

Matrix Concepts Holdings (MCH MK)

Buy (Maintained)

Property - Real Estate

 Target Price: **MYR5.00**

Market Cap: USD352m

 Price: **MYR3.83**

As Good As Expected

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



Source: Bloomberg

Avg Turnover (MYR/USD)	2.47m/0.75m
Cons. Upside (%)	17.5
Upside (%)	30.5
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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Matrix Concepts (MCH)'s 4Q13 results came in within expectations. A 5 sen final dividend was declared. FY13 new sales expanded 15% y-o-y to MYR788m from MYR686m in FY12. The land price in Sendayan Tech Valley also hit a new high of MYR45 psf. Given the challenging market conditions, we continue to favour affordable housing players such as MCH. We maintain BUY and MYR5.00 FV on the stock.

- ◆ **Within expectations.** MCH's 4Q13 results were in line with our and market expectations. While property development contributed 96% of the total revenue during the quarter, land sales made up the balance. A 5 sen final dividend was declared, bringing full-year gross dividend to 35.5 sen, representing a handsome dividend yield of 9% for the year.
- ◆ **New sales climb to MYR788m.** FY13 new property sales of MYR788m represented a 15% growth from MYR686m in FY12 (9M13 sales were MYR648.4m). Sendayan Tech Valley (STV) continued to be in demand. A German-based steel components producer, Schmidt + Clements Group, recently invested MYR140m to set up a plant in STV. Phase 1 of the plant construction will commence in March and be completed by year-end, while Phase 2 will start in 2016. Upon completion, both phases will require a total of 150 staff. We understand that the land was transacted at MYR45psf, in line with management's target to raise prices..
- ◆ **Forecasts.** We fine-tune our FY14 earnings forecast up slightly. Unbilled sales currently stand at MYR437m, compared with MYR593m in 3Q13. Dividend payout is expected to normalise to 40% after an exceptional FY13, due to the absence of dividend in FY12 as 2013 was the year of IPO.
- ◆ **Valuations.** We maintain our BUY call on MCH, with an unchanged FV of MYR5.00, based on a 20% discount to RNAV. Affordable housing players remain the winners in this challenging market. Property sales will fare better compared to other players which have exposure to other higher-end segments. MCH is still one of our Top Picks apart from Tambun Indah (TILB MK, BUY, FV: MYR2.08). Undemanding valuations, 10-15% earnings growth, 5-6% generous dividend yields, as well as catalysts from infrastructure developments and rising job opportunities are the key factors underpinning our BUY call.

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	11.1	7.5	6.7	6.0
P/B (x)	na	3.36	2.09	1.76	1.49
Dividend Yield (%)	0.0	0.0	9.2	5.7	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: Quarterly results

FYE Dec (MYRm)	3Q13	4Q13	q-o-q (%)	y-o-y (%)	FY12	FY13	y-o-y (%)	Comments
Turnover	127.4	144.3	13.3	-	456.1	574.7	26.0	FY13 revenue breakdown between property development and land sales - 74%:26%
EBIT	49.0	57.0	16.2	-	143.8	208.6	45.1	Better margin in 4Q13 was driven by the Hijayu 3D precinct, whereby higher-end products were sold.
EBIT margin (%)	38.5	39.5			31.5	36.3		
Net interest	(0.3)	(0.6)	95.9	-	(1.0)	(1.4)	34.2	
Pretax profit	48.7	56.4	15.7	-	142.8	207.2	45.1	
Pretax margin (%)	38.3	39.1			31.3	36.1		
Taxation	(12.5)	(15.7)	25.6	-	(39.3)	(54.3)	38.3	
Tax rate (%)	25.7	27.9			27.5	26.2		
Minority interest	0.0	0.0	n.m.	-	0.0	0.0	n.m.	
Net profit	36.2	40.7	12.3	-	103.5	152.9	47.7	
Net margin (%)	28.4	28.2			22.7	26.6		
EPS (sen)	12.1	13.5			-	13.5		
Gross DPS (sen)	10.0	5.0			-	35.5		
NTA/share (MYR)	1.6	1.8			-	1.7		

Source: RHB estimates

Figure 2: 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

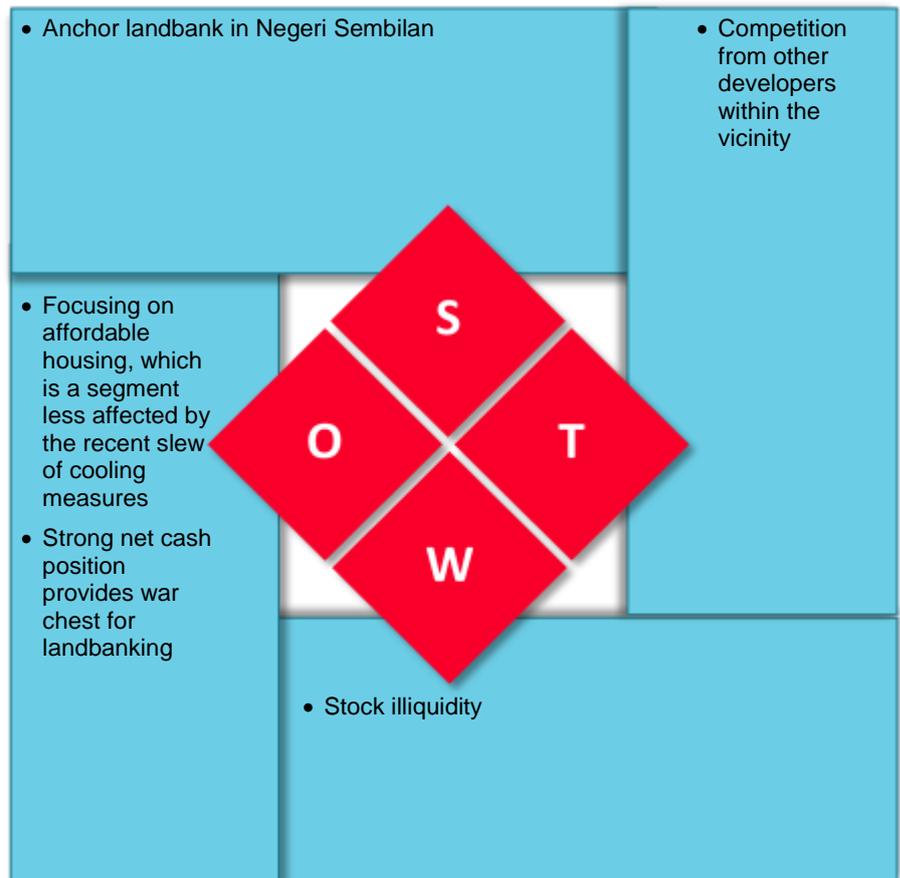
Balance Sheet (MYRm)	Dec-11	Dec-12	Dec-13	Dec-14F	Dec-15F
Total cash and equivalents	-	31	116	113	111
Inventories	-	2	2	2	2
Accounts receivable	-	120	141	162	189
Other current assets	-	389	444	511	595
Total current assets	-	542	702	789	897
Total investments	-	43	192	241	291
Total other assets	-	2	7	7	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

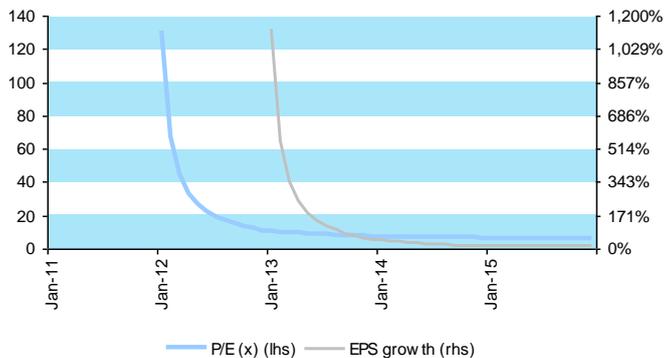
Key Ratios (MYR)	Dec-11	Dec-12	Dec-13	Dec-14F	Dec-15F
Revenue growth (%)	0.0	0.0	26.0	15.2	16.3
Operating profit growth (%)	0.0	0.0	45.1	13.2	12.2
Net profit growth (%)	0.0	0.0	47.7	12.9	12.3
EPS growth (%)	0.0	0.0	47.2	12.3	11.7
Bv per share growth (%)	0.0	0.0	60.9	18.9	17.9
Operating margin (%)	0.0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

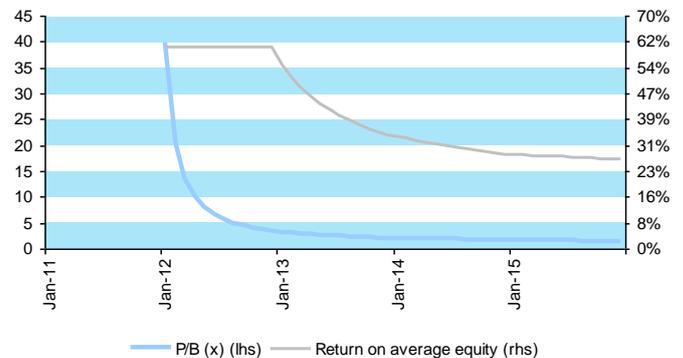


P/E (x) vs EPS growth



Source: Company data, RHB estimates

P/BV (x) vs ROAE

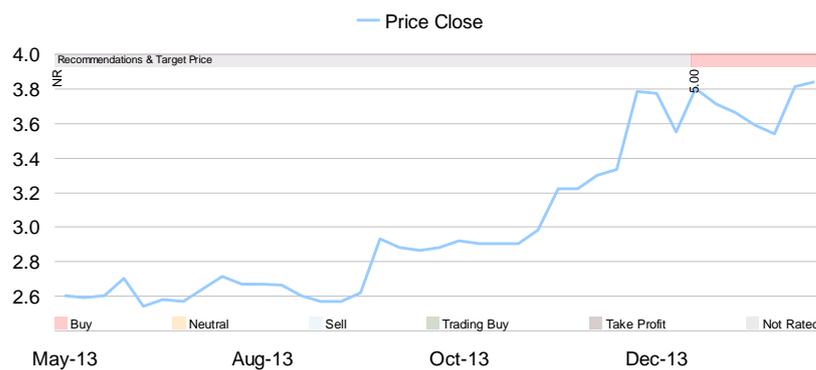


Source: Company data, RHB estimates

Company Profile

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
2014-01-07	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
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