

Results Note

Aug 29th, 2013

MATRIX CONCEPTS HOLDINGS BHD

RM2.55

BUY

Period: 2QFY13

Target (RM)	3.00
Short Name / Code	MATRIX / 5236
Bloomberg	MCH MK

Stock & Market Data

KLCI	1686.1
Listing	Main Market
Sector	Properties
Syariah Compliance	Yes
Par Value	RM1.00
Issued Shares	300.0m
Market Capitalisation	RM765.9
YTD Performance	na
52-week Hi/Lo	2.76 / 2.48
3M Average Volume	1.0m
Estimated Free Float	30.2
Major Shareholders: -	
Dato' Lee Tian Hock	19.9%
Shining Term Sdn Bhd	16.1%

Key Indicators @ FY13

PER (x)	7.2
PBV (x)	2.2
Net Debt/Equity (%)	Net Cash
ROE	30.0

Dividend: Matrix Concepts Holdings Berhad (Matrix) declared a 2nd Interim of 7sen per share less tax. This bring total dividend declared YTD to 20.5sen. The dividend will go ex on the 25 Sept 2013 and to be paid on 10 Oct 2013.

Actual versus Expectation: Matrix's 1HFY13 revenue of RM302.9m and net profit RM76m make up 55% and 66% of our full year expectations. The results were boosted by industrial land sale and higher revenue recognition from the residential property sale in the 1QFY13. The results were above expectations.

Results Highlights; 2QFY13 – q/q comparison. Revenue for the quarter was lower by 5.3% to RM147.3m. The lower revenue was due to lower revenue recognition from residential property sale and

decrease revenue recognized for industrial land sales vis-à-vis 1st quarter. Henceforth, pretax income was lowered by 34% to RM40.6m.

For the quarter, gross profit margin was lower by 11.5 percentage points as majority the residential property sold were single storey units compared to immediate preceding quarter where the majority of revenue recognized was from double storey unit, which earned a higher margin. The effective tax rate was higher (26%) due to the non-deductible expenses. During the quarter, Matrix experienced a higher staff cost of RM0.9m due to the implementation of ESOS scheme.

Matrix lands in KL City Center

Matrix announced that it is acquiring 1.1acre of land near the Putra World Trade Centre and Sunway Putra Mall for RM43.6m or RM950 per sq ft. The planned GDV is RM250m on a plot ratio of 8x. The land is strategically located within walking distance to the LRT and Monorail stations. The developments will feature a high-rise serviced apartments with full facilities, retail and F&B outlets, which are targeted towards young working adults and families. The acquisition would be funded by internal funds (40%) and bank borrowings (60%).

Table 1. Quarterly results & comparisons

FYDec / RM'm	2Q13	2Q12	1Q13	y/y Chg %	q/q Chg %	1H13	1H12	y/y Chg %
Revenue	147.3	na	155.6	na	-5.3	302.9	na	na
Cost of Revenue	(93.7)	na	(81.1)	na	15.5	(174.8)	na	na
Gross Profit	53.6	na	74.5	na	-28.0	128.1	na	na
Other Operating Rev	0.4	na	0.2	na	61.6	0.6	na	na
Operating Expenses	(13.1)	na	(13.2)	na	-1.2	(26.1)	na	na
Operating Income	40.9	na	61.5	na	-33.5	102.6	na	na
Interest Expense	(0.3)	na	(0.2)	na	77.1	(0.5)	na	na
Net Non-Ops (Loss) Gains	0.0	na	0.2	na	-100.0	0.0	na	na
Pretax Income	40.6	na	61.5	na	-34.0	102.1	na	na
Income Tax Expense	(10.5)	na	(15.5)	na	-31.9	(26.0)	na	na
Income Before XO Items	30.0	na	46.0	na	-34.7	76.0	na	na
Minority Interests	0.0	na	0.0	na	0.0	0.0	na	na
Net Income	30.0	na	46.0	na	-34.7	76.0	na	na
Basis EPS (sen)	10.0	na	15.3	na	-34.7	25.3	na	na
Gross Profit margin (%)	36.4	na	47.9	na	-11.5 ppt	42.3	na	na
PBT margin (%)	20.4	na	29.6	na	-9.2 ppt	25.1	na	na
Net Profit margin (%)	20.4	na	29.6	na	-9.2 ppt	25.1	na	na
Tax Rate (%)	26.0	na	25.2	na	0.8 ppt	25.5	na	na

Outlook: We anticipate higher demand for BSS Township due to the increasing trend of Klang Valley residents seeking lower property prices after being “forced out” of Klang Valley as a result of galloping property prices. Many have settled in Seremban due to the improved accessibility via Kajang-Seremban Highway (LEKAS) and North-South Expressway (NSE). This quarter saw buyers from Klang Valley making up 40% of its client profile, a 5% increase. In addition, BSS has seen continued organic growth in tandem with the increase in foreign investments at its Sendayan TechValley (STV). Matrix revealed that recent transactions in STV were valued at RM34 psf, and Matrix is looking to price its future land sale at RM40 psf. STV is seeing demand from factory relocating their operations from Klang Valley as these factory owners are enjoying a cash infusion into their business after selling their high valued current premises and reinvesting in STV with some cash to boot. The increasing demand for residential and commercial properties is due to its strategic location, ready infrastructure, aided by the growing catchment’s population at BSS.

Sales in Taman Seri Impian (TSI), Kulang Johor is progressing well. In 1H13, total revenue of RM61.1m has been recognized. New properties sold during the current quarter were RM10.9m, on top of RM29.4m in 1Q13. YTD, Matrix managed to complete and delivered Taman Seri Impian Casa 1 with total GDV of RM80.1m. Ongoing development TSI Casa 2 has a GDV of RM76.5. Matrix plans to build RM730m GDV of properties on the remaining land. TSI covers an area of approximately 900 acres. The township is easily accessible via the existing Jalan Kluang – Bandar Tenggara and is well connected to the proposed Kluang – Pasir Gudang Expressway. Given the strategic location we reckon demand for Matrix’s properties in Negeri Sembilan and Johor are sustainable, supported by the established road network.

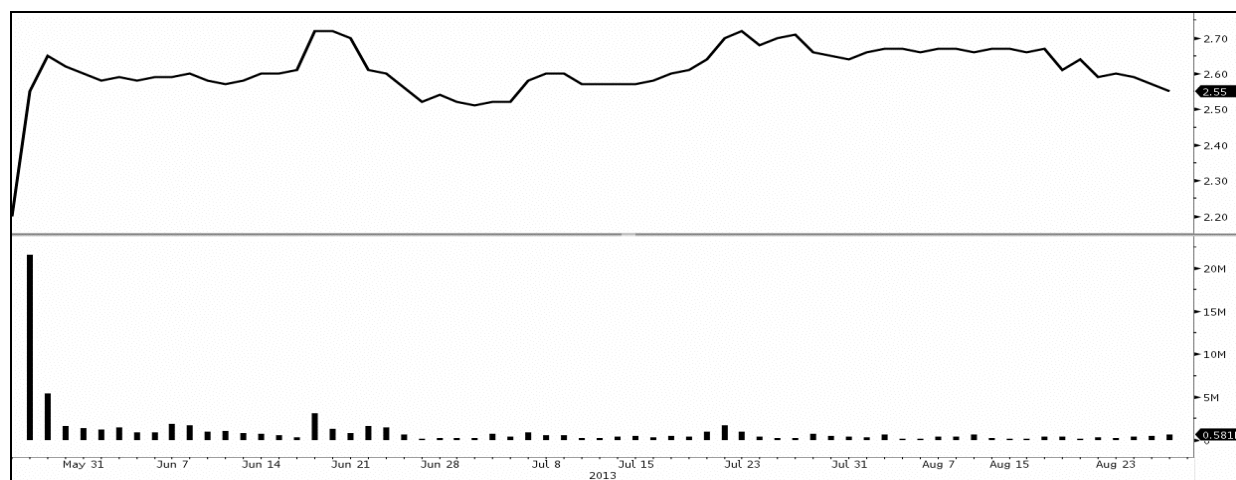
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Over the next two years, Matrix's profitability would be sustained by current unbilled sales of RM521.9, and further supported by ongoing development of RM1.4bn. Their current launch has seen an average take up rate of 96%. For 2H13 Matrix planned GDV RM377.4m from 235.0 acres of land coming from BSS, TSI and Seremban. Over the next seven years, Matrix intends launch GDV of RM6.7bn that will help sustain its revenue and profitability.

Recommendation: We value Matrix at RM3.00, basis on a 45% discount to our RNAV computation of RM5.49. This implies, a PE 7.2x / 6.0x of FYE13 / FY14, respectively. Matrix is committed to a dividend payout policy of at least 40% of its earnings, which translates to dividend per share of 16.7 / 19.9 sen for FY13 / FY14 - an appealing dividend yield of 5.6% / 6.6%. Matrix paid out its first interim dividend of 13.5 sen for FY13 on the 8 July 2013. We reiterate our **BUY recommendation**.

Table 1. Financials Forecast

FYE Dec	FY11	FY12	FY13	FY14
Rev (RM m)	624.3	456.1	542.7	645.7
Gross Profit	148.4	192.7	229.6	273.1
EBITDA	108.9	146.1	173.7	206.6
EBIT	106.9	143.8	173.8	206.6
PBT	106.3	142.8	172.8	205.4
Profit to s'holders	69.4	103.5	125.3	148.9
Net Profit Margin(%)	11.1	22.7	23.1	23.1
EPS (sen)	23.1	34.5	41.8	49.6
DPS (sen)	na	na	16.7	19.9
Div Yield (%)	na	na	5.6	6.6
PER (x)	11.0	7.4	7.2	6.0
PBV (x)	3.2	2.2	2.2	1.8
Net Debt/Equity	Net Cash	Net Cash	Net Cash	Net Cash
ROE	29.2	30.3	30.0	29.4
Consensus EPS (sen)	na	na	42.0	49.0
JupRsh/Con (x)	na	na	1.2	1.2



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Table 2: MATRIX RNAV (Revalued Net Asset)

Developments	Location	GDV (RM'm)	NPV
Futures Project			
Bandar Sri Sendayan	Sendayan, Negeri Sembilan	3,042.9	344.5
Taman Seri Impian	Kluang, Johor	730.0	63.9
Lobak Commercial Center	Seremban, Negeri Sembilan	45.4	4.0
Third 9 Residence	Seremban, Negeri Sembilan	144.7	12.7
Kota Gadong Perdana	Labu, Negeri Sembilan	926.4	81.1
New Land Bandar Sri Sendayan	Sendayan, Negeri Sembilan	1,600.0	140.0
KL Land	Kuala Lumpur	250.0	21.9
On Going Projects			
Impianan Casa 2	Kluang, Johor	67.5	11.1
Taman Desa PD 3	Port Dickson, Negeri Sembilan	5.5	0.9
Nusari Aman 2	Sendayan, Negeri Sembilan	127.2	20.9
Nusari Aman 2D	Sendayan, Negeri Sembilan	54.2	8.9
Nusari Aman 3A	Sendayan, Negeri Sembilan	40.6	0.0
Idaman Bayu 2	Sendayan, Negeri Sembilan	23.6	3.9
Nusari Bayu 2B	Sendayan, Negeri Sembilan	29.1	4.8
Hijayu 1b	Sendayan, Negeri Sembilan	77.3	12.7
Hijayu 3D	Sendayan, Negeri Sembilan	192.5	31.7
1 Sendayan Clubhouse	Sendayan, Negeri Sembilan	50.0	8.2
Sub Center @ Nusari Bayu	Sendayan, Negeri Sembilan	30.0	4.9
Sub Center @ Nusari Hijau	Sendayan, Negeri Sembilan	12.0	2.0
Sendayan TechVALley 1	Sendayan, Negeri Sembilan	214.5	35.3
Sendayan TechVALley 2	Sendayan, Negeri Sembilan	497.3	81.8
Unbilled		521.9	232.1
Total NPV			1,127.4
Investment Property + Associates			16.6
Shareholder's fund			518.3
LT & ST Debt			(16.1)
Total RNAV			1,646.2
Enlarge share based			300.0
RNAV Per Share			5.49
Target RNAV			3.00
Discount			45%

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