

22 April 2015

# MATRIX CONCEPTS

## Second Foray in Klang Valley...

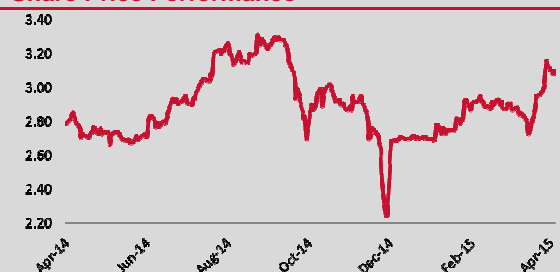
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- News**
- Proposed acquisition of 5.76 acres of leasehold land in Puchong from IRDK Ventures Sdn. Bhd. for a total consideration of RM95.0m or RM378.6psf.
- Comments**
- The proposed land acquisition marks MATRIX's second development foray in the Klang Valley. Estimated GDV is RM500m based on its existing density ratio of 80 units/acre and on-going high rise residential project namely IRDK Residence on that parcel of land. Should they are able to upgrade it to 90 units/acre, we are estimating that its GDV would potentially be increased by another 13% to RM563.0m.
  - While the parcel of land is located near Setia Walk, the proposed acquisition price of RM95.0m or RM378.6psf would be 122% higher than MAHSING's land acquisition price of RM170.0psf (before conversion from industrial to commercial) back in Aug-14, which is located right behind IOI Mall. However, we deem that the acquisition price is acceptable as the land cost still implies a 19% portion to its existing GDV of RM500.0m compared to our threshold of 20%. Land-to-GDV ratio may be lowered to 17% should they are able to upgrade the land density ratio to 90 units/acres as mentioned above.
  - The acquisition cost of RM95.0m for the land excludes the existing infrastructure/earthwork costs that had been incurred by the existing vendor and MATRIX will reimburse the vendor accordingly. Its net gearing is expected to inch up to 0.15x from net cash position in FY14 post acquisition of the 79 acres of agriculture land and this parcel of land in Puchong.
  - We were surprised by this acquisition as we expected the group to landbank in Seremban or stick to more affordable options in the Klang Valley. Based on our channel checks, it appears that the development has been marketed as a higher-end project as average selling price per unit is >RM900k/unit given a minimum built-up of 1,500sf; this segment is extremely tough to sell given the current challenging property landscape. For now, we reckon that the project is not viable in the near-term and thus, we are less than enthusiastic about the project. Nonetheless, we are still waiting for the company to provide us with project details and launch timing.
- Outlook**
- In terms of launches, management is still committed to launch RM1.1b worth of projects in FY15 consisting of residential and commercial products, i.e. Bandar Sri Sendayan, (GDV: RM670m), Taman Seri Impian (GDV: RM206m), Residency SIGC (GDV: RM229m). Out of the RM1.1b launches, approximately 58% are residential products priced close to RM500.0k per unit excluding industrial land sales.
- Forecast**
- No changes to estimates as we believe earnings contributions will be at least a few years down the road.
- Rating** **Maintain MARKET PERFORM**
- Valuation**
- The project does not increase our FD RNAV as we had already built-in RM1.7b GDV replenishments and post this acquisition, our GDV replenishment assumption is reduced to RM1.2b.
  - We reiterate our MARKET PERFORM call on MATRIX with an unchanged Target Price of RM3.05 (ex-bonus, RM2.62). Valuations appear to be quite fair considering current conditions because at its current share price, FY15-16E PER are 7.4x-7.4x vs. mid-cap peers 6.0x-5.5x while net dividend yield of 6.1% is just at a slight premium to its peer's average of 5.5%. Note that our applied FD RNAV discount of 30% for MATRIX is also one of the thinnest within our coverage (range: 30%-72%, average: 53%).
- Risks to Our Call**
- Weaker-than-expected property sales.
  - Higher-than-expected sales and administrative costs.
  - Negative real estate policies.
  - Tighter lending environments.

# MARKET PERFORM ↔

**Cum-Price/Ex-Price:** RM3.10/RM2.66  
**Cum-TP/Ex-TP:** RM3.05/RM2.62 ↔

### Share Price Performance



KLCI	1,862.80
YTD KLCI chg	5.8%
YTD stock price chg	15.3%

### Stock Information

Bloomberg Ticker	MCH MK Equity
Market Cap (RM m)	1,430.6
Issued shares	461.5
52-week range (H)	3.31
52-week range (L)	2.19
3-mth avg daily vol:	619,279
Free Float	63%
Beta	1.0

### Major Shareholders

TIAN HOCK LEE	16.4%
SHINING TERM SDN BHD	15.7%
SUPREME INTEREST SDN	4.9%

### Summary Earnings Table

FYE Dec (RM m)	2014A	2015E	2016E
Turnover	598	627	639
EBIT	246	257	258
PBT	245	257	258
<b>Net Profit (NP)</b>	<b>183</b>	<b>190</b>	<b>191</b>
Consensus (CNP)	n.a.	197	220
Earnings Revision	n.a.	n.a.	n.a.
EPS (sen)	40.4	42.1	42.2
EPS growth (%)	19%	4%	0%
NDPS (sen)	17.4	18.9	19.0
BV/Share (RM)	1.52	1.75	1.98
PER (x)	7.7	7.4	7.4
Price/BV (x)	2.04	1.77	1.56
Net Gearing (x)	0.0	0.0	0.0
Dividend Yield (%)	5.6	6.1	6.1

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<b>RNAV</b>							
	<b>Stake</b>	<b>Remaining GDV*** (RM'm)</b>	<b>Remaining Net Profit*** (RM'm)</b>	<b>Start of DCF</b>	<b>Assumed durations (years)</b>	<b>WACC (%)</b>	<b>NPV (RM m) ***</b>
<b>On-going Projects</b>							
BSS	100%	770	162	2,013	2	10%	120
STV 1&2	100%	786	165	2,013	3	10%	150
TSI	100%	223	47	2,013	1	10%	35
Taman Desa Port Dickson 3	100%	6	1	2,013	2	10%	1
Lobak Commerical Centre (Phase 1)	100%	16	3	2,013	3	10%	3
Unbilled sales	100%	593	124	2,013	2	10%	108
<b>Pipeline Projects</b>							
BSS	100%	4,771	1,013	2,014	8	10%	526
TSI	100%	891	187	2,014	8	10%	97
Kota Gadong Perdana	100%	926	195	2,016	3	10%	108
Third 9 Residence	100%	145	30	2,014	2	10%	21
Lobak Commercial Centre	100%	29	6	2,013	4	10%	4
Labu Land	100%	760	160	2,015	4	10%	85
Rasah Kemayan Land	100%	800	168	2,016	3	10%	85
KL land (near PWTC)	100%	250	53	2,014	4	10%	36
Sendayan Tech Park	100%	170	36	2,016	3	10%	27
Agriculture land for future industrial use (STV3)	100%	110	23	2,016	3	10%	14
Puchong Land	100%	500	71	2,016	5	10%	40
Replenish	100%	1,220	238		10	10%	98
*** after shareholding							
<b>Other lands</b>		<b>NBV (RM'm)</b>	<b>NBV (RM psf)</b>		<b>Market Price (RM'm)</b>	<b>Market Price (RM psf)</b>	<b>Market Value RM'm)</b>
Lot No. 769, Mukim Pasir Panjang, Port Dickson	100%	2	2		3	3	2
Lot No. 847, Mukim Pasir Panjang, Port Dickson	100%	0	1		3	5	3
<b>Revised Asset Value</b>							<b>1,561</b>
Shareholder's equity (as at 30 June 2013)							540
<b>RNAV</b>							<b>2,101</b>
<b>RNAV per share (RM)</b>							<b>MYR 4.60</b>
No of paid-up shares ('m)							457.1
Dilution impact on RNAV*							66.2
<b>Diluted RNAV per share (RM)*</b>							<b>MYR 4.36</b>
Diluted No of shares ('m)*							496.8
<b>% Discount to RNAV</b>							<b>30%</b>
<b>TARGET PRICE</b>							<b>MYR 3.05</b>

Source: Kenanga Research

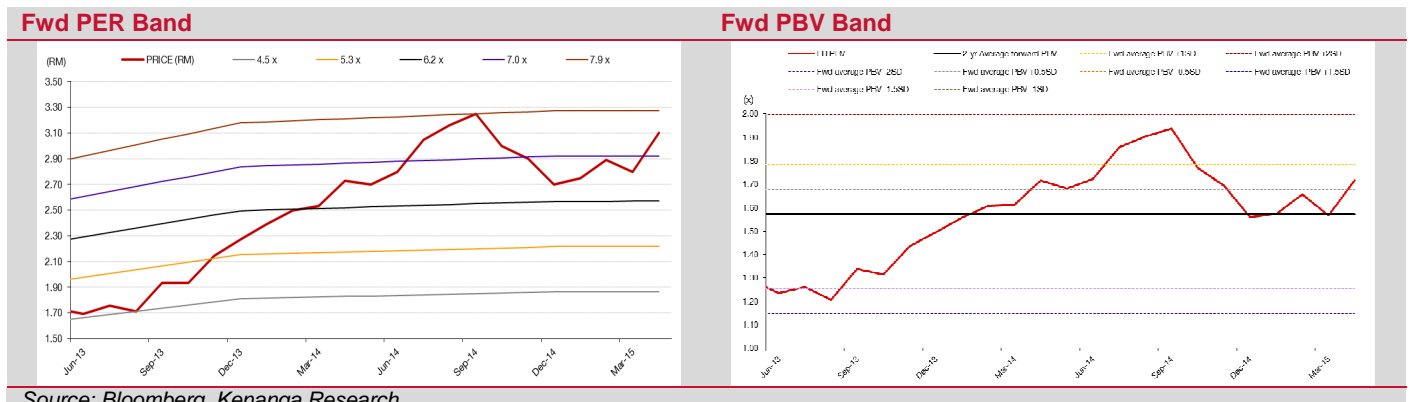
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Income Statement						Financial Data & Ratios					
FY Dec (RM'm)	2012A	2013A	2014A	2015E	2016E	FY Dec (RM'm)	2012A	2013A	2014A	2015E	2016E
Revenue	456	575	598	627	639	<b>Growth</b>					
EBITDA	146	211	249	260	261	Turnover (%)	-27%	26%	4%	5%	2%
Depreciation	-2	-3	-3	-3	-3	EBITDA (%)	34%	45%	18%	4%	1%
Operating Profit	144	209	246	257	258	Operating Profit (%)	34%	45%	18%	4%	1%
Interest Exp	-1	-1	-2	-1	-1	PBT (%)	34%	45%	18%	5%	1%
PBT	143	207	245	257	258	Core Net Profit (%)	49%	48%	19%	4%	0%
Taxation	-39	-54	-62	-66	-67	<b>Profitability</b>					
Minority Interest	0	0	0	0	0	EBITDA Margin	32%	37%	42%	41%	41%
Net Profit	103	153	183	190	191	Operating Margin	32%	36%	41%	41%	40%
Core Net Profit	103	153	183	190	191	PBT Margin	31%	36%	41%	41%	40%
						Core Net Margin	23%	27%	31%	30%	30%
						Effective Tax Rate	28%	25%	26%	26%	26%
						ROA	17%	19%	19%	18%	17%
						ROE	29%	30%	29%	26%	23%
						<b>DuPont Analysis</b>					
						Net Margin (%)	23%	27%	31%	30%	30%
						Leverage Factor (x)	1.5	1.6	1.5	1.4	1.3
						ROE (%)	29%	30%	29%	26%	23%
						<b>Leverage</b>					
						Debt/Asset (x)	0.0	0.1	0.1	0.1	0.1
						Debt/Equity (x)	0.0	0.1	0.1	0.1	0.1
						(Net Cash)/Debt	-75.6	-96.7	-25.6	-41.2	-38.4
						Net Debt/Equity (x)	-0.2	-0.1	0.0	0.0	0.0
						<b>Valuations</b>					
						EPS (sen)	22.9	33.8	40.4	42.1	42.2
						NDPS (sen)	5.7	30.4	17.4	18.9	19.0
						BVPS (RM)	1.05	1.22	1.52	1.75	1.98
						PER (x)	13.53	9.16	7.67	7.36	7.35
						N. Div. Yield (%)	1.8	9.8	5.6	6.1	6.1
						PBV (x)	2.96	2.54	2.04	1.77	1.56
						EV/EBITDA (x)	0.0	6.3	5.5	5.2	5.2

Source: Kenanga Research



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### Peer Comparison

NAME	Price (21/4/15)	Mkt Cap	PER (x)			Est. NDiv. Yld.	Historical ROE	P/BV	Net Profit (RMm)			FY15/16 NP Growth	FY16/17 NP Growth	Target Price	Rating
	(RM)	(RMm)	FY14/15	FY15/16	FY16/17	(%)	(%)	(x)	FY14/15	FY15/16	FY16/17	(%)	(%)	(RM)	
<b>DEVELOPERS UNDER COVERAGE</b>															
S P SETIA BHD*	3.55	9,025	25.0	15.1	11.7	3.3%	6.8%	1.3	361.0	595.5	772.8	64.9%	29.8%	3.95	OUTPERFORM
IOI PROPERTIES GROUP BHD*	2.19	8,276	17.3	19.9	18.9	3.2%	4.3%	0.7	479.2	414.0	439.0	-13.6%	6.0%	2.12	MARKET PERFORM
UEM SUNRISE BHD*	1.35	6,126	14.2	17.7	15.7	1.9%	7.8%	0.9	479.9	385.6	434.3	-19.7%	12.6%	1.47	MARKET PERFORM
SUNWAY BHD	3.74	6,490	10.9	10.6	10.4	2.8%	13.2%	1.0	592.2	606.3	620.5	2.4%	2.3%	3.76	OUTPERFORM
MAH SING GROUP BHD^	1.66	3,975	11.7	10.6	9.9	3.9%	16.1%	1.1	339.2	375.6	399.4	10.7%	6.3%	1.74	MARKET PERFORM
ECO WORLD DEVELOPMENT GROUP BHD	1.83	3,606	603.0	116.0	26.1	0.0%	7.9%	1.4	7.2	37.3	165.5	419.8%	343.8%	2.05	OUTPERFORM
UOA DEVELOPMENT BHD*	2.17	3,105	11.1	11.0	10.3	6.0%	12.2%	1.1	279.1	281.7	301.6	0.9%	7.1%	2.00	MARKET PERFORM
MALAYSIAN RESOURCES CORP BHD	1.32	2,358	16.2	23.9	30.2	0.9%	2.6%	1.3	41.6	62.1	72.1	49.5%	16.1%	1.27	UNDERPERFORM
KSL HOLDINGS BHD	2.07	1,969	6.5	6.0	5.4	6.7%	15.3%	0.9	252.0	271.5	301.9	7.8%	11.2%	2.48	OUTPERFORM
TROPICANA CORP BHD	1.13	1,610	4.1	6.6	9.5	3.5%	11.9%	0.4	304.5	189.5	131.5	-37.7%	-30.6%	1.10	MARKET PERFORM
MATRIX CONCEPTS HOLDINGS BHD^^	2.66	1,431	7.8	7.5	7.4	6.0%	29.5%	1.8	182.6	190.2	190.5	4.1%	0.2%	2.62	MARKET PERFORM
CRESCENDO CORPORATION BHD*	2.35	535	12.4	12.1	11.7	3.3%	18.4%	0.6	43.3	44.5	45.7	2.7%	2.9%	2.46	MARKET PERFORM
HUA YANG BHD	2.19	578	7.0	5.6	5.6	6.0%	22.8%	1.2	82.2	102.9	102.8	25.2%	-0.1%	2.20	OUTPERFORM
CREST BUILDER HOLDINGS BHD	1.20	197	10.1	12.6	10.2	2.0%	8.9%	0.5	13.9	15.7	19.5	13.1%	23.8%	1.27	MARKET PERFORM
<b>CONSENSUS NUMBERS</b>															
IGB CORPORATION BHD	2.84	3,791	17.5	15.5	14.0	2.6%	5.0%	0.9	216.9	244.3	271.0	12.6%	10.9%	4.10	NEUTRAL
YNH PROPERTY BHD	1.98	813	17.7	12.8	9.7	2.2%	5.3%	0.9	45.9	63.7	84.2	38.6%	32.3%	1.58	SELL
GLOMAC BHD	0.97	701	8.8	9.8	7.3	4.4%	8.8%	0.8	79.5	71.2	95.9	-10.4%	34.7%	0.96	SELL
PARAMOUNT CORP BHD	1.67	705	10.1	10.4	9.8	4.8%	7.9%	0.8	69.6	67.6	71.8	-3.0%	6.3%	1.54	NEUTRAL
TAMBUN INDAH LAND BHD	1.79	755	7.1	6.4	5.9	5.4%	28.9%	1.9	106.3	118.1	127.8	11.1%	8.2%	2.15	BUY

\* Core NP and Core PER

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

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

^^ Last price and TP is Ex-bonus

Source: Kenanga Research

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

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

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

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

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

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