

HLIB Research

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BUY (Maintain)

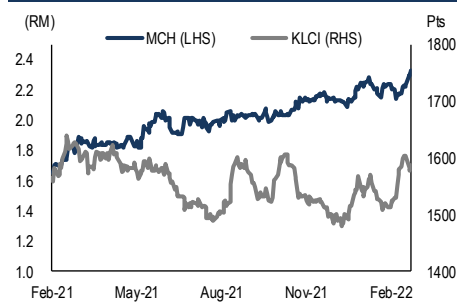
Target Price: RM2.54
Previously: RM2.54
Current Price: RM2.33

Capital upside 9.0%
Dividend yield 5.4%
Expected total return 14.4%

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	7.4	6.4	32.4
Relative	3.4	2.1	30.6

Stock information

Bloomberg Ticker	MCH MK
Bursa Code	5236
Issued Shares (m)	834
Market cap (RM m)	1,944
3-mth avg. volume ('000)	530
SC Shariah-compliant	Yes
F4GBM Index member	Yes
ESG rating	★★★

Major shareholders

Lee Tian Hock	13.9%
Shining Term Sdn Bhd	12.7%
EPF	9.2%

Earnings summary

FYE (Mar)	FY21	FY22f	FY23f
PATMI - core (RM m)	282.5	233.5	261.0
EPS - core (sen)	31.6	26.1	29.2
P/E (x)	7.4	8.9	8.0

Matrix Concepts Holdings

Set to exceed sales target of RM1.2bn

Matrix reported 9MFY22 core PATMI of RM143.9m (-20.7% YoY) that matched expectations. Declared 3rd single tier first interim dividend of 3.75 sen (2QFY22: 3.0 sen; 3QFY21: 3.0sen) per share going ex on 22 Mar 2022. 3QFY22 new sales came in at RM356.7m, which brought 9MFY22 sales to RM998m (83.2% of its full year target of RM1.2bn). We are expecting a stronger 4QFY22 ahead from higher progressive billings with expectation of higher sales and higher productivity. Maintain our forecast and BUY recommendation with an unchanged TP of RM2.54 based on a 25% discount to RNAV of RM3.39.

Within expectations. Matrix reported 3QFY22 core PATMI of RM60.5m (+16.7% QoQ, -19.8% YoY), which brought 9MFY22 core PATMI to RM143.9m (-20.7% YoY), making up 62% of our and 60% of consensus expectation. We deem the results inline as we are expecting a stronger 4QFY22 from a higher progressive billings contribution with expectation of higher sales coming from its strong bookings numbers.

Dividend. Declared 3rd single tier first interim dividend of 3.75 sen (2QFY22: 3.0 sen; 3QFY21: 3.0sen) per share going ex on 22 Mar 2022, bringing 9MFY22 cumulative dividend of 8.75 sen (9MFY21: 8.0 sen).

QoQ. Despite flattish revenue (-2.7%), core PATMI rose by 16.7% thanks to improvements in profitability margin from the favourable product mix.

YoY/YTD. Core PATMI declined (-19.8% YoY; -20.7% YTD) largely due to lower revenue (-26.1% YoY; -14.0% YTD) owing to lower progressive billings recognition from the slowdown in productivity.

Sales and launches. 3QFY22 new sales came in at RM356.7m, this brought 9MFY22 sales to RM998m (83.2% of its full year target of RM1.2bn). 9MFY22 saw RM508.6m new launches from Laman Sendayan 3 & 4 as well as Tiara Sendayan 9. Management shared that newly launched Laman Sendayan 3 and Tiara Sendayan 9 were nearly 100% taken up. The company has GDV of RM273.1bn in the pipeline for launches in the 4QFY22. Unbilled sales increased to RM1.27bn (from RM1.1bn in 2QFY22) representing 1.2x cover ratio.

Outlook. We gathered that sales and booking momentum remained robust for the month of Jan and Feb 2022, as such, we believe Matrix is set to exceed its sales target of RM1.2bn. Hence, we are expecting a stronger 4QFY22 ahead from higher progressive billings with expectation of higher sales and higher productivity.

Forecast. Unchanged

Maintain **BUY** with an unchanged TP of **RM2.54** based on a 25% discount to RNAV of RM3.39. 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 5.4-6.4% 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	445.0	579.0	746.7
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	2,702.5	2,926.9	3,356.1
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	1,936.2	2,079.7	2,232.5
Minority interest	(2.1)	(11.2)	(20.4)	(29.5)	(38.7)
Equity	1,603.0	1,796.5	1,915.8	2,050.2	2,193.9

Cash Flow Statement

FYE Mar	FY20	FY21	FY22f	FY23f	FY24f
Profit before taxation	337.6	361.1	296.3	332.7	355.0
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)	(80.8)	(86.2)
Others	(31.3)	(25.9)	-	-	-
CFO	52.4	91.2	322.9	253.7	295.1
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)	(105.1)	(117.4)	(125.1)
Others	-	-	-	-	-
CFF	138.5	(144.5)	(105.1)	(117.4)	(125.1)
Net cash flow	82.4	(75.9)	215.6	134.0	167.7
Forex	14.9	24.2	-	-	-
Others	-	-	-	-	-
Beginning cash	183.7	281.0	229.4	445.0	579.0
Ending cash	281.0	229.4	445.0	579.0	746.7

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)	8.9	(8.0)	(3.1)
Pretax profit	337.6	361.1	296.3	332.7	355.0
Taxation	(103.2)	(87.7)	(72.0)	(80.8)	(86.2)
Minority Interest	(2.9)	(9.1)	(9.1)	(9.1)	(9.1)
Core PATMI	237.4	282.5	233.5	261.0	277.9
Exceptionals	0.0	20.3	0.0	0.0	0.0
Reported PATMI	237.4	262.2	233.5	261.0	277.9
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			238.5	260.8	276.7
HLIB/ Consensus			98%	100%	100%

Valuation ratios

FYE Mar	FY20	FY21	FY22f	FY23f	FY24f
Net DPS (sen)	11.5	12.0	12.6	14.1	15.0
Yield (%)	4.9	5.2	5.4	6.0	6.4
Core EPS (sen)	29.5	33.9	28.0	31.3	33.3
Fully Diluted EPS (sen)	26.6	31.6	26.1	29.2	31.1
P/E (x)	7.9	6.9	8.3	7.4	7.0
FD P/E (x)	8.8	7.4	8.9	8.0	7.5
Market capitalization (m)	1875.1	1943.7	1943.7	1943.7	1943.7
Net cash (m)	(146.5)	(96.2)	119.4	253.4	421.2
Net gearing (%)	0.09	0.05	CASH	CASH	CASH
BV / share	2.0	2.2	2.3	2.5	2.7
P/BV (x)	1.2	1.1	1.0	0.9	0.9
ROA (%)	9.2	10.8	8.6	8.9	8.3
ROE (%)	14.8	15.7	12.2	12.7	12.7
Enterprise value	2021.6	2039.9	1824.3	1690.3	1522.6
EV/ EBITDA (x)	5.8	5.2	6.1	4.8	4.1

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	26.3	24.2
PATMI	18.5	25.1	22.0	20.7	18.9

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Figure #1 **Quarterly results comparison**

FYE Mar (RM m)	3Q21	2Q22	3Q22	QoQ	YoY	9M21	9M22	YoY
Revenue	315.4	239.5	233.1	-2.7%	-26.1%	739.4	636.0	-14.0%
COGS	(166.2)	(125.6)	(96.9)	-22.8%	-41.7%	(361.7)	(305.4)	-15.6%
Gross Profit	149.2	113.9	136.2	19.6%	-8.7%	377.7	330.6	-12.5%
Other income	2.4	2.1	2.6	24.5%	5.2%	4.8	5.6	16.4%
Other expenses	(62.0)	(46.2)	(58.0)	25.7%	-6.5%	(149.5)	(143.1)	-4.3%
EBIT	89.6	69.8	80.8	15.7%	-9.8%	233.0	193.1	-17.1%
Net Interest	0.9	0.0	0.9	4057.1%	-6.9%	2.9	0.3	-88.2%
PBT	94.5	70.4	82.6	17.3%	-12.7%	239.8	195.6	-18.4%
Tax	(20.5)	(20.0)	(23.5)	17.6%	14.3%	(62.5)	(55.6)	-11.0%
Core PATMI	75.3	51.8	60.5	16.7%	-19.8%	181.5	143.9	-20.7%
EI (Gain/(Losses))	0.0	0.0	0.0	N.M.	N.M.	0.0	0.0	N.M.
Reported PATMI	75.3	51.8	60.5	16.7%	-19.8%	181.5	143.9	-20.7%
				ppts change	ppts change			ppts change
EBIT margin	28.4%	29.2%	34.6%	5.5	6.2	31.5%	30.4%	-1.1
PBT margin	30.0%	29.4%	35.4%	6.0	5.5	32.4%	30.8%	-1.7
PAT margin	23.9%	21.6%	25.9%	4.3	2.0	24.5%	22.6%	-1.9

Company; HLIB

Figure #2 **RNAV Table**

Projects	Stake (%)	NPV (RM m)
Bandar Sri Sendayan		
BSS	100%	754.6
BSI	100%	237.2
Others	100%	175.5
Australia	100%	24.7
Indonesia	30%	26.4
Total NPV		1,218.3
Shareholders funds		1,807.7
RNAV		3,026.0
Share base		893.1
RNAV/share		3.39
Discount		25%
Discounted RNAV/share		2.54

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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OVERWEIGHT	Sector expected to outperform the market over the next 12 months.
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