



1QFY17

## Matrix Concept

**BUY** ◀ ▶

**In-line**

Banking on strong demand for affordable housing

Price: **RM2.51**  
 Target Price: **(+15.9%) RM2.91**

### Stock Data

Bloomberg Ticker	MCH MK	Altman Z-score	4.1
Market Cap	1,424.6	YTD price chg	1.2%
Issued shares	565.3	YTD KLCI chg	-1.1%
52-week range (H)	2.58	Beta	0.9
52-week range (L)	2.21	<b>Major Shareholders</b>	
3-mth avg daily	313,684	Tian hock lee	19.1%
Free Float	61.3%	Shining term sdn bhd	15.0%
Shariah Compliant	Y	Ambang kussa	4.6%
Financial	n.a.		

### Share Performance (%)

	1mth	3mth	12mth
Absolute	0.0	2.6	18.6
vs. KLCI	(0.8)	(1.8)	5.3

### Consensus

	2015	2016	2017
Net Profit	210.8	239.8	223.6
EPS (sen)	38.2	40.3	39.0

### Historical Price Ratio (x)

	FY 2013	FY 2014	FY 2015
Price Earnings	9.7	8.4	6.5
Price to Book	2.0	1.9	1.8

### Financial Highlights (RMm)

FYE 31 March	2013	2014	2016*	2017E	2018E
Turnover	574.7	598.8	912.2	760.0	798.3
EBIT	208.6	247.3	360.9	281.6	320.1
Pretax profit	207.2	244.6	357.3	303.3	330.7
<b>Net Profit</b>	<b>152.9</b>	<b>182.2</b>	<b>261.2</b>	<b>211.7</b>	<b>220.3</b>
EPS (sen)	27.7	38.2	46.3	37.5	39.0
PER (x)	9.1	6.6	5.4	6.7	6.4
DPS (sen)	11.1	13.3	18.8	15.0	15.6
Div. Yield (%)	4.4	5.3	7.5	6.0	6.2
NTA/share	1.21	1.27	1.50	1.70	1.80

### Margins

	2013	2014	2016*	2017E	2018E
EBIT margin	36%	41%	39.6%	35%	40%
Pretax margin	36%	41%	39.2%	35%	39%
Effective tax	26%	25%	26.9%	25%	25%
ROE	28%	27%	29.5%	28%	28%
ROA	17%	18%	20.2%	19%	20%
Net Gearing (x)	NC	NC	0.14	0.14	0.10

### Growth ratios

	2013	2014	2016*	2017E	2018E
Turnover	26%	4%	52.3%	-16.6%	5.0%
EBIT	46%	16%	45.9%	-22.0%	13.7%
Pretax profit	34%	45%	46.1%	-15.1%	9.0%
Net profit	45%	48%	43.3%	19.0%	4.1%

Note : \* 15 months result

### Research Team

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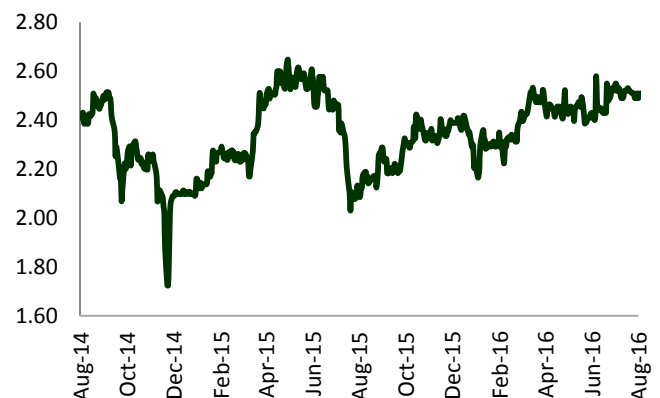
- Matrix Concept's 1QFY17 net earnings of RM51.9m is in-line with ours and consensus, making up 25% of full year forecast.
- Net earnings improved by 8.2% despite revenue easing by 7.1% as overall profit margins improved.
- New sales clinched rose 22% yoy to RM256m due to steady demand for its residential and commercial properties.
- Matrix is targeting 5%-10% profit contribution from its investment division by 2019.
- A 1<sup>st</sup> interim dividend of 3.5 per share was declared, payable on 6<sup>th</sup> October 2016.

**Steady performance for 1Q17 with 22% yoy improvement recorded.** Sales of residential and commercial properties contributed 82% of group revenue; whilst industrial properties and land sales made up 15%. The group's investment properties comprising Matrix Global Schools and d'Tempat Country Club contributed the balance 3% of revenue. For the quarter under review, the average take-up rate is at 64%.

**Positive on its investment segment which comprise Matrix Global School (MGS) and d'Tempat Clubhouse.** We are expecting profits from its investment segment to roll in by 2018. To recap, despite a heavy capex of close to RM200m being used for the construction of MGS, the campus would provide a pivotal recurring earning stream for the group in the next 5 years.

**Matrix's strength is on affordable housing.** We maintain our TP of RM2.91 which is derived from a blended valuation of PER and PBV of 7x and 9.1x respectively.

Share Price Chart



## Quarterly Figures Mm)

FYE 31 March (RM'm)	2Q15	3Q15	4Q15	5Q15	1Q17	QoQ	15MFY15	12MFY14	15MFY14	YTD Chg
Revenue	120.4	121.4	141.5	211.3	196.2	-7.1%	912.2	598.8	748.5	21.9%
Operating Profit	43.0	40.1	50.4	71.4	71.2	-0.3%	360.9	247.3	309.1	16.7%
Pretax profit	41.4	40.2	49.5	70.8	70.4	-0.6%	357.3	244.6	305.8	16.9%
Taxation	11.5	9.1	12.7	22.9	18.5	-19.0%	96.1	62.4	78.0	23.2%
Minority interest	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
<b>Net Profit</b>	<b>29.9</b>	<b>31.1</b>	<b>36.8</b>	<b>48.0</b>	<b>51.9</b>	<b>8.2%</b>	<b>261.2</b>	<b>182.2</b>	<b>227.8</b>	<b>14.7%</b>
EPS (sen)	5.28	5.50	6.51	8.49	9.19	8.2%	46.2	32.2	40.3	14.7%
Net gearing (x)	0.05	0.07	0.10	0.14	0.16	10.1%	0.14	Net Cash	Net Cash	n.a
Operating margin (%)	35.7%	33.1%	35.6%	33.8%	36.3%	7.4%	39.6%	41.3%	41.3%	-4.2%
PBT margin (%)	34.3%	33.1%	35.0%	33.5%	35.9%	7.1%	39.2%	40.8%	40.8%	-4.1%
Net margin (%)	24.8%	25.6%	26.0%	22.7%	26.5%	16.5%	28.6%	30.4%	30.4%	-5.9%
Effective tax rate (%)	27.8%	22.7%	25.6%	32.3%	26.3%	-18.6%	26.9%	25.5%	25.5%	5.5%

Source: Company/BIMB Securities

**MGS to create steady recurring income.** In just two years, MGS has gained tremendous traction in student population, with current students hailing not only from Seremban, but also from KV. Year-to-date, close to 900 students have enrolled since it began in late 2014. Building on this, the group is targeting 1,000 students by early 2017, which is also MGS' operational breakeven point. The operational breakeven is estimated to be 3 years from the date of operation and ROI by the 9<sup>th</sup> year. We expect contribution of at least 5%-8% from MGS to the group's net profit within the next 5 years. These investment properties currently make up 3% of group revenue. We expect in 5-years time there would be at least RM41m to be contributed to the group's topline assuming a 5% revenue coming from this division.

**Earnings clarity with total remaining GDV of RM7.5bn,** coming from its on-going and future projects. The total undeveloped landbank is at a sizeable 1,700-acre of which 70% or 1,200-acre coming from its flagship township Bandar Sri Sendayan in Seremban. Meanwhile, the strong unbilled sales of close to RM700m will help provide earnings clarity at least for the next 3 years. We are positive on the property sales of the group as the demand for landed residential is strong which is compounded further by the affordably price per unit of below RM600k.

**DEFINITION OF RATINGS**

BIMB Securities uses the following rating system:

**STOCK RECOMMENDATION**

<b>BUY</b>	Total return (price appreciation plus dividend yield) is expected to exceed 10% in the next 12 months.
<b>TRADING BUY</b>	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain.
<b>HOLD</b>	Share price may fall within the range of +/- 10% over the next 12 months
<b>TAKE PROFIT</b>	Target price has been attained. Fundamentals remain intact. Look to accumulate at lower levels.
<b>TRADING SELL</b>	Share price may fall by more than 15% in the next 3 months.
<b>SELL</b>	Share price may fall by more than 10% over the next 12 months.
<b>NOT RATED</b>	Stock is not within regular research coverage.

**SECTOR RECOMMENDATION**

<b>OVERWEIGHT</b>	The Industry as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months
<b>NEUTRAL</b>	The Industry as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months
<b>UNDERWEIGHT</b>	The Industry as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months

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The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

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