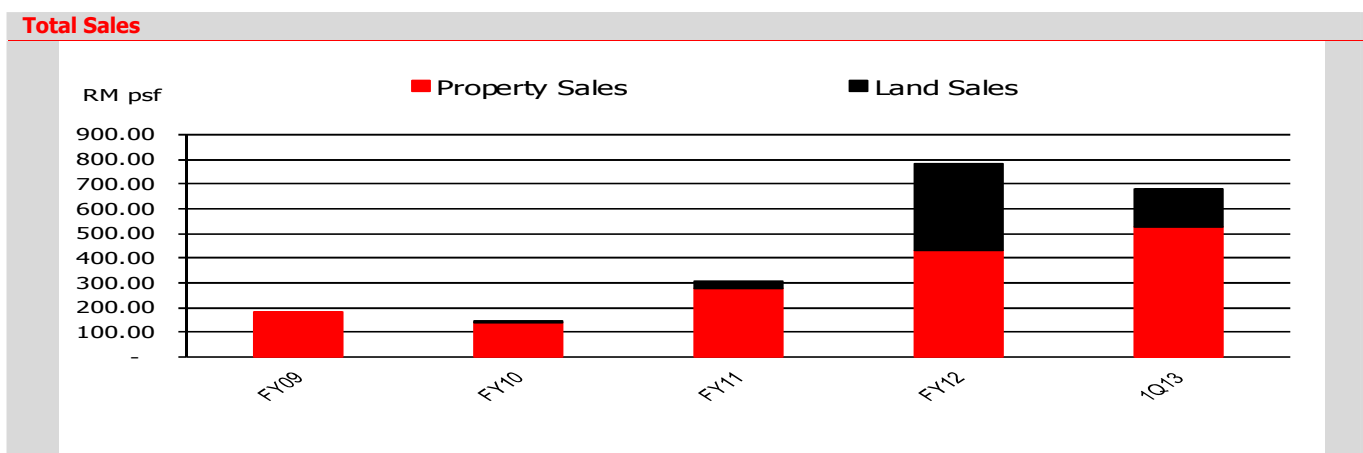


	No. of Shares	Share Capital RM
<b>Authorised Share Capital</b>	2,000,000,000	2,000,000,000
Issued and fully paid up share capital as at the date of the Prospectus	237,500,000	237,500,000
To be issued pursuant to the Public Issue	62,500,000	62,500,000
<b>Enlarged issued and paid-up share capital upon Listing</b>	300,000,000	300,000,000
New Shares to be issued assuming full exercise of ESOS Options	30,000,000	30,000,000
<b>Enlarged issued and paid-up share capital assuming full exercise of ESOS Options</b>	330,000,000	330,000,000
<b>Existing Shares to be offered pursuant to the Offer for Sale *</b>	37,500,000	37,500,000

*Note*  
\* The Offer for Sale would not have an effect on the issued and paid-up share capital as the Offer Shares are already in existence prior to the IPO

Source: Company

### Total Sales as at March 2013



### Bandar Seri Sendayan

#### 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-storey 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-storey 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.

## 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.

## Other Developments

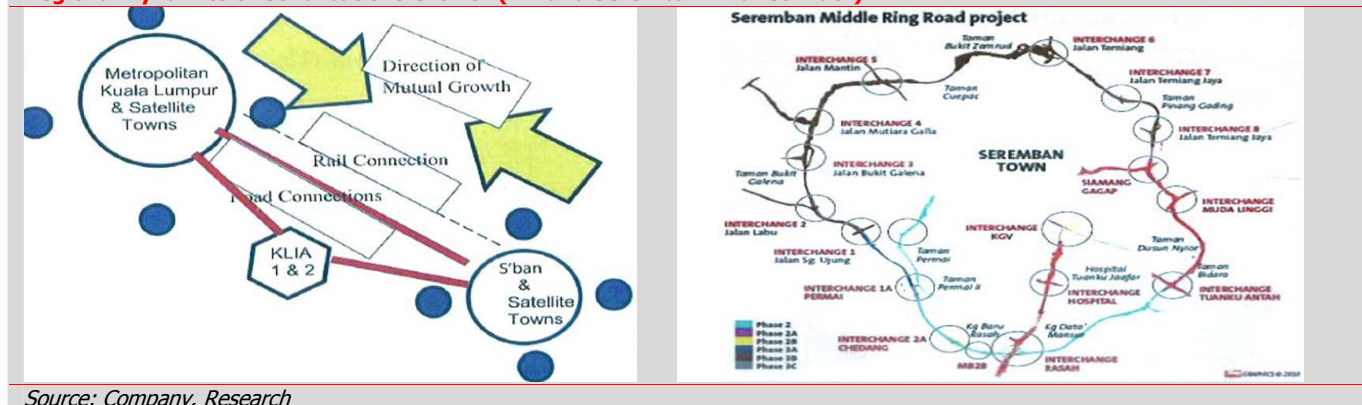
- **Leisure** – clubhouse and sports facilities, lake and cultural village with lakeside restaurants in Sendayan Icon Park, 26-acre Sendayan Green Park, football field, amphitheatre, reflexology path, gazebos. Areas zoned include 1 Sendayan Clubhouse and Sendayan Icon Park.
- **Institutional** – own 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.

## Strategic Advantages of Bandar Seri Sendayan

- Close proximity to various townships and industrial areas in Negeri Sembilan, to benefit from spill over effect – Seremban 2 and S2 Heights, Bandar Estek, Oakland Commercial Centre and Industrial Park, Bandar Ainsdale, Tuanku Jaafar Industrial Park, Senawang Industrial Park and Nilai Industrial Park.
- Well planned infrastructure and public facilities to enhance lifestyle of local residence.
- Connected to various transportation networks
- One of the National and State Governments main focus of development areas to spur economic growth
- Home to the new academia and training centre of the Royal Malaysian Air Force.

## Seremban is part of the Greater Klang Valley-Kuala Lumpur Conurbation

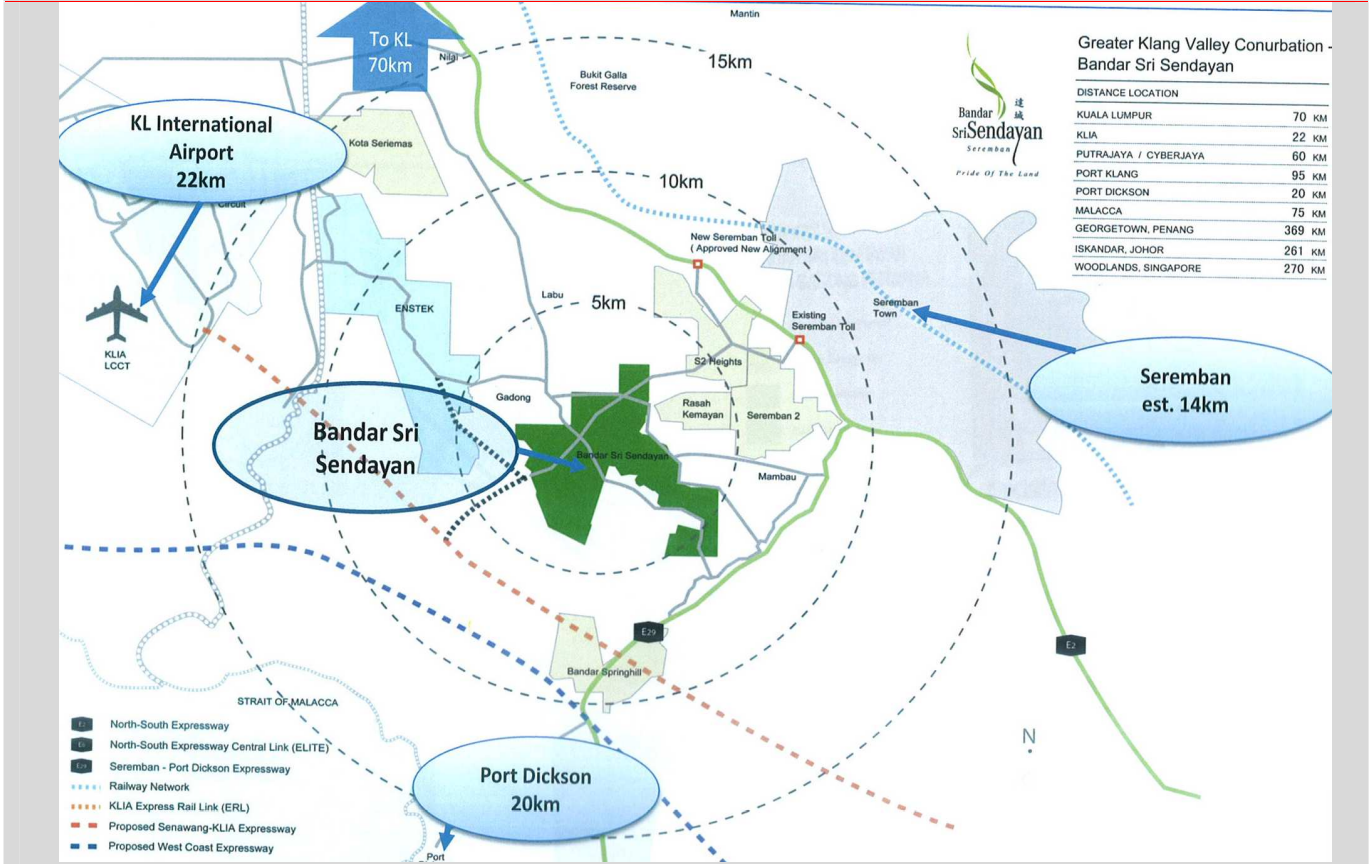
### Regional Dynamics of Conurbations Growth ( KL and Seremban-Nilai Corridor)



Seremban is part of the Greater Klang Valley-Kuala Lumpur Conurbation gazetted by the Federal Government. BSS is strategically located due to its accessibility via main highways, namely the Seremban-Port Dickson Expressway, LEKAS Highway, the North-South Expressway, the proposed Senawang-KLIA Expressway and the proposed West Coast Expressway. It is 30 minutes away from KLIA (22km) and LCCT.

The strategic investment in infrastructure by the Negeri Sembilan's state government into projects such as the Paroi-Senawang-KLIA highway, Seremban Middle Ring Road (worth RM2.4b) and other road upgrading works aid the rising number of people, (estimated at over 100,000 people daily), that commute to work from Negeri Sembilan to Kuala Lumpur.

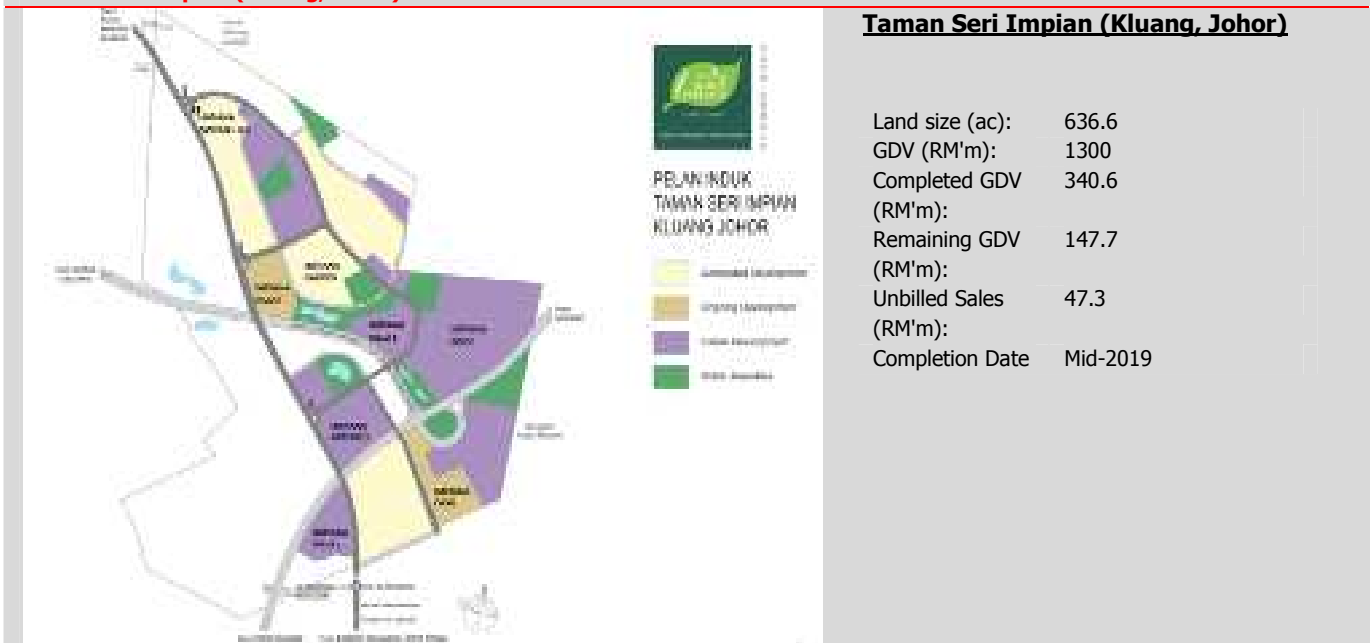
**Location of Bandar Sri Sendayan ( Greater Klang Valley Conurbation)**



Source: Bloomberg, Company, Research

Taman Seri Impian is easily accessible via Jalan Kluang-Bandar Tenggara roads with proposed connections to interchange/exit to the Kluang-Pasir Gudang Expressway.

**Taman Seri Impian (Kluang, Johor)**



Sources: Company

**Pelan Induk Bandar Seri Sendayan and Kota Gadong Perdana**



**Bandar Sri Sendayan**

Land size (ac):	1942.2
GDV (RM'm):	5000
Completed GDV (RM'm):	494.4
Ongoing (RM'm):	1200
Unbilled Sales (RM'm):	393.3
Completion Date	End-2018
Location	to KL (70km) to KLIA (22km) to Putrajaya/Cyberjaya (60km) to Port Klang (85km) to Port Dickson (20km)

Sources: Company

STV is set to be Negeri Sembilans high-impact growth nucleus with more reputable FDI's attracted to the investment merit.

**Sendayan TechValley Masterplan**



**Sendayan TechValley**

Land size (ac):	685 (136 lots)
Sold (ac)	347 (57 lots)
Remaining (ac)	338 (79 lots)
Completion	end 2013
List of Foreign Investors	Hino Motor (RM150m) Messier-Buggatti-Dowty (RM300m) Keen Point (RM200m) Nippon Kayaku (RM600m) MBM Res/ Mitsubishi (est. RM300m) Akashi Kikai/Daihatsu (RM220m)

Sources: Company

**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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