

25 February 2016

Property | Real Estate

Matrix Concepts Holdings

Buy (Maintained)

Target Price: MYR2.73
 Price: MYR2.43
 Market Cap: USD319m
 Bloomberg Ticker: MCH MK

Dividend Payout Ability Remains Strong

We expect affordable housing demand to be more resilient and Matrix's attractive dividend yield of >5% would continue to support its share price. Maintain BUY with a MYR2.73 TP (12% upside). 12M new sales of MYR805.5m surpassed management's MYR700m target, mainly contributed from property sales as the weak economic growth has slowed industrial sales more severely.

MYR193.7m new sales in 4Q, slightly down from MYR244.5m in 3Q, bringing 12M new sales to MYR805.5m (vs MYR630.2m in FY14), exceeding management's expectation of MYR700m. Outlook for industrial land sale remains challenging due to the economic slowdown in the region. The take-up rate for projects launched in 2015 continues to improve, with Hijayu 3B (Phase 1) achieving 92% from 83% in 3Q, while Hijayu Resorts Homes (Phase 1A) was 56% (from 45%). Newer projects such as Suriaman 1 Phases 1 & 2 are now 58% sold, while Impiana Bayu 2 @ Taman Sri Impian is 65% sold.

Pipeline launches. A total of MYR1bn worth of new projects is scheduled for FY16, including Residensi SIGC (GDV: MYR250m), about 300 units of affordable housing in Kota Gadong, as well as new phases in the existing Bandar Sri Sendayan and Taman Sri Impian. These are mainly within the mid-priced range.

Forecast. We make no changes in our earnings forecast. Unbilled sales stayed resilient at MYR633.2m (vs. MYR640.5m in 3Q). Key risk: worst-than-expected economic conditions.

Maintain BUY. We maintain our BUY rating and MYR2.73 TP, based on 20% discount to RNAV.

4QFY16 (Mar) earnings – In line

(MYRm)	4Q15	3Q15	QoQ	4Q14	YoY	Comments
Revenue	142	121	16.6%	151	-6.3%	No contribution from industrial land sale during the quarter.
EBIT	50	40	25.5%	74	-32.2%	
EBIT (%)	35.6%	33.1%		49.2%		Margin was lower from 2014 due to start-up expenses for Matrix Global Schools and clubhouse in 2015. Within expectations.
NI	37	31	18.5%	57	-34.8%	
NI (%)	26.0%	25.6%		37.4%		

Source: Company data, RHB

4Q results within expectation. Matrix Concepts (Matrix)'s 4Q15 earnings were within our and market expectations (Matrix has changed its FYE to Mar from Dec). During the quarter, revenue was mainly contributed by property sales while its industrial land sales were still lacking. A MYR4.3m contribution was derived from investment properties (clubhouse and school), but it is still in the red at EBIT level. Net gearing stands at 9%, inching up slightly from 7% in 3Q. A 3.75 sen single-tier dividend was declared for the quarter.

Forecasts and Valuations	Mar-14	Mar-15	Mar-16F	Mar-17F	Mar-18F
Total turnover (MYRm)	580	613	662	736	824
Reported net profit (MYRm)	160	185	192	228	247
Recurring net profit (MYRm)	160	185	192	228	247
Recurring net profit growth (%)	38.8	15.4	3.9	18.8	8.3
Recurring EPS (MYR)	0.35	0.39	0.37	0.41	0.43
DPS (MYR)	0.16	0.16	0.12	0.20	0.19
Recurring P/E (x)	6.93	6.19	6.50	5.98	5.66
P/B (x)	1.90	1.57	1.38	1.28	1.15
Dividend Yield (%)	6.6	6.6	5.0	8.2	7.8
Return on average equity (%)	32.7	28.3	24.1	23.1	21.6
Return on average assets (%)	20.2	18.6	16.4	16.1	15.7
Net debt to equity (%)	(9.2)	(2.9)	(3.4)	(19.6)	(12.1)
Our vs consensus EPS (adjusted) (%)		0.0	0.0	4.3	(0.1)

Source: Company data, RHB

Share Data

Avg Daily Turnover (MYR/USD)	0.56m/0.13m
52-wk Price low/high (MYR)	2.16 - 2.85
Free Float (%)	43
Shares outstanding (m)	551
Estimated Return	12%

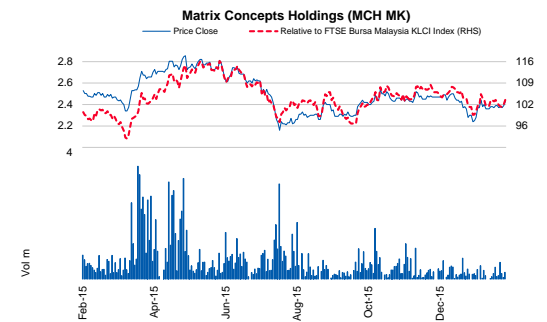
Shareholders (%)

Dato' Lee and family	60.0
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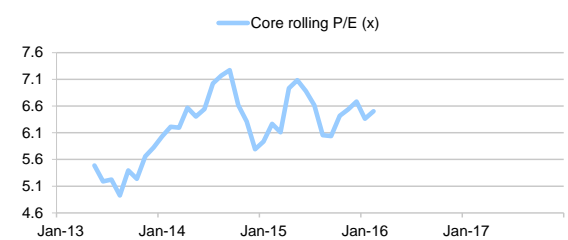
Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(2.4)	5.7	(1.2)	7.0	(3.2)
Relative	(1.5)	2.5	(1.6)	0.5	4.1

Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

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Financial Exhibits

Profit & Loss (MYRm)	Mar-14	Mar-15	Mar-16F	Mar-17F	Mar-18F	Cash flow (MYRm)	Mar-14	Mar-15	Mar-16F	Mar-17F	Mar-18F
Total turnover	580	613	662	736	824	Operating profit	218	250	263	311	335
Cost of sales	(298)	(290)	(338)	(347)	(408)	Change in working capital	(32)	(127)	(127)	65	(64)
Gross profit	283	323	324	390	416	Other operating cash flow	(79)	22	30	38	39
Selling expenses	(66)	(74)	(63)	(82)	(84)	Operating cash flow	106	146	166	415	309
Other operating costs	1	1	3	3	3	Interest paid	(1)	(2)	(3)	(5)	(5)
Operating profit	218	250	263	311	335	Tax paid	(56)	(64)	(68)	(78)	(82)
EBITDA	218	250	263	311	335	Cash flow from operations	49	80	95	332	222
Operating profit	218	250	263	311	335	Capex	(15)	(49)	(40)	(50)	(150)
Interest expense	(1)	(2)	(3)	(5)	(5)	Other investing cash flow	(51)	(4)	-	-	1
Pre-tax profit	216	248	260	306	330	Cash flow from investing activities	(66)	(53)	(40)	(50)	(149)
Taxation	(56)	(64)	(68)	(78)	(82)	Dividends paid	(18)	(69)	(64)	(77)	(112)
Reported net profit	160	185	192	228	247	Proceeds from issue of shares	104	23	-	-	-
Recurring net profit	160	185	192	228	247	Increase in debt	29	21	-	-	-

Source: Company data, RHB

Key Ratios	Mar-14	Mar-15	Mar-16F	Mar-17F	Mar-18F
Revenue growth (%)	19.8	5.7	7.9	11.3	11.8
Operating profit growth (%)	36.7	14.9	5.1	18.3	7.5
Recurring net profit growth (%)	38.8	15.4	3.9	18.8	8.3
Recurrent EPS growth (%)	38.8	12.1	(4.9)	8.8	5.7
Gross margin (%)	48.7	52.7	49.0	52.9	50.5
Operating EBITDA margin (%)	37.5	40.8	39.8	42.3	40.6
Operating margin (%)	37.5	40.8	39.8	42.3	40.6
Recurring net profit margin (%)	27.6	30.1	29.0	31.0	30.0
Return on average assets (%)	20.2	18.6	16.4	16.1	15.7
Return on average equity (%)	32.7	28.3	24.1	23.1	21.6
Net debt to equity (%)	(9.2)	(2.9)	(3.4)	(19.6)	(12.1)
Interest cover (x)	151	126	93	61	65
Capex/Free cash flow (%)	30.8	60.5	42.2	15.1	67.6
BVPS (MYR)	1.28	1.55	1.76	1.90	2.12
DPS (MYR)	0.16	0.16	0.12	0.20	0.19
Dividend payout ratio (%)	45.6	40.5	32.2	49.2	44.2
Free cash flow per share (MYR)	0.07	0.07	0.11	0.50	0.13

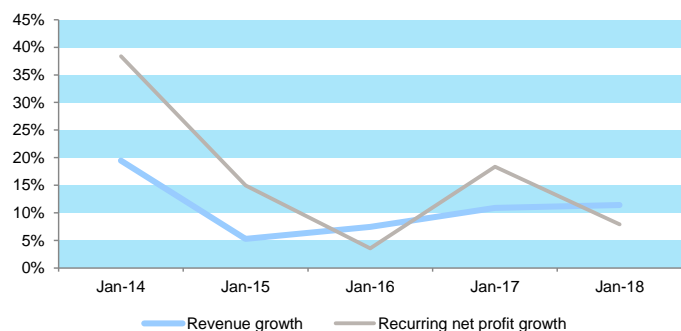
Source: Company data, RHB

Source: Company data, RHB

Balance Sheet (MYRm)	Mar-14	Mar-15	Mar-16F	Mar-17F	Mar-18F
Total cash and equivalents	111	109	159	337	276
Inventories	2	2	3	3	3
Accounts receivable	126	85	109	98	109
Other current assets	474	608	780	697	779
Total current assets	713	805	1,051	1,135	1,168
Total investments	205	255	295	344	493
Total other assets	7	6	6	6	6
Total non-current assets	211	261	301	350	499
Total assets	924	1,066	1,352	1,485	1,667
Short-term debt	37	42	42	42	42
Accounts payable	233	213	282	252	282
Other current liabilities	48	36	36	36	36
Total current liabilities	318	291	361	331	361
Total long-term debt	20	46	86	86	86
Total non-current liabilities	20	46	86	86	86
Total liabilities	339	337	447	417	447
Share capital	340	468	514	561	575
Retained earnings reserve	191	253	383	499	637
Other reserves	55	8	8	8	8
Shareholders' equity	585	729	905	1,068	1,220
Total equity	585	729	905	1,068	1,220
Total liabilities & equity	924	1,066	1,352	1,485	1,667

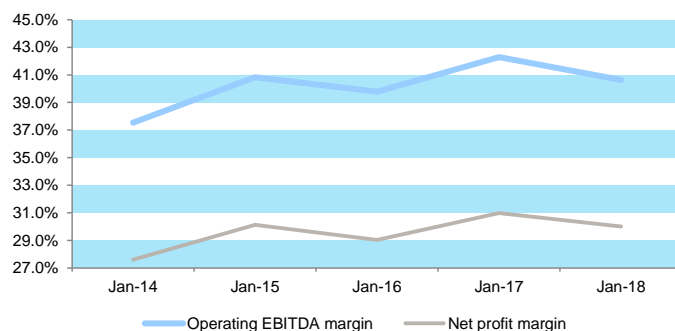
Source: Company data, RHB

Revenue growth vs Recurring net profit growth



Source: Company data, RHB

EBITDA margin vs Net profit margin



Source: Company data, RHB

Figure 1: Matrix's quarterly results

FYE Dec (MYRm)	4Q14	3Q15	4Q15	QoQ (%)	YoY (%)	12M14	12M15	YoY (%)	Comments
Turnover	151.0	121.4	141.5	16.6	(6.3)	598.3	700.9	17.2	Mainly driven by the sale of residential and commercial properties, while industrial land sale only contributed MYR120.8m for 12M revenue, down from MYR147.8m in the previous year.
EBIT	74.2	40.1	50.4	25.5	(32.2)	246.5	289.4	17.4	
EBIT margin (%)	49.2	33.1	35.6			41.2	41.3		
Net interest	(0.5)	0.1	(0.8)	(1047.1)	82.3	(1.7)	(3.0)	73.9	
Pretax profit	73.8	40.2	49.5	23.2	(32.9)	244.8	286.5	17.0	
Pretax margin (%)	48.9	33.1	35.0			40.9	40.9		
Taxation	(17.3)	(9.1)	(12.7)	39.1	(26.5)	(62.1)	(73.2)	17.9	
Tax rate (%)	23.4	22.7	25.6			25.4	25.6		
Minority interest	0.0	0.0	0.0	n.m.	n.m.	0.0	0.0	n.m.	
Net profit	56.5	31.1	36.8	18.5	(34.8)	182.6	213.2	16.8	Within expectations
Net margin (%)	37.4	25.6	26.0			30.5	30.4		
EPS (sen)	12.4	5.9	6.7			49.7	44.3		
Gross DPS (sen)	6.5	3.5	3.8			17.3	15.0		
NTA/share (MYR)	1.5	1.5	1.5			1.5	1.5		

Source: RHB

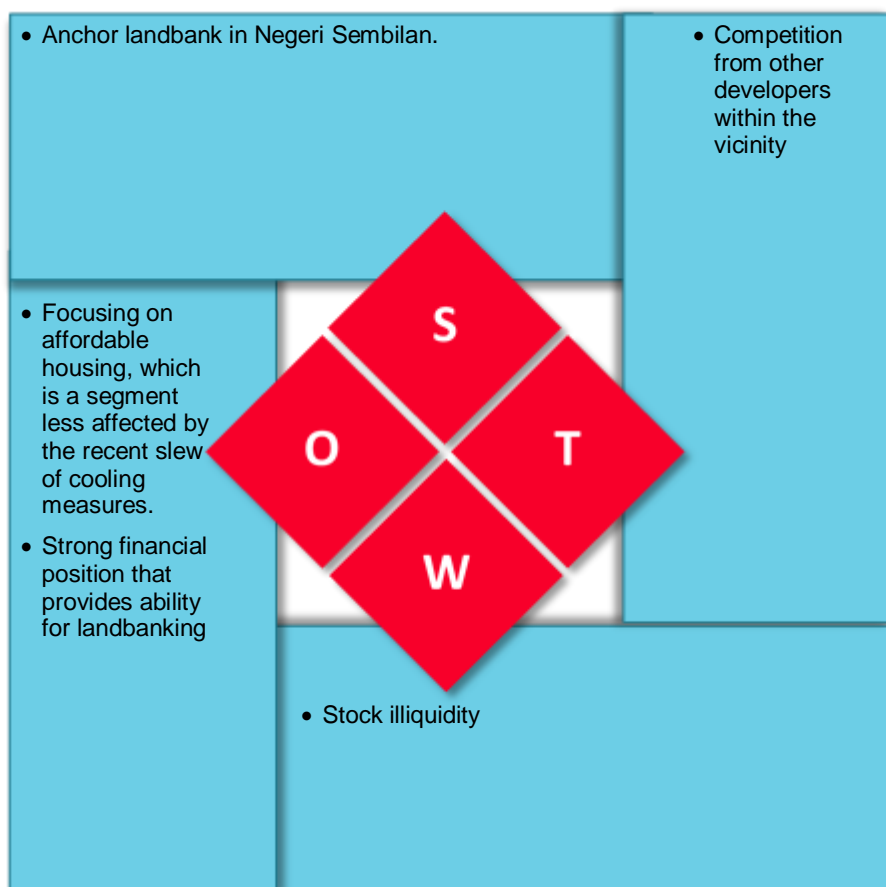
Figure 2: Matrix's RNAV

Projects	Remaining landbank (acres)	GDV (MYR m)	Stake	NPV @ 13%
<i>Bandar Sri Sendayan, Negeri Sembilan</i>				
Ongoing & future developments	1,289.5	3,718.6	100%	320.4
Taman Seri Impian, Kluang, Johor	309.9	857.2	100%	102.8
KL land	1.1	250	100%	14.9
Taman Desa PD 3	4.3	5.5	100%	0.9
Kota Gadong Perdana	294.6	926.4	100%	116.3
Third 9 Residence	41.8	144.7	100%	19.7
Lobak Commercial Centre	7.3	45.5	100%	6.2
Labu land	236.9	760	100%	69.7
Rasah Kemayan land	194.4	800	100%	76.3
Puchong	5.8	500	100%	

	Remaining landbank (acres)	Market price (MYR psf)	BV (MYR psf)	Net surplus
Sendayan TechValley 1&2	217	45	10	248.1
New industrial land	164.1	33	13	64.3
Sendayan TechValley 3	79.0	40	15	64.5
Unbilled sales				148.3
Total				1,252.4
Shareholders' fund				686.0
Warrants conversion (exercice price at MYR2.40)				186.8
Total RNAV				2,125.2
Share base				622.7
RNAV/share				3.41
Discount				20%
Target price				2.73

Source: RHB

SWOT Analysis



Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2015-08-10	Buy	2.73	2.26
2015-05-13	Buy	3.65	2.75
2015-04-21	Buy	3.65	2.66
2015-04-15	Buy	3.60	2.71
2015-03-12	Buy	3.48	2.50
2015-02-12	Buy	3.36	2.49
2014-12-16	Buy	3.00	1.93
2014-11-18	Buy	3.93	2.48
2014-09-21	Buy	3.93	2.79
2014-08-20	Buy	3.80	2.74

Source: RHB, Bloomberg

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Trading Buy: Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain

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