

# Matrix Concepts Holdings (MCH MK)

Property - Real Estate

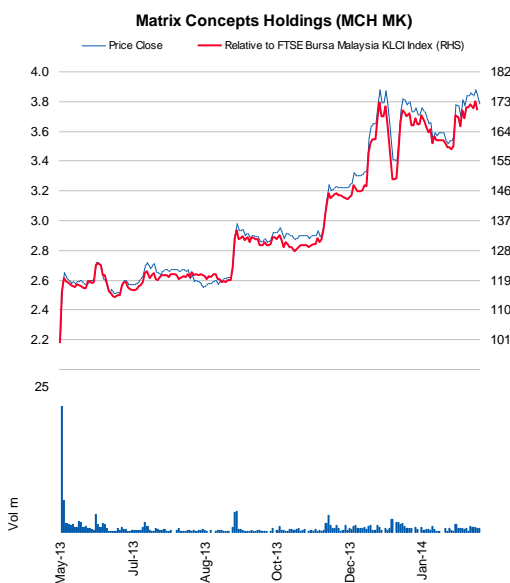
Market Cap: USD348m

**Buy** (Maintained)

Target Price: MYR5.00

Price: MYR3.78

## More Efforts To Value Add Existing Projects

 Macro   
 Risks   
 Growth   
 Value 


Source: Bloomberg

Avg Turnover (MYR/USD)	2.44m/0.74m
Cons. Upside (%)	19.0
Upside (%)	32.3
52-wk Price low/high (MYR)	2.20 - 3.88
Free float (%)	43

Shareholders (%)	
Dato' Lee & Family	60.0

Shariah compliant

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We maintain our BUY rating and MYR5.00 FV on Matrix Concepts (MCH). The same amount of sales of MYR788m is expected to be repeated in FY14. We are upbeat on management's ongoing efforts to bring in reputable retail and international school operators to the township. Meanwhile, negotiations to acquire a new industrial land to extend the Sendayan Tech Valley industrial enclave are also under way.

- ◆ **High expectations on the company.** Turnout for MCH's briefing yesterday was impressive after the company reported good FY13 results on 25 Feb. We remain confident on MCH's sales prospects, earnings delivery, and sustainability of margins and dividends.
- ◆ **MYR660m new projects this year.** MCH will position its flagship Bandar Sri Sendayan (BSS) as a suburb within the Klang Valley to attract more buyers who are looking for affordable housing. Management expects to at least achieve the same amount of sales of MYR788m the company made in FY13. This is reasonable, considering the challenging market conditions. About MYR660m new projects will be rolled out this year, including Hijayu 1A and 3A in BSS worth a GDV of MYR400m.
- ◆ **Expect more value-add efforts in Sendayan.** Investors should expect more news flow on MCH's BSS and Taman Seri Impian townships over the next few months. As BSS is still largely a growing township, various efforts have been put in to draw reputable retail and international school operators to set up a mall and a school in the commercial precinct there. We believe the establishment of these components is important to drive the demand and values of the properties in BSS, in addition to the natural demand created from Sendayan Tech Valley (STV).
- ◆ **New industrial land key to sustainability.** We continue to look forward to the acquisition of a new land that is planned for STV extension. STV currently has remaining landbank of 244 acres, which will be exhausted in 1-2 years' time. Of the 244 acres, about 40 acres have been allocated as semi-detached and terrace industrial lots for sale at higher pricing in the medium term. Meanwhile, management expects to close at least two more deals in STV, which is now going at MYR45 psf.
- ◆ **Valuations.** We maintain our BUY call on MCH, with an unchanged FV of MYR5.00, based on a 20% 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	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	11.0	7.4	6.6	5.9
P/B (x)	na	3.32	2.06	1.73	1.47
Dividend Yield (%)	0.0	0.0	9.4	5.8	6.3
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 (%)				0.0	0.0

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

<b>Profit &amp; Loss (MYRm)</b>	<b>Dec-11</b>	<b>Dec-12</b>	<b>Dec-13</b>	<b>Dec-14F</b>	<b>Dec-15F</b>
Total turnover		456	575	662	770
Cost of sales		(263)	(305)	(368)	(446)
<b>Gross profit</b>	<b>-</b>	<b>193</b>	<b>270</b>	<b>294</b>	<b>324</b>
Selling expenses		(47)	(62)	(62)	(63)
Other operating costs		(2)	1	4	4
<b>Operating profit</b>	<b>-</b>	<b>144</b>	<b>209</b>	<b>236</b>	<b>265</b>
Operating EBITDA	-	144	209	236	265
<b>Operating EBIT</b>	<b>-</b>	<b>144</b>	<b>209</b>	<b>236</b>	<b>265</b>
Interest expense	-	(1)	(1)	(2)	(2)
<b>Pre-tax profit</b>	<b>-</b>	<b>143</b>	<b>207</b>	<b>234</b>	<b>263</b>
Taxation	-	(39)	(54)	(61)	(69)
<b>Profit after tax &amp; minorities</b>	<b>-</b>	<b>103</b>	<b>153</b>	<b>173</b>	<b>194</b>
<b>Reported net profit</b>	<b>-</b>	<b>103</b>	<b>153</b>	<b>173</b>	<b>194</b>
<b>Recurring net profit</b>		<b>103</b>	<b>153</b>	<b>173</b>	<b>194</b>

Source: Company data, RHB estimates

<b>Cash flow (MYRm)</b>	<b>Dec-11</b>	<b>Dec-12</b>	<b>Dec-13</b>	<b>Dec-14F</b>	<b>Dec-15F</b>
<b>Operating profit</b>	<b>-</b>	<b>144</b>	<b>209</b>	<b>236</b>	<b>265</b>
<b>Change in working capital</b>	<b>-</b>	<b>(288)</b>	<b>(1)</b>	<b>(60)</b>	<b>(75)</b>
Other operating cash flow		268	(112)	20	37
<b>Operating cash flow</b>	<b>-</b>	<b>124</b>	<b>95</b>	<b>196</b>	<b>227</b>
Interest paid	-	(1)	(1)	(2)	(2)
Tax paid	-	(39)	(54)	(61)	(69)
<b>Cash flow from operations</b>	<b>-</b>	<b>84</b>	<b>40</b>	<b>132</b>	<b>156</b>
Capex	-	(14)	(3)	(50)	(50)
Other investing cash flow	-	(39)	(66)	-	-
<b>Cash flow from investing activities</b>	<b>-</b>	<b>(53)</b>	<b>(69)</b>	<b>(50)</b>	<b>(50)</b>
Dividends paid	-	-	-	(107)	(67)
Proceeds from issue of shares	-	238	164	-	-
Increase in debt	-	21	29	-	-
Other financing cash flow	-	(260)	(111)	22	(42)
<b>Cash flow from financing activities</b>	<b>-</b>	<b>(0)</b>	<b>83</b>	<b>(85)</b>	<b>(108)</b>
Cash at beginning of period	-	-	31	116	113
<b>Total cash generated</b>	<b>-</b>	<b>31</b>	<b>53</b>	<b>(3)</b>	<b>(2)</b>
Forex effects			32		
<b>Implied cash at end of period</b>	<b>-</b>	<b>31</b>	<b>116</b>	<b>113</b>	<b>111</b>

Source: Company data, RHB estimates

## Financial Exhibits

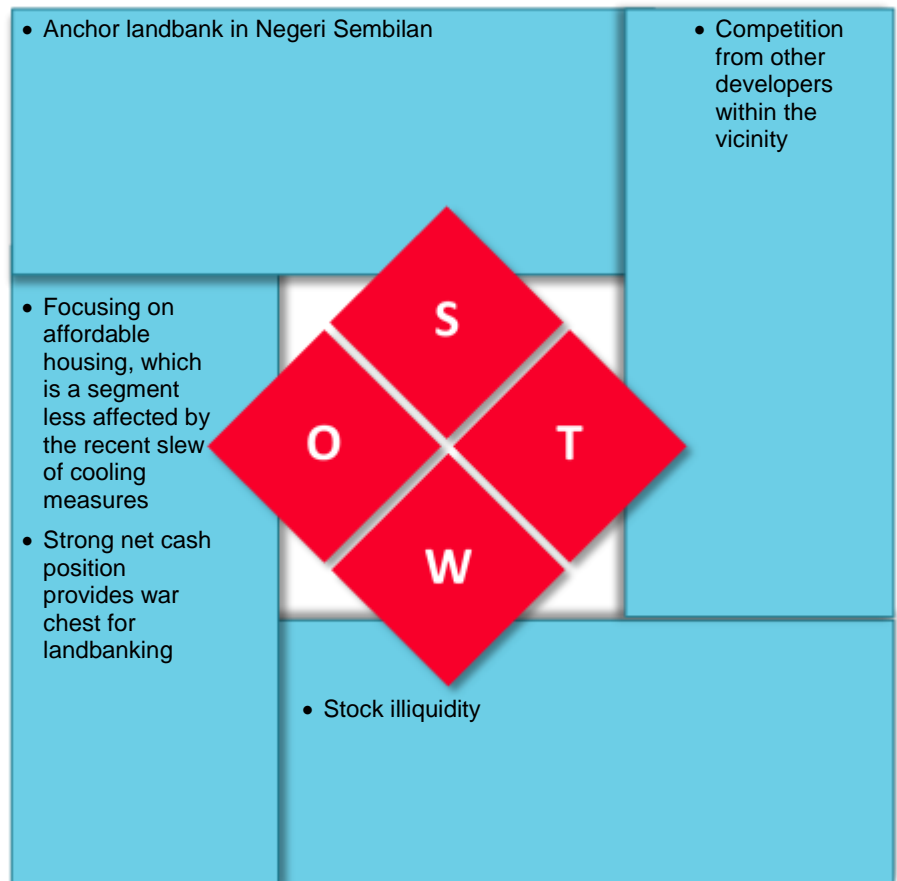
Balance Sheet (MYRm)	Dec-11	Dec-12	Dec-13	Dec-14F	Dec-15F
Total cash and equivalents	-	31	116	113	111
Inventories		2	2	2	2
Accounts receivable	-	120	141	162	189
Other current assets	-	389	444	511	595
<b>Total current assets</b>	-	<b>542</b>	<b>702</b>	<b>789</b>	<b>897</b>
Total investments	-	43	192	241	291
Total other assets	-	2	7	7	7
Total non-current assets	-	45	198	248	298
<b>Total assets</b>	-	<b>587</b>	<b>900</b>	<b>1,037</b>	<b>1,195</b>
Short-term debt	-	4	35	35	35
Accounts payable	-	190	246	275	310
Other current liabilities	-	33	52	52	52
<b>Total current liabilities</b>	-	<b>227</b>	<b>333</b>	<b>362</b>	<b>397</b>
Total long-term debt	-	18	15	15	15
Other liabilities	-	0	-	-	-
<b>Total non-current liabilities</b>	-	<b>18</b>	<b>15</b>	<b>15</b>	<b>15</b>
<b>Total liabilities</b>	-	<b>245</b>	<b>348</b>	<b>377</b>	<b>412</b>
Share capital		51	301	303	304
Retained earnings reserve	-	291	181	287	407
Other reserves	-	0	70	70	70
<b>Shareholders' equity</b>	-	<b>342</b>	<b>552</b>	<b>660</b>	<b>782</b>
<b>Total equity</b>	-	<b>342</b>	<b>552</b>	<b>660</b>	<b>782</b>
<b>Total liabilities &amp; equity</b>	-	<b>587</b>	<b>900</b>	<b>1,037</b>	<b>1,195</b>

Source: Company data, RHB estimates

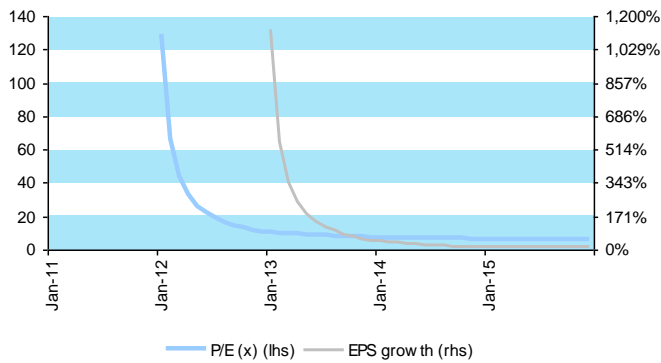
Key Ratios (MYR)	Dec-11	Dec-12	Dec-13	Dec-14F	Dec-15F
Revenue growth (%)	0.0	0.0	26.0	15.2	16.3
Operating profit growth (%)	0.0	0.0	45.1	13.2	12.2
Net profit growth (%)	0.0	0.0	47.7	12.9	12.3
EPS growth (%)	0.0	0.0	47.2	12.3	11.7
Bv per share growth (%)	0.0	0.0	60.9	18.9	17.9
Operating margin (%)	0.0	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

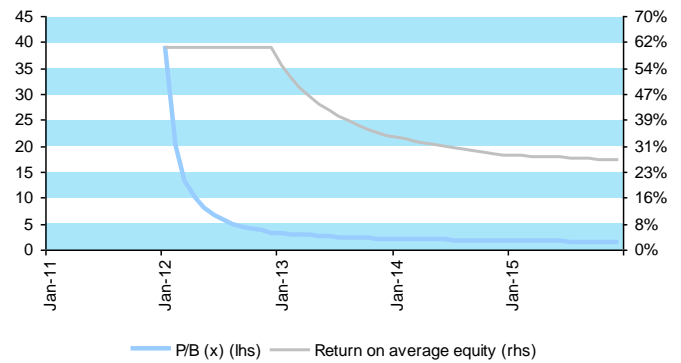


P/E (x) vs EPS growth



Source: Company data, RHB estimates

P/BV (x) vs ROAE



Source: Company data, RHB estimates

## Company Profile

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

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- 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  
**Take Profit:** Target price has been attained. Look to accumulate at lower levels  
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**Not Rated:** Stock is not within regular research coverage

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