

Matrix Concepts (BUY↔, EPS ↔)

INDUSTRY: NEUTRAL

NEWSBREAK

September 22, 2014

Price Target: RM3.74 (↔)

Share price: RM3.25

Growing It's Industrial Landbank

News

- MCHB's wholly-owned subsidiary, BSS Development Sdn Bhd (BSSD) has acquired a 164 acres of vacant industrial land in Seremban, Negeri Sembilan, for RM71.5m (or RM10 psf).

Highlights

- The intended development of the land shall comprise industrial park with full facilities and is expected to generate an estimated GDV of at least RM170m.

- The acquisition is not a surprise as it is in line with MCHB's growth strategy in strengthening its foot stay in Seremban. The acquisition would enlarge MCHB's industrial landbank to 1,164 acres in total.

- The land is located in Bandar Sri Sedayan (BSS) and would further enhance the appreciation value to the properties within the vicinity.

- Development on the land is expected to commence by 2015 and it would further complement and extend the lifespan of Sedayan TechValley (STV) in BSS. Despite no mention on the timeframe of the development, we believe it would likely be completed in 2 years and ready for sale, similar to its STV 1 & STV 2.

- Pricing-wise, we deemed the purchase price of RM71.5m to be fair as it falls within the market value of RM72m.

- With nett sellable area of approximately 75% of the land, the ASP is RM31.73 psf. We view the ASP to be fairly reasonable with potential for further appreciation as compared to current market value, which are ranging between RM30-50 psf.

- Even if the acquisition is being funded via a combination of internally generated funds (50%) and bank borrowings (50%), MCHB's net gearing will increase from 0.08x to 0.14x. As such level, there are still gearing headroom for the group before reaching the 0.5x benchmark.

Risks

- Slowdown in sales;
- Escalation in construction;
- Raw material costs; and
- Downturn in Seremban and Johor.

Forecasts

- Maintained.

Rating

BUY ↔

- **Positives:** Offers great exposure to the thriving satellite town of Seremban.

- **Negatives:** Lack of landbank diversification means the company's fate is completely tied to that of Seremban.

Valuation

- Maintain TP of **RM3.74** (20% discount to RNAV), which implies FY15E P/E of 8.2x. This remained undemanding vs. mid to large-cap peers who are currently trading at 12-18x. Maintain **BUY**.

Grace Chew

PSChew@hlib.hongleong.com.my

(603) 2168 1165

KLCI	1,849.5
Expected share price return	15.1%
Expected dividend return	4.4%
Expected total return	19.5%

Share price



Information

Bloomberg Ticker	MCH MK
Bursa Code	5236
Issued Shares (m)	456.5
Market cap (RMm)	1,483.7
3-mth avg volume ('000)	701.0
SC Shariah-Compliant	Yes

Price Performance	1M	3M	12M
Absolute %	1.6	16.1	65.7
Relative %	2.8	17.8	62.6

Major shareholders (%)

Tian Hock Lee	18.7
Shining Term Sdn Bhd	18.9
Supreme Interest Sdn Bhd	5.0

Summary Earnings Table

FYE 31 Dec	2013A	2014E	2015E	2016E
Revenue	574.7	626.0	689.3	955.3
Rep net profit	152.9	163.8	183.3	246.0
Norm. net profit	152.9	163.8	183.3	246.0
Norm. EPS (sen)	50.8	35.8	40.1	53.8
EPS growth (%)	16.5	-29.4	11.9	34.2
Norm. PER (x)	6.4	9.1	8.1	6.0
FD PER (x)	6.4	9.1	8.1	6.0
Net DPS (sen)	20.6	14.3	16.0	21.5
Div yield (%)	6.3	4.4	4.9	6.6
BVPS (RM)	1.8	1.4	1.7	2.0
P/B (x)	1.8	2.3	2.0	1.6

HLIB

Figure #1 RNAV table

Project profits - DCF				RMm
Sendayan				
- Residential				308.15
- Commercial				716.28
- On-going				8.53
Seremban (ex-Sendayan)				
- Residential				101.47
- Commercial				1.54
Johor				
- Residential				49.74
- Commercial				27.90
- On-going				4.75
Unbilled Sales				46.23
Landbank revaluation surplus				
	Acres	Mkt price (RM psf)	Book value (RM psf)	
Sendayan Tech Valley	200.00	45.00	9.00	313.63
Total Surplus				1,578.23
Total Equity				582.00
Total RNAV				2,160.23
Shares outstanding (m)				457.22
RNAV per share (RM)				4.72
ESOS proceeds *				35.46
Diluted share base (m)				469.82
Diluted RNAV per share (RM)				4.67
Discount to RNAV				20.0%
Target Price (RM)				3.74

Source: HLIB

Income statement

FYE 31 Dec (RM m)	2012A	2013A	2014E	2015E	2016E
Revenue	456.1	574.7	626.0	689.3	955.3
COGS	-263.3	-305.0	-326.0	-352.0	-478.4
Gross profit	192.7	269.7	290.1	324.5	436.8
Opex	-46.6	-64.9	-70.1	-76.5	-105.0
Depreciation	-2.3	0.0	-2.0	-2.0	-2.0
Amortization	0.0	0.0	0.0	0.0	0.0
Finance costs	-1.0	-1.4	-0.9	-0.9	-0.9
Associates	0.0	0.0	0.0	0.0	0.0
Pretax profit	142.8	207.2	222.0	248.4	333.4
Taxation	-39.3	-54.3	-58.2	-65.1	-87.4
Minorities	0.0	0.0	0.0	0.0	0.0
Net profit	103.5	152.9	163.8	183.3	246.0
Basic shares (m)	237.5	301.2	457.2	457.2	457.2
Basic EPS (sen)	43.6	50.8	35.8	40.1	53.8

Balance sheet

FYE 31 Dec (RM m)	2012A	2013A	2014E	2015E	2016E
Inventories	2.4	1.6	0.5	0.6	0.8
Trade & other receivables	101.0	140.8	74.5	82.0	113.6
Cash	168.2	115.9	69.0	86.1	157.7
Current Assets	679.4	702.1	587.8	612.4	715.9
PPE	11.5	11.9	108.9	204.9	299.8
Investment properties	1.4	67.7	67.7	67.7	67.7
Development properties	30.3	111.9	111.9	111.9	111.9
Total assets	724.6	900.5	883.1	1,003.7	1,202.2
Shr Holder funds	479.4	552.4	650.6	760.6	908.2
Total Equity	479.4	552.4	650.6	760.6	908.2
Long-term borrowings	17.6	15.3	17.6	17.6	17.6
Short-term borrowings	3.9	35.2	0.0	0.0	0.0

Assumption metrics

FYE 31 Dec (RM m)	2014E	2015E	2016E
Gross margin	46.3	47.1	45.7
PBT margin	35.5	36.0	34.9
Net margin	26.2	26.6	25.7

Valuation ratios

FYE 31 Dec (RM m)	2012A	2013A	2014E	2015E	2016E
Reported basic EPS (sen)	43.6	50.8	35.8	40.1	53.8
Norm. basic EPS (sen)	43.6	50.8	35.8	40.1	53.8
Norm. FD EPS (sen)	43.6	50.8	35.8	40.1	53.8
Price	3.3	3.3	3.3	3.3	3.3
PER (x)	7.5	6.4	9.1	8.1	6.0
Net DPS (sen)	0.0	20.6	14.3	16.0	21.5
Net DY (%)	0.0	6.3	4.4	4.9	6.6
NTA/ share (sen)	201.9	183.4	142.3	166.4	198.6
P/NTA (x)	1.6	1.8	2.3	2.0	1.6
Enterprise value	625.1	913.4	1,434.5	1,417.4	1,345.8
EV/ EBITDA (x)	4.3	4.4	6.5	5.7	4.1
ROE (%)	21.6	27.7	25.2	24.1	27.1
Net gearing (x)	-0.3	-0.1	-0.1	-0.1	-0.2
BVPS (RM)	2.0	1.8	1.4	1.7	2.0

Cashflow

FYE 31 Dec (RM m)	2012A	2013A	2014E	2015E	2016E
PAT	103.5	152.9	163.8	183.3	246.0
Depreciation	2.3	0.0	2.0	2.0	2.0
Amortisation	0.0	0.0	0.0	0.0	0.0
Working cap & others	-10.9	18.5	-48.3	3.1	19.0
Operating cashflow	94.9	171.4	117.6	188.4	267.0
Capex	-100.0	-100.0	-99.0	-98.0	-97.0
Investing Cashflow	-100.0	-100.0	-99.0	-98.0	-97.0
Issue of shares	0	0	0	0	0
Dividends	0	-94	-66	-73	-98
Others	0	0	0	0	0
Financing cashflow	0.0	-98.1	-65.5	-73.3	-98.4
Net cash flow	-5.1	-26.7	-46.9	17.1	71.6

Quarterly financial summary

FYE 31 Dec (RM m)	2Q13	3Q13	4Q13	1Q14	2Q14
Revenue	147.3	127.4	144.3	134.7	163.7
Cost of sales	-93.7	-64.3	-65.9	-66.9	-89.2
Gross profit	53.6	63.1	78.5	67.8	74.6
Selling and marketing expenses	-1.5	-1.3	-2.9	-3.4	-2.6
Administrative expenses	-11.6	-14.5	-20.2	-10.7	-13.9
Operating Profit	40.9	49.0	57.0	54.4	58.9
Pretax profit	40.6	48.7	53.4	54.0	58.6
Net profit	30.0	36.2	40.7	38.6	42.4
Basic shares (m)	228.8	300.3	300.8	301.8	303.5
Basic EPS (sen)	13.1	12.1	13.5	12.8	14.0
DPS (sen)	5.3	10.0	5.0	5.0	3.8
FCF/ share (sen)	17.1	11.6	-37.4	28.4	-14.2
Net cash/ share (sen)	81.5	63.9	21.6	26.8	8.5

Company, HLIB

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Hong Leong Investment Bank Berhad (10209-W)
Level 23, Menara HLA
No. 3, Jalan Kia Peng
50450 Kuala Lumpur
Tel 603 2168 1168 / 603 2710 1168
Fax 603 2161 3880

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BUY	Positive recommendation of stock under coverage. Expected absolute return of more than +10% over 12-months, with low risk of sustained downside.
TRADING BUY	Positive recommendation of stock not under coverage. Expected absolute return of more than +10% over 6-months. Situational or arbitrage trading opportunity.
HOLD	Neutral recommendation of stock under coverage. Expected absolute return between -10% and +10% over 12-months, with low risk of sustained downside.
TRADING SELL	Negative recommendation of stock not under coverage. Expected absolute return of less than -10% over 6-months. Situational or arbitrage trading opportunity.
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