

MEDIA CLIPPING

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Matrix targets RM700m worth of sales for FY15

Matrix Concepts Holdings Bhd
(Feb 18, RM2.91)

Maintain buy call with and an unchanged target price (TP) of RM3.30. We maintain our TP at RM3.30 (unchanged 30% discount to revalued net assets valuation), which implies an estimated financial year ending Dec 31, 2015 (FY15E) price-earnings ratio of 7.9 times.

Bandar Sri Sendayan remains the largest contributor to the group. The township launched RM575 million worth of projects throughout FY14, with average take-up rate of 76.1% of its ongoing projects. Lower take-up was due to progressive take-up rates from its new launches (Hijayu 3A, Phase 3 and 4).

Matrix plans to promote its private and international schools once the final portion of the development is completed in May 2015. In order to break even, the group has to have at least 1,000 students enrolled. The management does not see difficulties in reaching this figure by end-FY15.

We believe Matrix's future earnings growth is sustainable given its large land bank of more than 1,300 acres (526ha) to be developed across eight years (estimated gross development value of RM6.4 billion).

For FY15 alone, the group targets to launch RM1.1 billion worth of projects. With a high capital expenditure (capex) phase coming to an end (development of school and clubhouse), Matrix guided that capex for FY15 would be low at approximately RM20 million to RM30 million. The management assured that dividend policy of minimum 40% remains intact.

The group targets RM700 million worth of sales for FY15 (flattish year-



An aerial view of Hijayu.

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FYE DEC 31 (RM MIL)	2013A	2014A	2015E	2016E
Revenue	574.7	598.3	689.3	955.3
Rep net profit	152.9	182.6	190.4	255.0
Norm. net profit	152.9	182.6	190.4	255.0
Norm. EPS (sen)	50.8	48.9	41.6	55.8
EPS growth (%)	16.5	(3.7)	(6.5)	34.0
Norm. PER (x)	5.8	6.0	7.0	5.3
FD PER (x)	5.8	6.3	7.0	5.3
Net DPS (sen)	20.6	17.3	16.7	22.3
Div yield (%)	7.0	5.9	5.7	7.6
BVPS (RM)	1.8	1.8	1.7	2.0
P/BV (x)	1.6	1.6	1.7	1.5

Source: HLIB

on-year) of which RM600 million would be under residential and commercial projects, and the remaining RM100 million for industrial land sales. However, the management is positive that Matrix would be able to surpass the RM100 million sales target for land sales.

To meet regulations for low-cost housing developments, Matrix plans to purchase a 20-acre piece of land by end-2015 to develop 600 units of landed low-cost houses across three

years. Due to lower house prices, the management shared that the group could incur losses of RM9 million cumulatively for the mentioned 600 units.

However, we do not see this as a significant setback and this could potentially be offset by the higher margins fetched by its upcoming projects which comprises more mid-to high-end developments. — *Hong Leong Investment Bank Research, Feb 16*