

HLIB Research

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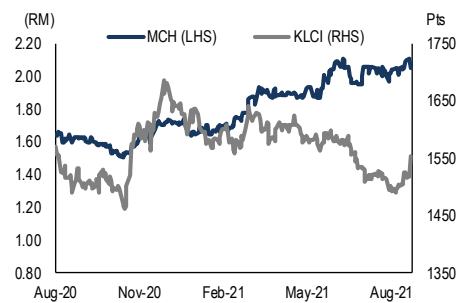
BUY (Maintain)

Target Price: RM2.20
Previously: RM2.16
Current Price: RM2.05

Capital upside	7.3%
Dividend yield	5.5%
Expected total return	12.8%

Sector coverage: Property

Company description: Matrix involves in property development and construction businesses primarily focus in Negeri Sembilan and Johor.

Share price


	1M	3M	12M
Absolute	0.0	4.6	17.1
Relative	-3.0	5.1	16.0

Stock information

Bloomberg Ticker	MCH MK
Bursa Code	5236
Issued Shares (m)	834
Market cap (RM m)	1,710
3-mth avg. volume ('000)	767
SC Shariah-compliant	Yes
F4GBM Index member	Yes
ESG rating	★★★

Major shareholders

Lee Tian Hock	13.9%
Shining Term Sdn Bhd	12.7%
EPF	10.0%

Earnings summary

FYE (Mar)	FY21	FY22f	FY23f
PATMI - core (RM m)	282.5	233.6	261.5
EPS - core (sen)	33.9	28.0	31.3
P/E (x)	6.1	7.3	6.5

Matrix Concepts Holdings

Hit by lower progressive billings

1QFY22 core PATMI of RM31.7m (-67.9% QoQ, +2.0% YoY) were below expectations dragged by lower progressive billings from the affected construction activity due to lockdown. 1QFY22 sales came in at RM300.9m (25% of its full year target of RM1.2bn). We decrease our forecast by 18%/12% for FY22-23 to account for slower progressive billings recognition. Maintain BUY with a higher TP of RM2.20 (from RM2.16) based on 35% discount to RNAV of RM3.39 as we recalibrate our valuation to reflect the changes in forecast coupled with the rollover of valuation. Despite earnings missed, we believe overall earnings execution should pick-up in tandem with looser restrictions.

Below expectations. Matrix reported 1QFY22 core PATMI of RM31.7m (-67.9% QoQ, +2.0% YoY). The results were below expectations forming 11% of our and consensus full year forecasts, dragged by lower progressive billings from the affected construction activity due to MCO3.0 and Phase 1.

Dividend. Declared single tier first interim dividend of 2.0 sen (1QFY21: 2.0 sen; 4QFY21: 4.0sen) per share going ex on 22 Sept 2021.

QoQ. Core PATAMI contracted by 67.9% on the back of lower revenue by 57.9% dragged by lower property sales (-12%) and lower progressive billing recognition from the affected business operation activities during NRP Phase 1 restrictions.

YoY. Despite chalking in lower sales (-14% YoY), revenue remained largely flattish (+0.9%) from a higher progressive billings recognition this quarter as NRP Phase 1 was less restrictive compared to MCO 1.0. In turn, core PATAMI also stayed steady (+2%).

Sales and launches. 1QFY22 new sales came in at RM300.9m, representing 25% of its full year target (RM1.2bn). The company has GDV of RM1.6bn in the pipeline for launches for the rest of the year with GDV of RM1.1bn in BSS as well as GDV of RM375m on its second Klang Valley project in Cheras. Unbilled sales stood at RM1bn (1.0x cover ratio).

Outlook. As the shortfalls in earnings were largely from the lower progressive billings, we believe earnings execution will pick-up in tandem with looser restrictions as the company is able to do a "construction boost" later. To recap, after MCO1.0 was lifted, Matrix operated its construction works at 120% capacity (by working overtime) to catch up on its schedule. Management shared that bookings during NRP Phase 1 (June and July) remained strong at RM359m (which some of these already converted into sales). To date, Matrix has managed to get close to 100% of its employees vaccinated while >90% of its construction workers have received 1st dose. Hence, we believe Matrix is well positioned to capitalise on the anticipated strong recovery in the later part of this year.

Forecast. We decrease our forecast by 18%/12% for FY22-23 to account for slower progressive billings recognitions. Introduced FY24 earnings at RM278.7m.

Maintain **BUY** with a higher TP of **RM2.20** (from RM2.16) based on 35% discount to RNAV of RM3.39 as we recalibrate our valuation to reflect the changes in forecast coupled with the rollover of valuation. Despite earnings missed, we believe overall earnings execution should pick-up in tandem with looser restrictions. We continue to like Matrix as it is well-positioned to ride on affordable housing theme within its successful townships with cheap land cost and sustained property sales. This is supported by an attractive dividend yield of 5.5-6.5% for FY22-24, being one of the highest in the sector.

Financial Forecast

All items in (RM m) unless otherwise stated

Balance Sheet

FYE Mar	FY20	FY21	FY22f	FY23f	FY24f
Cash	281.0	229.4	456.7	604.0	786.2
Receivables	533.0	620.6	583.9	449.9	482.7
Inventories	624.1	618.0	581.5	692.3	804.8
Others	1,138.7	1,142.2	1,092.1	1,205.8	1,321.9
Assets	2,576.9	2,610.2	2,714.2	2,952.0	3,395.6
Payables	484.5	456.0	429.0	519.1	804.6
Debt	427.6	325.5	325.5	325.5	325.5
Others	61.8	32.1	32.1	32.1	32.1
Liabilities	973.9	813.7	786.7	876.7	1,162.2
Shareholder's equity	1,605.1	1,807.7	1,947.9	2,104.8	2,272.0
Minority interest	(2.1)	(11.2)	(20.4)	(29.5)	(38.7)
Equity	1,603.0	1,796.5	1,927.5	2,075.3	2,233.3

Cash Flow Statement

FYE Mar	FY20	FY21	FY22f	FY23f	FY24f
Profit before taxation	337.6	361.1	296.5	333.3	356.1
D&A	11.7	12.3	11.8	11.4	10.9
Working capital	(165.5)	(133.3)	86.8	(9.5)	15.4
Taxation	(100.1)	(123.1)	(72.0)	(81.0)	(86.5)
Others	(31.3)	(25.9)	-	-	0.0
CFO	52.4	91.2	323.1	254.2	295.9
Capex	(7.0)	(2.3)	(2.3)	(2.3)	(2.3)
Others	(101.6)	(20.2)	-	-	-
CFI	(108.5)	(22.5)	(2.3)	(2.3)	(2.3)
Changes in debt	57.8	(61.7)	-	-	-
Shares issued	178.3	4.8	-	-	-
Dividends	(97.5)	(87.6)	(93.5)	(104.6)	(111.5)
Others	-	-	-	-	0.0
CFF	138.5	(144.5)	(93.5)	(104.6)	(111.5)
Net cash flow	82.4	(75.9)	227.4	147.3	182.1
Forex	14.9	24.2	-	-	-
Others	-	-	-	-	-
Beginning cash	183.7	281.0	229.4	456.7	604.0
Ending cash	281.0	229.4	456.7	604.0	786.2

Income statement

FYE Mar	FY20	FY21	FY22f	FY23f	FY24f
Revenue	1283.4	1127.6	1060.9	1263.1	1468.3
Operating cost	(931.9)	(733.1)	(761.7)	(911.0)	(1099.3)
EBITDA	351.5	394.5	299.3	352.1	369.0
D&A	(11.7)	(12.3)	(11.8)	(11.4)	(10.9)
Net Interest	(2.1)	(26.2)	9.1	(7.4)	(2.0)
Pretax profit	337.6	361.1	296.5	333.3	356.1
Taxation	(103.2)	(87.7)	(72.0)	(81.0)	(86.5)
Minority Interest	(2.9)	(9.1)	(9.1)	(9.1)	(9.1)
PATAMI	237.4	282.5	233.6	261.5	278.7
Exceptionals	0.0	20.3	0.0	0.0	0.0
Core Earning	237.4	282.5	233.6	261.5	278.7
Basic shares (m)	804.8	834.2	834.2	834.2	834.2
Diluted shares (m)	893.1	893.1	893.1	893.1	893.1
Consensus core PATMI			267.7	277.0	272.0
HLIB/ Consensus			87%	94%	102%

Valuation ratios

FYE Mar	FY20	FY21	FY22f	FY23f	FY24f
Net DPS (sen)	11.5	12.0	11.2	12.5	13.4
Yield (%)	5.6	5.9	5.5	6.1	6.5
Core EPS (sen)	29.5	33.9	28.0	31.3	33.4
Fully Diluted EPS (sen)	26.6	31.6	26.2	29.3	31.2
P/E (x)	6.9	6.1	7.3	6.5	6.1
FD P/E (x)	7.7	6.5	7.8	7.0	6.6
Market capitalization (m)	1649.8	1710.2	1710.2	1710.2	1710.2
Net cash (m)	(146.5)	(96.2)	131.2	278.5	460.6
Net gearing (%)	0.09	0.05	CASH	CASH	CASH
BV / share	2.0	2.2	2.3	2.5	2.7
P/BV (x)	1.0	0.9	0.9	0.8	0.8
ROA (%)	9.2	10.8	8.6	8.9	8.2
ROE (%)	14.8	15.7	12.1	12.6	12.5
Enterprise value	1796.3	1806.3	1579.0	1431.6	1249.5
EV/ EBITDA (x)	5.1	4.6	5.3	4.1	3.4

Margin ratios

FYE Mar	FY20	FY21	FY22f	FY23f	FY24f
EBITDA Margin	27.4	35.0	28.2	27.9	25.1
PBT Margin	26.3	32.0	27.9	26.4	24.2
PATMI	18.5	25.1	22.0	20.7	19.0

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Figure #1 Quarterly results comparison

FYE Mar (RM m)	1Q21	4Q21	1Q22	QoQ	YoY
Revenue	162.0	388.2	163.4	-57.9%	0.9%
COGS	(77.0)	(182.5)	(82.9)	-54.6%	7.7%
Gross Profit	85.0	205.7	80.5	-60.8%	-5.3%
Other income	0.8	1.2	1.0	-21.1%	14.3%
Other expenses	(44.1)	(80.2)	(38.9)	-51.4%	-11.7%
EBIT	41.8	126.8	42.6	-66.4%	1.9%
Net Interest	1.0	(11.8)	(0.6)	-95.3%	-158.5%
PBT	42.7	115.5	42.7	-63.0%	-0.1%
Tax	(12.8)	(21.8)	(12.2)	-43.9%	-4.9%
Core PATMI	31.1	98.8	31.7	-67.9%	2.0%
EI (Gain/(Losses))	-	(20.3)	-	N.M.	N.M.
Reported PATMI	31.1	78.5	31.7	-59.6%	2.0%
				<i>ppts change</i>	<i>ppts change</i>
EBIT margin	25.8%	32.6%	26.0%	-6.6	0.3
PBT margin	26.4%	29.7%	26.1%	-3.6	-0.3
PAT margin	19.2%	25.4%	19.4%	-6.0	0.2

Company; HLIB

Figure #2 RNAV Table

Projects	Stake (%)	NPV (RM m)
Bandar Sri Sendayan		
BSS	100%	753.4
BSI	100%	237.2
Others	100%	175.5
Australia	100%	24.7
Indonesia	30%	26.4
Total NPV		1,217.2
Shareholders funds		1,807.7
RNAV		3,024.9
Share base		893.1
RNAV/share		3.39
Discount		35%
Discounted RNAV/share		2.20

Company, HLIB

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BUY	Expected absolute return of +10% or more over the next 12 months.
HOLD	Expected absolute return of -10% to +10% over the next 12 months.
SELL	Expected absolute return of -10% or less over the next 12 months.
UNDER REVIEW	Rating on the stock is temporarily under review which may or may not result in a change from the previous rating.
NOT RATED	Stock is not or no longer within regular coverage.

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