

## HLIB Research

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**BUY** (Maintain)

**Target Price:** RM1.87

**Previously:** RM1.87

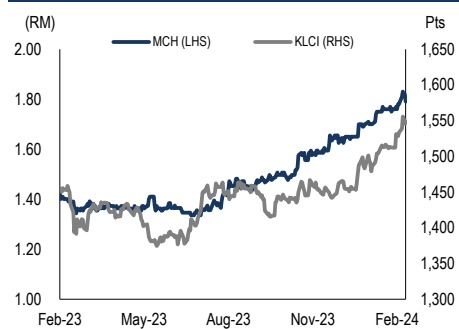
**Current Price:** RM1.79

Capital upside	4.5%
Dividend yield	5.6%
Expected total return	10.1%

**Sector coverage:** Property

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

### Share price



Historical return (%)	1M	3M	12M
Absolute	2.3	11.2	17.8
Relative	-0.5	4.3	10.7

### Stock information

Bloomberg Ticker	MCH MK
Bursa Code	5236
Issued Shares (m)	1,251
Market cap (RM m)	2,240
3-mth avg. volume ('000)	1,692
SC Shariah-compliant	Yes
F4GBM Index member	Yes
ESG rating	★★★

### Major shareholders

Shining Term Sdn Bhd	12.7%
Lee Tian Hock	10.3%
Lembaga Tabung Haji	5.1%

### Earnings summary

FYE (Mar)	FY23	FY24f	FY25f
PATMI - core (RM m)	220.6	250.3	256.1
EPS - core (sen)	17.6	20.0	20.5
P/E (x)	10.2	8.9	8.7

# Matrix Concepts Holdings

## Results within expectations

Matrix reported 3QFY24 core PATAMI of RM57.2m, which brought 9MFY24's sum to RM185.9m (+22.3% YoY). The results were within our and consensus projections, forming 74.3% and 76.1% of full-year forecasts respectively. The group experienced accelerated billings and a consequent -22.7% decline in unbilled sales from its peak due to improved labour conditions. Looking ahead, we expect this impact to subside, anticipating a return to normalized billings and modest earnings growth in subsequent quarters. Demand will continue to be driven by sustained sales momentum from the Sendayan development. **Maintain forecast and BUY call with unchanged TP of RM1.87 based on 45% discount to our estimated RNAV of RM3.40. The stock has a good projected dividend yield of 5.6%.**

**Within expectations.** Matrix reported 3QFY24 core PATAMI of RM57.2m (-10.6% QoQ, +5.3% YoY), which brought 9MFY24's sum to RM185.9m (+22.3% YoY). The results were within our and consensus projections, forming 74.3% and 76.1% of full-year forecasts respectively.

**Dividend.** 2.5 sen, ex-date: 20 Mar 2024 (3QFY23: 2 sen). 9MFY24: 7.5 sen (9MFY23: 6 sen).

**QoQ.** Revenue declined -17.6% as a result of lower contribution from its Bandar Sri Sendayan development due to (i) fewer ongoing projects as there were higher handover of completed projects in recent two quarters; and (ii) new projects are still at the initial stage of construction resulting in lower progress billings. Core PATAMI declined a lower rate of -10.6% due to higher GP margin in current quarter of 53.9% (vs. 43.6% in preceding quarter) as a result of favourable product mix.

**YoY.** Revenue declined -18.6% due to absence of contribution from Australia and KL project. Despite the top-line decline, core PATAMI increased by +5.3% due to higher GP margin of 53.9% (vs. 41.4% in 3Q23) as a result of higher contribution from Bandar Sri Sendayan project which has higher margin.

**YTD.** Revenue increased by +21% due to improvement in progress billings as construction activities were impacted by labour shortage in preceding year. Consequently, core PATAMI increased by +22.3%.

**Sales and launches.** Matrix recorded 3QFY24 sales of RM345.3m (+11.1% QoQ; -14.8% YoY), which brought 9MFY24's sales to RM961.4m (-9.9% YoY), making up 74% of its full year sales target of RM1.3bn. In 3QFY24, the group launched projects amounting to RM368.9m from Levia Residences in KL Tower A (RM254.4m) and project from Bandar Sri Sendayan township (RM114.6m), which brought 9MFY24's launches to RM978.6m (+4.7% YoY). As at 3QFY24, unbilled sales stood at RM1.17bn (-9.5% QoQ), representing 1.09x cover of its FY23 property development revenue.

**Outlook.** YTD, the group has enjoyed accelerated billings as the labour shortage situation improved. Consequently, this has resulted in its unbilled sales easing -22.7% to RM1.17bn in 3QFY24 from its peak of RM1.51bn in 3QFY23. Looking ahead, this impact should dissipate and we expect to see normalized level of billings. Consequently, we anticipate modest growth in earnings in subsequent quarters. Sales momentum for the group should be able to sustain with the group's Sendayan development continuing to be the main contributor to sales. Demand for the township is supported by buyers from the Klang Valley region as they look further away from city centre for landed homes.

**Forecast. Unchanged.**

Maintain **BUY** with an unchanged TP of **RM1.87** based on 45% discount to our estimated RNAV of RM3.40. The stock remains a good divvy name given its steady earnings track record, generous dividend payout ratio of >50% and consistent quarterly dividend payments. The stock has a good projected dividend yield of 5.6% for FY24.

**Financial Forecast**

All items in (RM m) unless otherwise stated

**Balance Sheet**

FYE Mar	FY22	FY23	FY24f	FY25f	FY26f
Cash	202.1	250.2	495.3	729.8	596.9
Receivables	714.4	778.8	469.9	520.4	524.5
Inventories	463.2	397.6	741.8	565.5	828.0
Others	1,239.7	1,211.8	1,453.6	1,553.1	1,554.8
<b>Assets</b>	<b>2,619.4</b>	<b>2,638.4</b>	<b>3,160.5</b>	<b>3,368.9</b>	<b>3,504.1</b>
Payables	412.3	382.2	783.1	867.4	874.1
Debt	282.9	222.7	222.7	222.7	222.7
Others	25.3	45.6	45.6	45.6	45.6
<b>Liabilities</b>	<b>720.5</b>	<b>650.6</b>	<b>1,051.5</b>	<b>1,135.7</b>	<b>1,142.5</b>
Shareholder's equity	1,910.4	2,003.6	2,129.2	2,257.7	2,390.7
Minority interest	(11.5)	(15.8)	(20.2)	(24.6)	(29.0)
<b>Equity</b>	<b>1,898.9</b>	<b>1,987.9</b>	<b>2,109.0</b>	<b>2,233.1</b>	<b>2,361.6</b>

**Cash Flow Statement**

FYE Mar	FY22	FY23	FY24f	FY25f	FY26f
Profit before taxation	268.4	260.7	277.5	323.5	334.8
D&A	11.9	10.3	10.3	9.7	9.3
Working capital	(100.5)	0.5	146.0	103.1	(268.4)
Taxation	(76.5)	(68.1)	(61.6)	(71.8)	(74.3)
Others	4.6	8.0	-	-	-
<b>CFO</b>	<b>107.9</b>	<b>211.3</b>	<b>372.1</b>	<b>364.5</b>	<b>1.4</b>
Capex	(1.8)	(2.4)	(2.4)	(2.4)	(2.4)
Others	(1.5)	21.7	-	-	-
<b>CFI</b>	<b>(3.4)</b>	<b>19.3</b>	<b>(2.4)</b>	<b>(2.4)</b>	<b>(2.4)</b>
Changes in debt	(62.6)	(111.7)	-	-	-
Shares issued	4.1	1.2	-	-	-
Dividends	(100.1)	(112.6)	(124.7)	(127.6)	(132.0)
Others	-	-	-	-	-
<b>CFF</b>	<b>(158.6)</b>	<b>(223.1)</b>	<b>(124.7)</b>	<b>(127.6)</b>	<b>(132.0)</b>
<b>Net cash flow</b>	<b>(54.1)</b>	<b>7.6</b>	<b>245.1</b>	<b>234.5</b>	<b>(133.0)</b>
Forex	18.8	60.2	-	-	-
Others	51.9	32.2	32.2	32.2	32.2
Beginning cash	185.6	150.3	218.0	463.1	697.6
Ending cash	202.1	250.2	495.3	729.8	596.9

**Income statement**

FYE Mar	FY22	FY23	FY24f	FY25f	FY26f
<b>Revenue</b>	<b>892.4</b>	<b>1113.1</b>	<b>1429.1</b>	<b>1582.9</b>	<b>1595.3</b>
Operating cost	(604.0)	(837.7)	(1131.4)	(1239.8)	(1241.1)
<b>EBITDA</b>	<b>288.4</b>	<b>275.3</b>	<b>297.8</b>	<b>343.2</b>	<b>354.1</b>
D&A	(11.9)	(10.3)	(10.3)	(9.7)	(9.3)
Net Interest	(11.5)	(6.2)	(10.0)	(10.0)	(10.0)
JV & associates	3.4	1.8	30.0	0.0	0.0
Pretax profit	<b>268.4</b>	<b>260.7</b>	<b>277.5</b>	<b>323.5</b>	<b>334.8</b>
Taxation	(67.5)	(57.9)	(61.6)	(71.8)	(74.3)
Minority Interest	(4.3)	(4.4)	(4.4)	(4.4)	(4.4)
<b>Core PATMI</b>	<b>210.2</b>	<b>220.6</b>	<b>250.3</b>	<b>256.1</b>	<b>264.9</b>
Exceptionals	(5.0)	(13.4)	0.0	0.0	0.0
Reported PATMI	205.2	207.2	250.3	256.1	264.9
Basic shares (m)	1251.3	1251.3	1251.3	1251.3	1251.3
Diluted shares (m)	1251.3	1251.3	1251.3	1251.3	1251.3
Consensus core PATMI			244.4	269.0	275.4
HLIB/ Consensus			102%	95%	96%

**Valuation ratios**

FYE Mar	FY22	FY23	FY24f	FY25f	FY26f
Net DPS (sen)	8.3	8.3	10.0	10.2	10.5
Yield (%)	4.7	4.6	5.6	5.7	5.9
Core EPS (sen)	16.8	17.6	20.0	20.5	21.2
Fully Diluted EPS (sen)	16.8	17.6	20.0	20.5	21.2
P/E (x)	10.7	10.2	8.9	8.7	8.5
FD P/E (x)	10.7	10.2	8.9	8.7	8.5
Market capitalization (m)	2239.9	2239.9	2239.9	2239.9	2239.9
Net cash (m)	(80.7)	27.5	272.6	507.1	374.1
Net gearing (%)	0.04	CASH	CASH	CASH	CASH
BV / share	1.5	1.6	1.7	1.8	1.9
P/BV (x)	1.2	1.1	1.1	1.0	0.9
ROA (%)	8.0	8.4	7.9	7.6	7.6
ROE (%)	11.1	11.1	11.9	11.5	11.2
Enterprise value	2320.6	2212.4	1967.4	1732.8	1865.8
EV/ EBITDA (x)	8.0	8.0	6.6	5.0	5.3

**Figure #1** Quarterly results comparison

FYE Mar (RM m)	3QFY23	2QFY24	3QFY24	QoQ	YoY	9MFY23	9MFY24	YoY
Revenue	363.8	359.4	296.0	-17.6%	-18.6%	815.4	986.8	21.0%
COGS	(213.1)	(202.6)	(136.4)	-32.7%	-36.0%	(441.8)	(518.3)	17.3%
Gross Profit	150.7	156.7	159.5	1.8%	5.8%	373.6	468.5	25.4%
Other income	1.9	2.6	4.4	66.1%	134.8%	5.0	8.2	62.7%
Other expenses	(78.9)	(74.3)	(89.3)	20.2%	13.2%	(175.2)	(230.0)	31.3%
EBIT	73.7	85.0	74.6	-12.3%	1.2%	203.4	246.7	21.3%
Net Interest	(0.7)	(0.9)	2.4	NM	NM	(1.0)	1.2	NM
PBT	73.5	83.8	76.1	-9.2%	3.6%	203.8	247.2	21.3%
Tax	(19.8)	(20.7)	(19.5)	-6.0%	-1.9%	(54.3)	(63.7)	17.4%
Reported PATMI	54.4	64.0	57.2	-10.6%	5.3%	152.0	185.9	22.3%
EI (Gain/(Losses))	-	-	-			-	-	
<b>Core PATMI</b>	54.4	64.0	57.2	-10.6%	5.3%	152.0	185.9	22.3%
				<i>ppts change</i>	<i>ppts change</i>			<i>ppts change</i>
EBIT margin	20.3%	23.7%	25.2%	1.5	4.9	24.9%	25.0%	0.1
PBT margin	20.2%	23.3%	25.7%	2.4	5.5	25.0%	25.0%	0.1
PAT margin	14.9%	17.8%	19.3%	1.5	4.4	18.6%	18.8%	0.2

Company; HLIB

**Figure #2** RNAV Table

Projects	Stake (%)	NPV (RM m)
<b>Bandar Sri Sendayan</b>		
BSS & MVV	100%	1,808.1
BSI	100%	196.1
Klang Valley	100%	201.6
Australia	100%	21.2
Indonesia	30%	22.7
Total NPV		2,249.7
Shareholders funds		2,003.6
<b>RNAV</b>		<b>4,253.3</b>
Share base		1,251.3
RNAV/share		3.40
Discount		45%
<b>Discounted RNAV/share</b>		<b>1.87</b>

Company, HLIB

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

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<b>OVERWEIGHT</b>	Sector expected to outperform the market over the next 12 months.
<b>NEUTRAL</b>	Sector expected to perform in-line with the market over the next 12 months.
<b>UNDERWEIGHT</b>	Sector expected to underperform the market over the next 12 months.

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