

**HLIB Research**

PP 9484/12/2012 (031413)

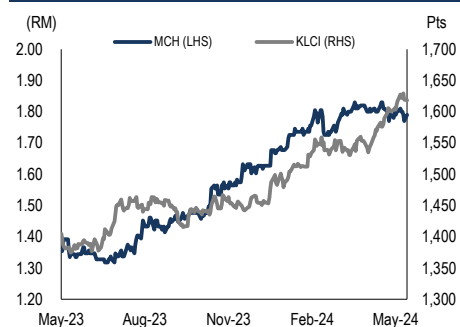
**Tan Kai Shuen, CFA**
[kstan@hlib.hongleong.com.my](mailto:kstan@hlib.hongleong.com.my)
**(603) 2083 1714**
**HOLD** (from Buy)

**Target Price: RM1.87**
**Previously: RM1.87**
**Current Price: RM1.79**

Capital upside	4.5%
Dividend yield	5.7%
Expected total return	10.2%

**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	-0.6	-2.2	25.2
Relative	-3.2	-6.6	8.5

**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)	1,628
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	5.6%

**Earnings summary**

FYE (Mar)	FY24	FY25f	FY26f
PATMI - core (RM m)	237.7	256.1	264.9
EPS - core (sen)	19.0	20.5	21.2
P/E (x)	9.4	8.7	8.5

# Matrix Concepts Holdings

## Results within expectations

Matrix reported 4QFY24 core PATAMI of RM51.8m (-9.5% QoQ, -25.9% YoY), which brought FY24's sum to RM237.7m (+7.1% YoY). The results were within our and consensus projections, forming 95.0% and 96.5% of full-year forecasts respectively. Maintain forecast but downgrade the stock to a HOLD rating (from BUY) with an unchanged TP of RM1.87 based on 45% discount to our estimated RNAV of RM3.40. We expect the stock to deliver only modest growth in subsequent quarters, which may limit its share price upside. However, it offers a generous dividend payout ratio of over 50% with consistent quarterly dividends. Its projected dividend yield of 5.7% for FY25 should provide downside support to the share price. Considering these factors, we recommend a HOLD rating for the stock.

**Within expectations.** Matrix reported 4QFY24 core PATAMI of RM51.8m (-9.5% QoQ, -25.9% YoY), which brought FY24's sum to RM237.7m (+7.1% YoY). The results were within our and consensus projections, forming 95.0% and 96.5% of full-year forecasts respectively. FY24 core PATAMI was arrived at after subtracting net EIs amounting to +RM8.8m from (i) PPE write-off (-RM7.1m); (ii) net reversal of receivables impairment (+RM8.8m); (iii) disposal gain on PPE (+RM15k); and (iv) reversal of deposit impairment loss (+RM7m).

**Dividend.** 2.5 sen, ex-date: 25 June 2024 (4QFY23: 2.25 sen). FY24: 10 sen (FY23: 8.25 sen).

**QoQ.** Revenue increased by +19.3% due to higher progress billings mainly from the group's Bandar Sri Sendayan township. Despite the revenue improvement, core PATAMI declined by -9.5% due to higher admin expenses relating to staff benefits amounting to RM93.2m (+70.9%).

**YoY.** Revenue increased by +16.9% due to better progress billings mainly from the group's Bandar Sri Sendayan township and higher sales. Despite the revenue improvement, core PATAMI declined by -25.9% due to higher admin expenses of RM93.2m (+18.1%) and higher selling and distribution costs incurred mainly for Levia Residences of RM24.7m (+137%).

**YTD.** Revenue increased +19.9% due to improvement in progress billings as construction activities were impacted by labour shortage in the preceding year. Subsequently, core PATAMI grew at a lower rate of +7.1% due to higher selling and distribution costs of RM134.5m (+51.3%) and admin expenses of RM213.4m (+21.5%).

**Sales and launches.** Matrix recorded 4QFY24 sales of RM287m (-16.9% QoQ; +41.9% YoY), which brought FY24's sales to RM1.25bn (-1.7% YoY), matching and making up 96% of its full year sales target of RM1.3bn. In 4QFY24, the group launched projects amounting to RM339m from its Bandar Sri Sendayan township, which brought FY24 launches to RM1.32bn (+2.9% YoY). As at 4QFY24, unbilled sales stood at RM1.18bn (+1.2% QoQ), representing 0.91x cover of its FY24 property development revenue. For FY25, the group is setting a sales target of RM1.3bn (+4.1% YoY).

**Outlook.** For FY24, the group had the benefit of accelerated billings as the labour shortage situation improved, resulting in it reporting record high revenue. On the flip side, its unbilled sales had eased -21.8% to RM1.18bn in 4QFY24 from its peak of RM1.51bn in 3QFY23, resulting to less than 1x cover of its FY24 property development revenue. Looking ahead in FY25, we expect to see slower progress billings as the impact of accelerated billings from preceding year dissipates. Furthermore, Levia Residence which make up 8.5% of its unbilled sales also has slower progress billings and lower margin compared to its BSS projects. Consequently, we anticipate modest

growth in earnings in subsequent quarters due to slower progress billings and lower margin product mix from Levia Residence.

**Forecast.** Unchanged.

We downgrade the stock to **HOLD** with an unchanged TP of **RM1.87** based on 45% discount to our estimated RNAV of RM3.40. We expect the stock to deliver only modest growth in subsequent quarters, which may limit its share price upside. However, it offers a generous dividend payout ratio of over 50% with consistent quarterly dividends. Its projected dividend yield of 5.7% for FY25 should provide downside support to the share price. Considering these factors, we recommend a HOLD rating for the stock.

**Figure #1** Financial forecast summary

FYE Mar (RM m)	FY22	FY23	FY24	FY25f	FY26f
Revenue	892.4	1,113.1	1,339.9	1,582.9	1,595.3
EBITDA	288.4	275.3	342.0	343.2	354.1
EBIT	276.4	265.1	332.1	333.5	344.8
PBT	268.4	260.7	334.1	323.5	334.8
PAT	200.9	202.8	248.1	251.7	260.5
PATMI – Core	210.2	220.6	237.7	256.1	264.9
PATMI – Reported	205.2	207.2	246.5	256.1	264.9
Core EPS (sen)	16.8	17.6	19.0	20.5	21.2
P/E (x)	10.7	10.2	9.4	8.7	8.5
EV/EBITDA (x)	8.0	8.0	6.1	5.0	5.3
DPS (sen)	8.3	8.3	10.0	10.2	10.5
Yield (%)	4.7	4.6	5.6	5.7	5.9
BVPS (RM/share)	1.5	1.6	1.7	1.8	1.9
P/B (x)	1.2	1.1	1.1	1.0	0.9
ROE (%)	11.1%	11.1%	11.2%	11.5%	11.2%
Net Gearing (%)	0.0%	CASH	CASH	CASH	CASH

HLIB Research

**Figure #2** Quarterly results comparison

FYE Mar (RM m)	4QFY23	3QFY24	4QFY24	QoQ	YoY	FY23	FY24	YoY
Revenue	302.2	296.0	353.1	19.3%	16.9%	1,117.6	1,339.9	19.9%
COGS	(158.0)	(136.4)	(177.2)	29.9%	12.2%	(599.8)	(695.5)	15.9%
Gross Profit	144.2	159.5	175.9	10.3%	22.0%	517.8	644.4	24.5%
Other income	15.4	4.4	27.4	523.9%	77.3%	20.5	35.6	73.7%
Other expenses	(89.3)	(89.3)	(117.9)	31.9%	32.0%	(264.5)	(347.9)	31.5%
EBIT	70.4	74.6	85.5	14.6%	21.5%	273.8	332.1	21.3%
Net Interest	(1.2)	2.4	1.1	-54.3%	NM	(2.1)	2.3	NM
PBT	69.5	76.1	86.9	14.1%	25.1%	273.3	334.1	22.2%
Tax	(14.9)	(19.5)	(22.3)	14.4%	49.3%	(69.2)	(85.9)	24.3%
Reported PATMI	56.6	57.2	60.6	5.9%	7.2%	208.5	246.5	18.2%
EI (Gain/(Losses))	(13.4)	-	8.8	NM	NM	(13.4)	8.8	NM
<b>Core PATMI</b>	69.9	57.2	51.8	-9.5%	-25.9%	221.9	237.7	7.1%
				<i>ppts change</i>	<i>ppts change</i>			<i>ppts change</i>
EBIT margin	23.3%	25.2%	24.2%	-1.0	0.9	24.5%	24.8%	0.3
PBT margin	23.0%	25.7%	24.6%	-1.1	1.6	24.5%	24.9%	0.5
PAT margin	23.1%	19.3%	14.7%	-4.7	-8.5	19.9%	17.7%	-2.1

Company; HLIB

**Figure #3 RNAV Table**

<b>Projects</b>	<b>Stake (%)</b>	<b>NPV (RM m)</b>
<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*

## Disclaimer

The information contained in this report is based on data obtained from sources believed to be reliable. However, the data and/or sources have not been independently verified and as such, no representation, express or implied, are made as to the accuracy, adequacy, completeness or reliability of the info or opinions in the report.

Accordingly, neither Hong Leong Investment Bank Berhad nor any of its related companies and associates nor person connected to it accept any liability whatsoever for any direct, indirect or consequential losses (including loss of profits) or damages that may arise from the use or reliance on the info or opinions in this publication.

Any information, opinions or recommendations contained herein are subject to change at any time without prior notice. Hong Leong Investment Bank Berhad has no obligation to update its opinion or the information in this report.

Investors are advised to make their own independent evaluation of the info contained in this report and seek independent financial, legal or other advice regarding the appropriateness of investing in any securities or the investment strategies discussed or recommended in this report. Nothing in this report constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable or appropriate to your individual circumstances or otherwise represents a personal recommendation to you.

Under no circumstances should this report be considered as an offer to sell or a solicitation of any offer to buy any securities referred to herein.

Hong Leong Investment Bank Berhad and its related companies, their associates, directors, connected parties and/or employees may, from time to time, own, have positions or be materially interested in any securities mentioned herein or any securities related thereto, and may further act as market maker or have assumed underwriting commitment or deal with such securities and provide advisory, investment or other services for or do business with any companies or entities mentioned in this report. In reviewing the report, investors should be aware that any or all of the foregoing among other things, may give rise to real or potential conflict of interests.

This research report is being supplied to you on a strictly confidential basis solely for your information and is made strictly on the basis that it will remain confidential. All materials presented in this report, unless specifically indicated otherwise, are under copyright to Hong Leong Investment Bank Berhad. This research report and its contents may not be reproduced, stored in a retrieval system, redistributed, transmitted or passed on, directly or indirectly, to any person or published in whole or in part, or altered in any way, for any purpose.

This report may provide the addresses of, or contain hyperlinks to websites. Hong Leong Investment Bank Berhad takes no responsibility for the content contained therein. Such addresses or hyperlinks (including addresses or hyperlinks to Hong Leong Investment Bank Berhad own website material) are provided solely for your convenience. The information and the content of the linked site do not in any way form part of this report. Accessing such website or following such link through the report or Hong Leong Investment Bank Berhad website shall be at your own risk.

1. As of 28 May 2024, Hong Leong Investment Bank Berhad has proprietary interest in the following securities covered in this report:

(a) -

2. As of 28 May 2024, the analyst(s) whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:

(a) -

## Published & printed by:

### Hong Leong Investment Bank Berhad (10209-W)

Level 28, Menara Hong Leong,

No. 6, Jalan Damanlela,

Bukit Damansara,

50490 Kuala Lumpur

Tel: (603) 2083 1800

Fax: (603) 2083 1766

## Stock rating guide

<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.

## Sector rating guide

<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.

The stock rating guide as stipulated above serves as a guiding principle to stock ratings. However, apart from the abovementioned quantitative definitions, other qualitative measures and situational aspects will also be considered when arriving at the final stock rating. Stock rating may also be affected by the market capitalisation of the individual stock under review.