

Matrix Concepts Holdings(MCH MK)
Buy (Maintained)

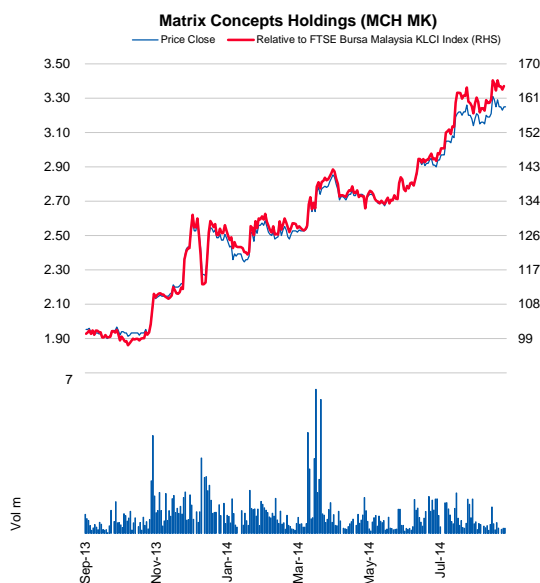
Property- Real Estate

 Target Price: **MYR3.93**

Market Cap: USD459m

 Price: **MYR3.25**

Successfully Replenishes Industrial Landbank

 Macro
 Risks
 Growth
 Value


Source: Bloomberg

Avg Turnover (MYR/USD)	1.97m/0.62m
Cons. Upside (%)	12.0
Upside (%)	20.9
52-wk Price low/high (MYR)	1.90 - 3.31
Free float (%)	43
Share outstanding (m)	457
Shareholders (%)	
Dato' Lee & Family	60.0

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	43.0	1.6	16.1	28.6	63.6
Relative	44.2	3.0	18.0	27.1	60.7

Shariah compliant

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Matrix acquired 164-acre freehold land in Labu for a consideration of MYR71.46m. We raise our FV to MYR3.93 (from MYR3.80), a 21% upside and maintain BUY. This acquisition is important to replenish Matrix's existing Sendayan TechValley (STV) landbank to ensure the sustainability of its high gross margin. Based on indicative selling prices of MYR30-35 psf, we expect Matrix to make 50% gross margin from selling the industrial land plots.

- ◆ **Another 164-acre industrial land.** We are positive on Matrix Concepts (Matrix)'s acquisition of 164.05-acre freehold land in Labu for a consideration of MYR71.46m. This land, which is adjacent to STV's southern side, is important to replenish the industrial park landbank, as it is left with only 233 acres, which can be depleted in 1-2 years. The acquisition will be completed by end-2014, and it will be funded via internal funds and borrowings.
- ◆ **A move to sustain high profit margins.** The land cost works out to be MYR10 psf. This is in line with the current market price, considering that no further conversion premium is required as the land has already been converted into industrial usage. We understand that there are already ready buyers looking to purchase the land plots. According to management, infrastructure cost of only MYR2-3 psf (vs MYR9 psf for the existing STV) will need to be incurred given the purpose of usage by the potential buyers. Hence, with indicative selling prices of MYR30-35 psf and GDV of MYR170m, Matrix will be able to make about 50% gross margin by selling the industrial land plots, hence maintaining the overall group's margin at 35-40%. The indicative selling price is lower than the ongoing ASP of MYR40-45 psf in STV, as the location of the land is further in from the main road.
- ◆ **Forecasts.** We make no changes to our FY14-15 earnings forecasts. We expect the company to achieve MYR650-700m new sales (sales in 1H amounted to MYR291m) in FY14, out of which about MYR100m will come from industrial land sale. We believe industrial land sales will be more material next year, given the presence of ready buyers for this new land.
- ◆ **Maintain BUY.** We maintain our BUY rating on the stock. Given the incremental value to our RNAV estimate, we raise our FV to MYR3.93 (from MYR3.80), based on an unchanged 10% discount to RNAV.

Forecasts and Valuations	Dec-11	Dec-12	Dec-13	Dec-14F	Dec-15F
Total turnover (MYRm)		456	575	662	770
Reported net profit (MYRm)	0	103	153	165	185
Recurring net profit (MYRm)		103	153	165	185
Recurring net profit growth (%)	0.0	na	47.7	8.2	11.8
Recurring EPS (MYR)		0.34	0.51	0.36	0.40
DPS (MYR)	0.00	0.00	0.35	0.15	0.16
Recurring P/E (x)	na	9.42	6.40	8.98	8.11
P/B (x)	na	2.85	1.77	2.27	1.95
Dividend Yield (%)	0.0	0.0	10.9	4.5	4.9
Return on average equity (%)	0.0	60.5	34.2	27.4	26.0
Return on average assets (%)	0.0	35.3	20.6	17.1	16.7
Net debt to equity (%)	0.0	(2.7)	(11.8)	(8.6)	(6.2)
Our vs consensus EPS (adjusted) (%)				(0.8)	(3.4)

Figure 2: Matrix's RNAV

Projects	Remaining landbank (acres)	GDV (MYR m)	Stake	NPV @ 13%
<i>Bandar Sri Sendayan, Negeri Sembilan</i>				
Ongoing & future developments	1,382.2	3,985.9	100%	440.8
Taman Seri Impian, Kluang, Johor	326	901.7	100%	126.3
KL land	1.1	250	100%	26.4
Taman Desa PD 3	4.3	5.5	100%	1.0
Kota Gadong Perdana	294.6	926.4	100%	123.2
Third 9 Residence	41.8	144.7	100%	20.9
Lobak Commercial Centre	7.3	45.5	100%	6.9
Labu land	236.9	760	100%	92.7
Rasah Kemayan land	194.4	800	100%	101.5
	Remaining landbank (acres)	Market price (MYR psf)	BV (MYR psf)	Net surplus
Sendayan TechValley	243.7	45	10	278.7
New industrial land	164.1	32	13	76.4
Unbilled sales				148.3
Total				1,443.0
Shareholders' fund				552.4
Total RNAV				1,995.4
Share base				456.4
RNAV/share				4.37
Discount				10%
Fair value				3.93

Source: RHB

Financial Exhibits

Profit & Loss (MYRm)	Dec-11	Dec-12	Dec-13	Dec-14F	Dec-15F
Total turnover		456	575	662	770
Cost of sales		(263)	(305)	(367)	(443)
Gross profit	-	193	270	295	327
Selling expenses		(47)	(62)	(72)	(78)
Other operating costs		(2)	1	4	4
Operating profit	-	144	209	227	253
Operating EBITDA	-	144	209	227	253
Operating EBIT	-	144	209	227	253
Interest expense	-	(1)	(1)	(2)	(2)
Pre-tax profit	-	143	207	224	251
Taxation	-	(39)	(54)	(59)	(66)
Profit after tax & minorities	-	103	153	165	185
Reported net profit	-	103	153	165	185
Recurring net profit		103	153	165	185

Source: Company data, RHB

Cash flow (MYRm)	Dec-11	Dec-12	Dec-13	Dec-14F	Dec-15F
Operating profit	-	144	209	227	253
Change in working capital	-	(288)	(1)	(60)	(75)
Other operating cash flow		268	(112)	20	37
Operating cash flow	-	124	95	186	216
Interest paid	-	(1)	(1)	(2)	(2)
Tax paid	-	(39)	(54)	(59)	(66)
Cash flow from operations	-	84	40	125	148
Capex	-	(14)	(3)	(50)	(50)
Other investing cash flow	-	(39)	(66)	-	-
Cash flow from investing activities	-	(53)	(69)	(50)	(50)
Dividends paid	-	-	-	(107)	(67)
Proceeds from issue of shares	-	238	164	-	-
Increase in debt	-	21	29	-	-
Other financing cash flow	-	(260)	(111)	22	(42)
Cash flow from financing activities	-	(0)	83	(85)	(109)
Cash at beginning of period	-	-	31	116	107
Total cash generated	-	31	53	(10)	(11)
Implied cash at end of period	-	31	84	106	96

Source: Company data, RHB

Financial Exhibits

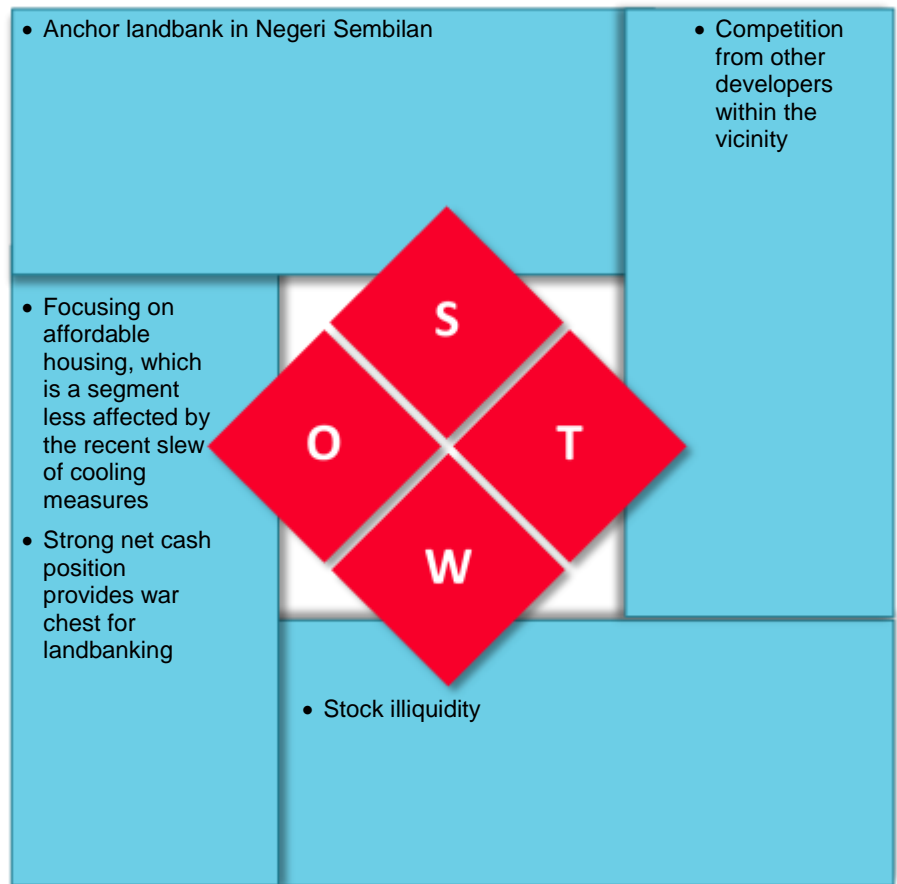
Balance Sheet (MYRm)	Dec-11	Dec-12	Dec-13	Dec-14F	Dec-15F
Total cash and equivalents	-	31	116	107	99
Inventories		2	2	2	2
Accounts receivable	-	120	141	162	189
Other current assets	-	389	444	511	595
Total current assets	-	542	702	783	884
Total investments	-	43	192	241	291
Total other assets	-	2	7	7	7
Total non-current assets	-	45	198	248	298
Total assets	-	587	900	1,031	1,182
Short-term debt	-	4	35	35	35
Accounts payable	-	190	246	275	310
Other current liabilities	-	33	52	52	52
Total current liabilities	-	227	333	362	397
Total long-term debt	-	18	15	15	15
Other liabilities	-	0	-	-	-
Total non-current liabilities	-	18	15	15	15
Total liabilities	-	245	348	377	412
Share capital		51	301	457	462
Retained earnings reserve	-	291	181	126	238
Other reserves	-	0	70	70	70
Shareholders' equity	-	342	552	654	770
Total equity	-	342	552	654	770
Total liabilities & equity	-	587	900	1,031	1,182

Source: Company data, RHB

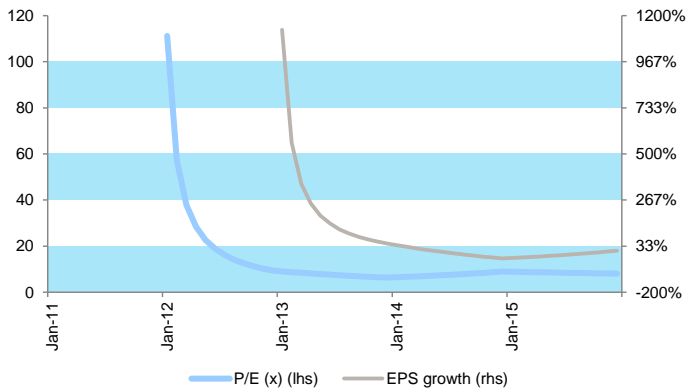
Key Ratios (MYR)	Dec-11	Dec-12	Dec-13	Dec-14F	Dec-15F
Revenue growth (%)	0.0	0.0	26.0	15.2	16.3
Operating profit growth (%)	0.0	0.0	45.1	8.6	11.7
Net profit growth (%)	0.0	0.0	47.7	8.2	11.8
EPS growth (%)	0.0	0.0	47.2	(28.7)	10.7
Bv per share growth (%)	0.0	0.0	60.9	(22.0)	16.5
Operating margin (%)	0.0	31.5	36.3	34.2	32.9
Net profit margin (%)	0.0	22.7	26.6	25.0	24.0
Return on average assets (%)	0.0	35.3	20.6	17.1	16.7
Return on average equity (%)	0.0	60.5	34.2	27.4	26.0
Net debt to equity (%)	0.0	(2.7)	(11.8)	(8.6)	(6.2)
DPS	0.00	0.00	0.35	0.15	0.16
Recurrent cash flow per share	0.00	0.28	0.13	0.27	0.32

Source: Company data, RHB

SWOT Analysis

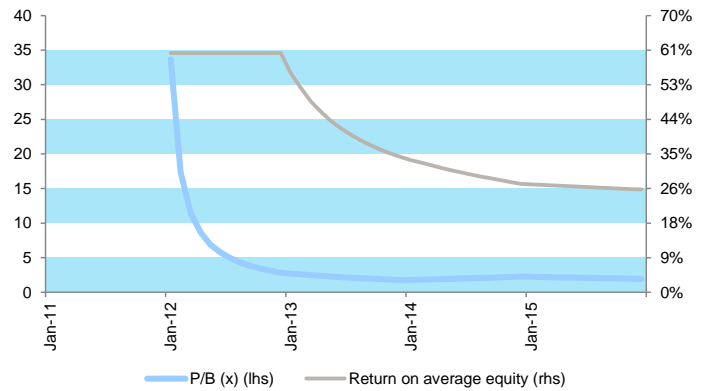


P/E (x) vs EPS growth



Source: Company data, RHB

P/BV (x) vs ROAE

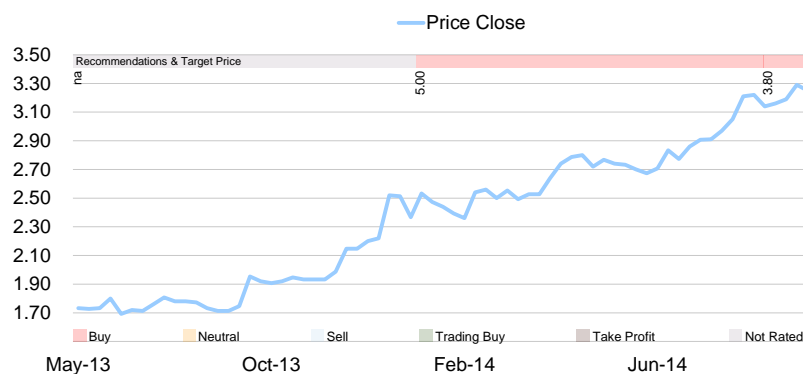


Source: Company data, RHB

Company Profile

Matrix Concepts is a Negeri Sembilan-based developer that currently has 2,732 acres of land with a total portfolio GDV of MYR8.2bn. The group concentrates mainly on developing residential and commercial properties, as well as industrial land sale.

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2014-08-20	Buy	3.80	3.20
2014-08-19	Buy	3.80	3.20
2014-05-21	Buy	5.00	2.67
2014-04-14	Buy	5.00	2.77
2014-02-26	Buy	5.00	2.52
2014-01-07	Buy	5.00	2.55

Source : RHB, Bloomberg

RHB Guide to Investment Ratings

- Buy:** Share price may exceed 10% over the next 12 months
Trading Buy: Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
Neutral: Share price may fall within the range of +/- 10% over the next 12 months
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