

26 August 2016

Matrix Concepts Holdings

Steady Start

By Adrian Ng | adrian.ng@kenanga.com.my, Sarah Lim | sarahlim@kenanga.com.my

MATRIX's 1Q17 core net profit (CNP) of RM51.9m was within our and streets' full-year expectations, accounting for 23% and 21% of respective estimates. A 3.25 sen single-tier interim dividend declared as expected. Property sales of RM256.0m is on track to meet our and management's target for FY17. Call/TP is UNDER REVIEW (previously MP/TP: RM2.46) pending our sector update next week.

Steady start. 1Q17 CNP of RM51.9m was within expectations accounting for 23% and 21% of our and street's full-year estimates, respectively. Its property sales of RM256.0m for 1Q17 are on-track to meet our and management's target of RM864.2m and RM1.0b, respectively. Single-tier interim dividend of 3.25 sen was declared as expected.

QoQ wise, 1Q17 CNP saw an improvement of 8% despite a 7% decrease in revenue due to lower progressive billings from its commercial and industrial property projects. The improvements were driven by significant lower sales and marketing costs which was down by 27%, coupled with a normalisation of effective tax rate of 26% vis-à-vis 32% in 5Q16. Net gearing wise, it inched up to 0.16x from 0.14x previously due to the increase in short-term borrowings for working capital needs.

Outlook. Its unbilled sales stand at RM690.6m with a year visibility and management is targeting to launch another RM700.0m for the rest of FY17. To recap, MATRIX has launched c.RM400.0m worth of projects in Bandar Sri Sendayan and Bandar Seri Impian, i.e. Hijayu 3, Sendayan Merchant Square, and Impiana Bayu between 5Q16 and 1Q17.

Earnings. We are keeping our FY17-18E core earnings unchanged as we are maintaining our sales estimate of RM864.2m for FY17.

UNDER REVIEW. We are placing our call/TP under review pending our sector update next week (previous call/TP:MP/TP@RM2.46 based on 30% discount to our FD RNAV of RM3.51). In our last sector strategy (8/7/16), we had highlighted that we are monitoring two key indicators; (i) developers 1H16 sales must meet 40% of full-year targets (before any revisions during the year), and (ii) unbilled sales must have more than one-year visibility. If majority of developers fail on one or both conditions, we are likely to maintain a negative bias on the sector; however, if both are mostly met, we may upgrade the sector to NEUTRAL. So, we will wait for the results round-up to determine our sector call, and thus, our individual stock calls.

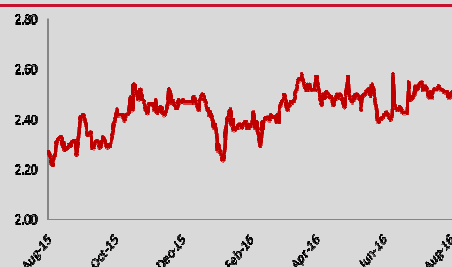
We are also aware that the feel-good sentiment from the upcoming Budget-2017 may be translated into positive news flow, which in turn, may separate the weak sector fundamentals from developers' share price performance.

Downside risks to our call include: (i) weaker-than-expected property sales, (ii) higher-than-expected sales and administrative costs, (iii) negative real estate policies, and (iv) tighter lending environment.

UNDER REVIEW

Price: **RM2.50**
Target Price: **UNDER REVIEW**

Share Price Performance



KLCI	1,680.30
YTD KLCI chg	-0.7%
YTD stock price chg	0.4%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MCH MK Equity
Market Cap (RM m)	1,413.3
Issued shares	565.3
52-week range (H)	2.58
52-week range (L)	2.10
3-mth avg daily vol:	297,608
Free Float	61%
Beta	0.9

Major Shareholders

Tian Hock Lee	19.1%
Shining Term Sdn Bhd	15.0%
Ambang Kussa	4.6%

Summary Earnings Table

FYE Mar (RM m)	2016A*	2017E	2018E
Turnover	912	863	1,015
EBIT	361	301	332
PBT	357	299	331
Core Net Profit (CNP)	255	224	248
Consensus (CNP)	n.a.	240	224
Earnings Revision	n.a.	n.a.	n.a.
EPS (sen)	41.8	36.7	40.6
EPS growth (%)	67%	-12%	11%
NDPS (sen)	18.8	14.7	16.3
BV/Share (RM)	1.51	1.73	1.97
PER (x)	6.0	6.8	6.2
Price/BV (x)	1.66	1.45	1.27
Net Gearing (x)	0.1	0.0	0.0
Dividend Yield (%)	7.5	5.9	6.5

*MATRIX changed year end from Dec to March, hence 15M for FYE16



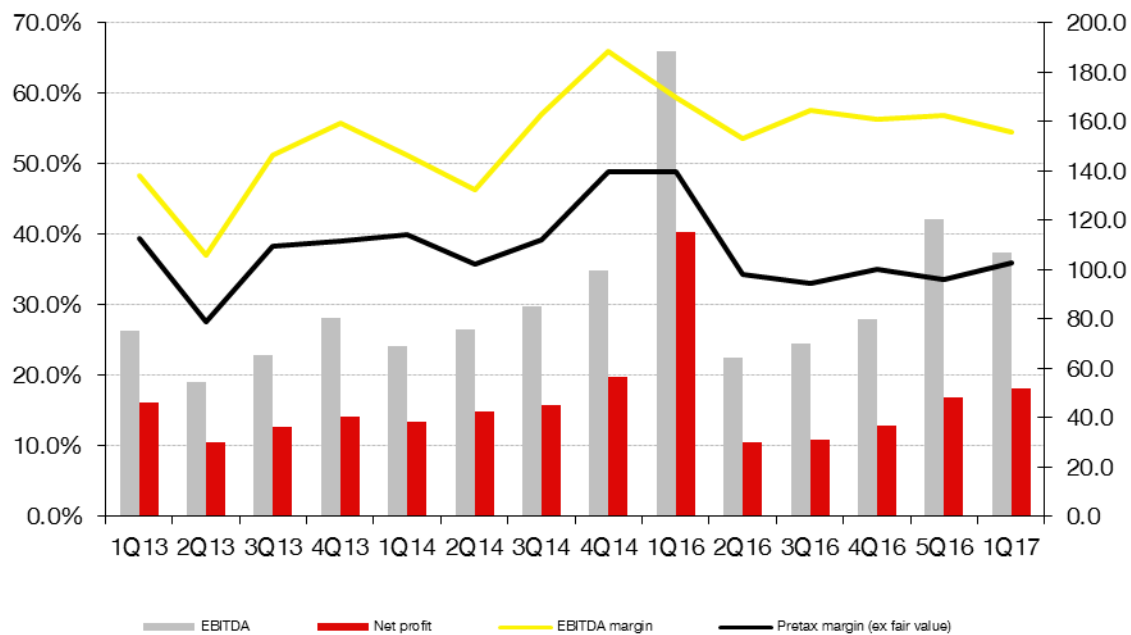
26 August 2016

Result Highlight

	1Q17	5Q16	QoQ	1Q16	YoY
Revenue					
Revenue	196.2	211.3	-7%	n.a.	n.a.
Op costs w/o depn/amort	-90.0	-99.3	-9%	n.a.	n.a.
Other Op Income	0.8	8.3	-90%	n.a.	n.a.
EBITDA	107.0	120.2	-11%	n.a.	n.a.
EBIT	106.4	119.6	-11%	n.a.	n.a.
Net interest	-0.7	-0.6	34%	n.a.	n.a.
Selling & Marketing, Admin Cost	-35.2	-48.3	-27%	n.a.	n.a.
Fair Value Adjustments on IP	0.0	0.0	n.m.	n.a.	n.a.
Pretax profit	70.4	70.8	-1%	n.a.	n.a.
Taxation	-18.5	-22.9	-19%	n.a.	n.a.
Minority Interests	0.0	0.0	n.m.	n.a.	n.a.
Net profit	51.9	48.0	8%	n.a.	n.a.
Core net profit	51.9	48.0	8%	n.a.	n.a.
EPS (sen)	9.2	8.6		n.a.	
DPS (sen)	3.3	4.4		n.a.	
NTA/share (RM)	1.6	1.6		n.a.	
Net gearing/(cash) (x)	0.16	0.14		n.a.	
EBITDA margin	55%	57%		n.a.	
Pretax margin	36%	34%		n.a.	
Effective tax rate	26%	32%		n.a.	

Source: Company, Kenanga Research

Earnings Trend



Source: Company, Kenanga Research

26 August 2016

FD RNAV							
	Stake	Remaining GDV*** (RM'm)	Remaining Net Profit*** (RM'm)	Start of DCF	Assumed durations (years)	WACC (%)	NPV (RM m)***
On-going Projects							
BSS	100%	770	162	2,013	2	10%	120
STV 1&2	100%	786	165	2,013	3	10%	150
TSI	100%	223	47	2,013	1	10%	35
Taman Desa Port Dickson 3	100%	6	1	2,013	2	10%	1
Lobak Commerical Centre (Phase 1)	100%	16	3	2,013	3	10%	3
Unbilled sales	100%	593	124	2,013	2	10%	108
Pipeline Projects							
BSS	100%	4,771	1,013	2,014	8	10%	526
TSI	100%	891	187	2,014	8	10%	97
Kota Gadong Perdana	100%	926	195	2,016	3	10%	108
Third 9 Residence	100%	145	30	2,014	2	10%	21
Lobak Commercial Centre	100%	29	6	2,013	4	10%	4
Labu Land	100%	760	160	2,015	4	10%	85
Rasah Kemayan Land	100%	800	168	2,016	3	10%	85
KL land (near PWTC)	100%	250	53	2,014	4	10%	36
Sendayan Tech Park	100%	170	36	2,016	3	10%	27
Agriculture land for future industrial use (STV3)	100%	110	23	2,016	3	10%	14
Puchong Land	100%	500	71	2,016	5	10%	40
Replenish	100%	620	121		10	10%	50
*** after shareholding							
Other lands		NBV (RM'm)	NBV (RM psf)		Market Price (RM'm)	Market Price (RM psf)	Market Value (RM'm)
Lot No. 769, Mukim Pasir Panjang, Port Dickson	100%	2	2		3	3	2
Lot No. 847, Mukim Pasir Panjang, Port Dickson	100%	0	1		3	5	3
Revised Asset Value							1,513
Shareholder's equity (as at 30 June 2013)							540
RNAV							2,053
RNAV per share (RM)							MYR 3.54
No of paid-up shares ('m)							579.6
Dilution impact on RNAV*							251.7
Diluted RNAV per share (RM)*							MYR 3.51
Diluted no of shares ('m)*							656.9
% Discount to RNAV							Under Review
Target Price							Under Review

Source: Kenanga Research

26 August 2016

Peer Comparison

NAME	Price (25/8/16)	Mkt Cap	PER (x)			Est. NDiv. Yld.	Hist. ROE	P/BV	Net Profit (RMm)			FY16/17	FY17/18	Target Price	Rating
	(RM)		(RMm)	FY15/16	FY16/17				FY17/18	(%)	(%)	(x)	FY15/16		
DEVELOPERS UNDER COVERAGE															
S P SETIA BHD*	3.23	9,101	9.2	12.3	11.4	5.2%	13.9%	1.1	918.3	692.0	744.2	-24.6%	7.5%	UNDER REVIEW	UNDER REVIEW
IOI PROPERTIES GROUP BHD*	2.50	11,028	17.1	14.8	14.7	3.2%	4.1%	0.7	648.5	749.1	750.5	15.5%	0.2%	2.45	MARKET PERFORM
UEM SUNRISE BHD*	1.09	4,946	19.3	23.6	21.2	1.5%	3.9%	0.8	257.2	210.4	234.6	-18.2%	11.5%	1.00	UNDERPERFORM
SUNWAY BHD	3.01	6,120	8.7	10.7	10.3	3.3%	11.7%	0.7	594.2	484.6	502.6	-18.4%	3.7%	3.22	MARKET PERFORM
MAH SING GROUP BHD^	1.61	3,879	10.9	10.2	10.0	4.0%	14.3%	1.2	357.2	379.7	389.5	6.3%	2.6%	UNDER REVIEW	UNDER REVIEW
ECO WORLD DEVELOPMENT GROUP BHD	1.32	3,121	71.0	30.8	15.1	0.0%	2.5%	1.0	44.0	126.5	257.7	187.8%	103.7%	1.58	OUTPERFORM
UOA DEVELOPMENT BHD*	2.42	3,948	9.2	9.4	8.9	6.2%	14.1%	1.1	399.0	391.0	414.6	-2.0%	6.0%	UNDER REVIEW	UNDER REVIEW
MALAYSIAN RESOURCES CORP BHD	1.29	2,683	-48.9	29.1	53.3	0.6%	-3.3%	1.3	-74.6	125.2	68.4	-267.8%	-45.3%	UNDER REVIEW	UNDER REVIEW
KSL HOLDINGS BHD	1.12	1,153	5.0	5.4	5.6	0.0%	10.0%	0.5	211.5	198.4	190.3	-6.2%	-4.1%	0.99	UNDERPERFORM
MATRIX CONCEPTS HOLDINGS BHD	2.50	1,413	6.0	6.8	6.2	5.9%	31.8%	1.4	255.2	224.2	248.1	-12.1%	10.7%	UNDER REVIEW	UNDER REVIEW
CRESCENDO CORPORATION BHD*	1.50	341	19.2	18.8	18.0	2.1%	2.2%	0.4	17.8	18.3	19.0	2.6%	4.0%	1.50	UNDERPERFORM
HUA YANG BHD	1.87	494	4.5	4.7	5.1	2.2%	25.9%	0.8	110.1	106.1	96.7	-3.7%	-8.9%	1.83	MARKET PERFORM
CONSENSUS NUMBERS															
IGB CORPORATION BHD	2.68	3,578	17.9	16.0	14.9	3.3%	4.8%	0.8	199.4	222.9	240.3	11.8%	7.8%	4.80	NEUTRAL
GLOMAC BHD	0.79	571	7.1	7.3	6.6	5.2%	8.3%	0.6	80.8	78.1	86.1	-3.3%	10.2%	0.79	NEUTRAL
PARAMOUNT CORP BHD	1.47	622	9.7	9.2	8.6	5.4%	7.2%	0.7	64.1	67.7	71.9	5.6%	6.3%	2.18	BUY
TAMBUN INDAH LAND BHD	1.50	640	6.0	6.3	5.9	5.1%	23.5%	1.3	106.9	101.5	108.8	-5.0%	7.1%	1.62	BUY

* Core NP and Core PER

** Crescendo per share data is based on non-Fully Diluted

^ Last price and TP is Ex-rights and Ex-Bonus.

Source: Kenanga Research

26 August 2016

Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of 3% to 10%.
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of 3% to 10%.
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies.

Published and printed by:

KENANGA INVESTMENT BANK BERHAD (15678-H)
8th Floor, Kenanga International, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia
Telephone: (603) 2166 6822 Facsimile: (603) 2166 6823 Website: www.kenanga.com.my



Chan Ken Yew
Head of Research