

Matrix Concepts Holdings (MCH MK)

Property - Real Estate

Market Cap: USD385m

Buy (Maintained)

Target Price: MYR5.00

Price: MYR4.11

1-for-2 Bonus Issue Announced

Macro	◆◆◆
Risks	◆◆
Growth	◆◆◆
Value	◆◆◆



Source: Bloomberg

Avg Turnover (MYR/USD)	2.49m/0.76m
Cons. Upside (%)	9.5
Upside (%)	21.7
52-wk Price low/high (MYR)	2.20 - 4.17
Free float (%)	43

Shareholders (%)	
Dato' Lee & Family	60.0

Shariah compliant

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We maintain our BUY call and MYR5.00 FV on MCH. The company has announced a 1-for-2 bonus to reward shareholders. Its management's execution track record is established and we remain positive on the stock. In 2H, we expect MCH to acquire new landbank to replenish its depleting Sendayan Tech Valley (STV). This acquisition is crucial to sustain earnings momentum and high margins.

- ◆ **The highly anticipated bonus issue is now done.** We mentioned in our 6 Jan 2014 initiation report that we expect Matrix Concepts (MCH) to reward shareholders with a bonus issue given its strong shareholders' equity base. MCH announced a 1-for-2 bonus issue last Friday. With a higher share base of 454m and lower adjusted share price post exercise (MYR2.74, based on last Friday's close), this bonus issue will help to enhance the stock's liquidity as well as marketability. The entitlement date will be determined at a later date and the exercise is slated for completion in 3Q14.
- ◆ **Looking forward to the new landbank.** We now look forward to MCH's acquisition of new landbank in 2H that is intended to extend STV. STV currently has a remaining land size of 244 acres, which can be exhausted in 1-2 years' time. Demand for land plots in STV has been high, given its vicinity to the KLIA airport as well as the North-South Highway. Current land prices are going at MYR45 psf. Management will add value to the remaining landbank in STV by allocating semi-detached and terrace industrial lots for sale at higher prices in the medium term. With the new acquisition, MCH will be able to sustain its earnings momentum and high profit margins and, more importantly, the industrial park will continue to attract demand for the adjacent township, Bandar Sri Sendayan (BSS).
- ◆ **More value-added effort in existing projects.** MCH's BSS township is taking shape nicely. Management has recently entered into an affiliation agreement with the UK's Ellesmere College. The collaboration, which involves exchanging teachers, is expected to bring a higher standard to the township's international school.
- ◆ **Valuations.** We maintain our BUY call on MCH with an unchanged FV of MYR5.00, which is based on a 20% discount to RNAV. Post bonus issue, our FV will be adjusted to MYR3.33.

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	173	194
Recurring net profit (MYRm)		103	153	173	194
Recurring net profit growth (%)	0.0	na	47.7	12.9	12.3
Recurring EPS (MYR)		0.34	0.51	0.57	0.64
DPS (MYR)	0.00	0.00	0.35	0.22	0.24
Recurring P/E (x)	na	11.9	8.1	7.2	6.5
P/B (x)	na	3.61	2.24	1.89	1.60
Dividend Yield (%)	0.0	0.0	8.6	5.4	5.8
Return on average equity (%)	0.0	60.5	34.2	28.5	26.9
Return on average assets (%)	0.0	35.3	20.6	17.8	17.4
Net debt to equity (%)	0.0	(2.7)	(11.8)	(9.4)	(7.7)
Our vs consensus EPS (adjusted) (%)				1.3	(0.5)

Source: Company data, RHB estimates

Figure 1: MCH's RNAV

Projects	Remaining landbank (acres)	GDV (MYR m)	Stake	NPV @ 13%
<i>Bandar Sri Sendayan, Negeri Sembilan</i>				
Ongoing & future developments	1382.2	3,985.9	100%	433.1
Taman Seri Impian, Kluang, Johor	326	901.7	100%	100.9
KL land	1.1	250	100%	27.7
Taman Desa PD 3	4.3	5.5	100%	0.9
Kota Gadong Perdana	294.6	926.4	100%	119.8
Third 9 Residence	41.8	144.7	100%	20.3
Lobak Commercial Centre	7.3	45.5	100%	6.4
Labu land	236.9	760	100%	97.6
Rasah Kemayan land	194.4	800	100%	117.7
	Remaining landbank (acres)	Market price (MYR psf)	BV (MYR psf)	Net surplus
Sendayan TechValley	243.7	45	10	278.7
Unbilled sales				148.3
Total				1,351.4
Shareholders' fund				540.1
Total RNAV				1,891.4
Share base				302.7
RNAV/share				6.25
Discount				20%
Fair value				5.00

Source: RHB estimates

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)	(368)	(446)
Gross profit	-	193	270	294	324
Selling expenses		(47)	(62)	(62)	(63)
Other operating costs		(2)	1	4	4
Operating profit	-	144	209	236	265
Operating EBITDA	-	144	209	236	265
Operating EBIT	-	144	209	236	265
Interest expense	-	(1)	(1)	(2)	(2)
Pre-tax profit	-	143	207	234	263
Taxation	-	(39)	(54)	(61)	(69)
Profit after tax & minorities	-	103	153	173	194
Reported net profit	-	103	153	173	194
Recurring net profit		103	153	173	194

Source: Company data, RHB estimates

Cash flow (MYRm)	Dec-11	Dec-12	Dec-13	Dec-14F	Dec-15F
Operating profit	-	144	209	236	265
Change in working capital	-	(288)	(1)	(60)	(75)
Other operating cash flow		268	(112)	20	37
Operating cash flow	-	124	95	196	227
Interest paid	-	(1)	(1)	(2)	(2)
Tax paid	-	(39)	(54)	(61)	(69)
Cash flow from operations	-	84	40	132	156
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)	(108)
Cash at beginning of period	-	-	31	116	113
Total cash generated	-	31	53	(3)	(2)
Forex effects			32		
Implied cash at end of period	-	31	116	113	111

Source: Company data, RHB estimates

Financial Exhibits

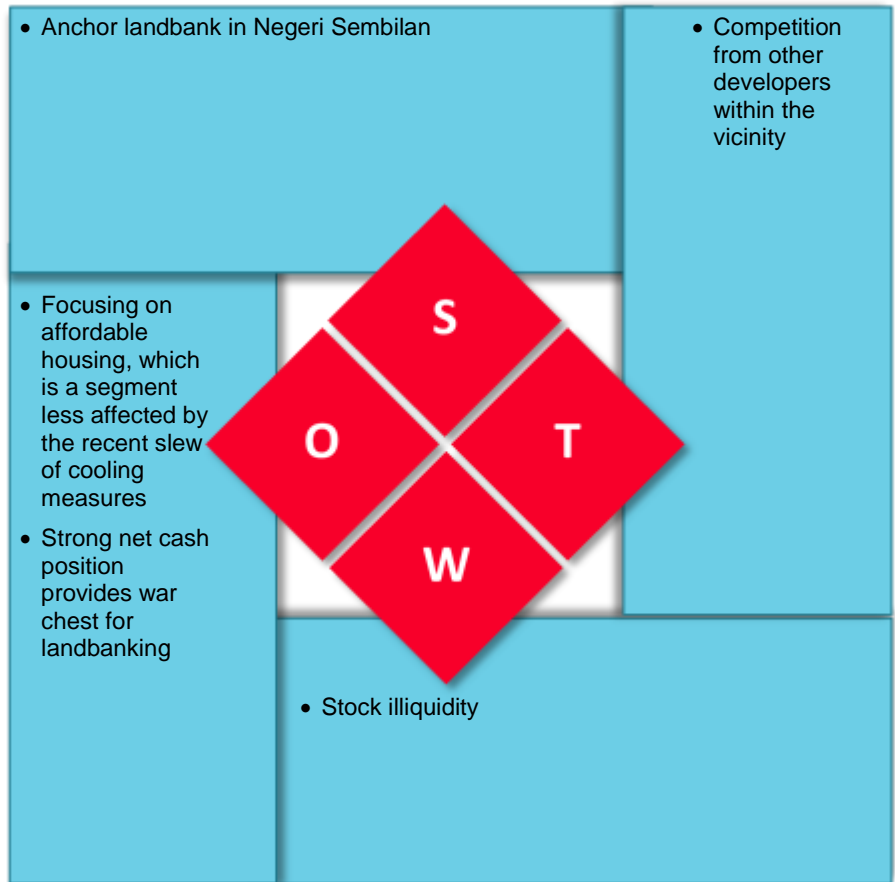
Balance Sheet (MYRm)	Dec-11	Dec-12	Dec-13	Dec-14F	Dec-15F
Total cash and equivalents	-	31	116	113	111
Inventories		2	2	2	2
Accounts receivable	-	120	141	162	189
Other current assets	-	389	444	511	595
Total current assets	-	542	702	789	897
Total investments	-	43	192	241	291
Total other assets	-	2	7	7	7
Total non-current assets	-	45	198	248	298
Total assets	-	587	900	1,037	1,195
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	303	304
Retained earnings reserve	-	291	181	287	407
Other reserves	-	0	70	70	70
Shareholders' equity	-	342	552	660	782
Total equity	-	342	552	660	782
Total liabilities & equity	-	587	900	1,037	1,195

Source: Company data, RHB estimates

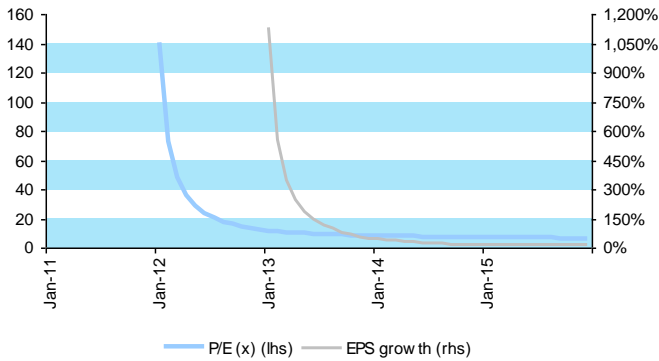
Key Ratios (MYR)	Dec-11	Dec-12	Dec-13	Dec-14F	Dec-15F
Revenue growth (%)	0.0	0.0	26.0	15.2	16.3
Operating profit growth (%)	0.0	0.0	45.1	13.2	12.2
Net profit growth (%)	0.0	0.0	47.7	12.9	12.3
EPS growth (%)	0.0	0.0	47.2	12.3	11.7
Bv per share growth (%)	0.0	0.0	60.9	18.9	17.9
Operating margin (%)	0.0	31.5	36.3	35.7	34.4
Net profit margin (%)	0.0	22.7	26.6	26.1	25.1
Return on average assets (%)	0.0	35.3	20.6	17.8	17.4
Return on average equity (%)	0.0	60.5	34.2	28.5	26.9
Net debt to equity (%)	0.0	(2.7)	(11.8)	(9.4)	(7.7)
DPS	0.00	0.00	0.35	0.22	0.24
Recurrent cash flow per share	0.00	0.28	0.13	0.44	0.51

Source: Company data, RHB estimates

SWOT Analysis

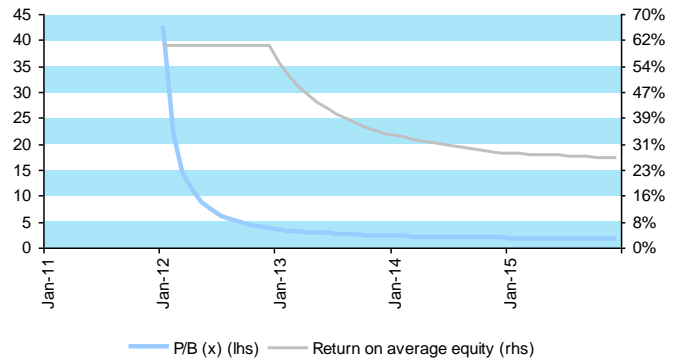


P/E (x) vs EPS growth



Source: Company data, RHB estimates

P/BV (x) vs ROAE

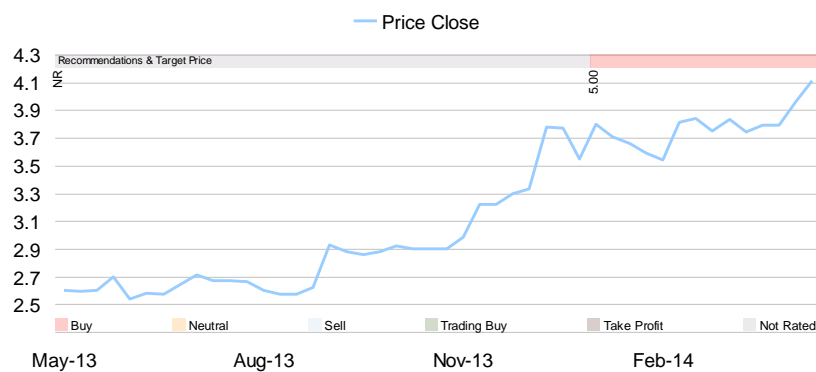


Source: Company data, RHB estimates

Company Profile

Matrix Concepts (MCH) 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 in developing residential and commercial properties, as well as industrial land sale.

Recommendation Chart



Source: RHB estimates, Bloomberg

Date	Recommendation	Target Price	Price
2014-02-26	Buy	5.00	3.78
2014-01-07	Buy	5.00	3.82

Source: RHB estimates, 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
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