

HLIB Research

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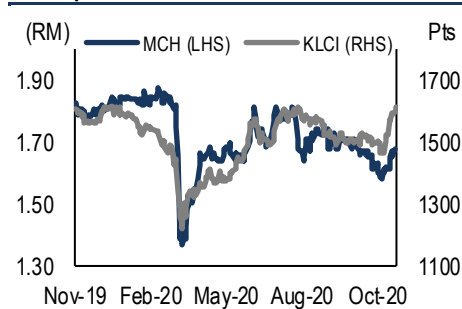
BUY (Maintain)

Target Price: **RM2.11**
Previously: **RM2.11**
Current Price: **RM1.73**

Capital upside	22.0%
Dividend yield	6.4%
Expected total return	28.4%

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	4.8	-1.7	-10.8
Relative	0.5	-2.2	-9.6

Stock information

Bloomberg Ticker	MCH MK
Bursa Code	5236
Issued Shares (m)	834
Market cap (RM m)	1,443
3-mth avg. volume ('000)	279
SC Shariah-compliant	Yes

Major shareholders

Lee Tian Hock	15.1
Shining Term Sdn Bhd	12.7
EPF	10.0

Earnings summary

FYE (Mar)	FY20	FY21f	FY22f
PATMI - core (RM m)	237.2	205.2	252.4
EPS - core (sen)	28.6	24.7	30.4
P/E (x)	6.0	7.0	5.7

Matrix Concepts Holdings

Local operations unfazed by Covid-19

For 2HFY21, RM787m worth of products will be launched (BSS township: RM649m and BSI township: RM138m). Over in Indoensia, operations remain halted due to the Covid-19 outbreak and the initial guidance of a 6-month delay in the project will likely be prolonged. Earnings visibility will continue to be supported by new sales and unbilled sales of 0.9x cover (RM1.1bn). Maintain forecast and BUY rating with an unchanged TP of RM2.11 based on 35% discount to RNAV of RM3.24.

1HFY21 recap. To recap, Matrix reported 1HFY21 core PATMI of RM106.1m (-6.3% YoY) which were within expectations. 2QFY21 saw strong earnings recognition largely attributed to the company carrying out construction works at c.120% capacity to make up the loss of operations during the MCO period by year-end. 1HFY21 sales of RM602m (50% of full year target) was recoded while launches worth RM353m were carried out.

Launches. Given the current market conditions, management continues to focus its efforts on launching affordably priced products e.g. Laman Sendayan 1 which consists of 1 & 2 storey terrace houses priced below RM500k per unit. Notably, the launches have been well received with the most recent one in 2QFY21 (i.e. first phase of Laman Sendayan) being fully booked on first day of launch. Following its success, we remain confident on the upcoming 2HFY21 launches given that over RM440m of the pipeline launches stem from Tiara Sendayan and Laman Sendayan. For 2HFY21, RM787m worth of products will be launched (BSS township: RM649m and BSI township: RM138m).

Foreign projects. Over in Indoensia, operations remain halted due to the Covid-19 outbreak and the initial guidance of a 6-month delay in the project will likely be prolonged (initial completion date was targeted for 2021). In Australia, the M.Greenvale project currently has a take up of 62% as of Sep 2020. Meanwhile, M.St.Kilda is still slated for a launch in 2021 for now, pending further updates.

Earnings visibility. Earnings visibility will continue to be supported by new sales and unbilled sales of 0.9x cover (RM1.1bn). Unbilled sales should see in increase moving forward with the upcoming launches. Furthermore, we remain positive on management's efforts to make up for the loss of operations during the MCO period.

Forecast. Unchanged.

Maintain **BUY** with unchanged TP of **RM2.11** based on 35% discount to RNAV of RM3.24. 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 6.4% for FY21 and 7.0% for FY22, being one of the highest in the sector.

Financial Forecast

All items in (RM m) unless otherwise stated

Balance Sheet

FYE Mar	FY19	FY20	FY21f	FY22f	FY23f
Cash	264.2	281.0	811.6	603.8	681.0
Receivables	425.0	533.0	357.0	497.2	528.7
Inventories	671.4	624.1	510.1	710.3	755.3
Others	737.2	1,138.7	855.3	1,001.6	1,031.5
Assets	2,097.9	2,576.9	2,534.0	2,812.9	2,996.4
Payables	381.6	484.5	331.5	461.7	490.9
Debt	362.3	427.6	427.6	427.6	427.6
Others	26.0	61.8	61.8	61.8	61.8
Liabilities	770.0	973.9	820.9	951.1	980.3
Shareholder's equity	1,327.1	1,605.1	1,718.0	1,869.4	2,026.4
Minority interest	0.8	(2.1)	(4.8)	(7.6)	(10.3)
Equity	1,327.9	1,603.0	1,713.2	1,861.8	2,016.1

Cash Flow Statement

FYE Mar	FY19	FY20	FY21f	FY22f	FY23f
Profit before taxation	297.8	337.6	276.2	340.6	353.3
D&A	10.5	11.7	11.1	10.9	10.7
Working capital	(148.4)	(165.5)	416.3	(360.5)	(80.9)
Taxation	(89.7)	(100.1)	(73.8)	(90.9)	(94.3)
Others	7.6	(31.3)	-	-	-
CFO	77.9	52.4	629.9	(100.0)	188.8
Capex	(32.1)	(7.0)	(7.0)	(7.0)	(7.0)
Others	19.4	(101.6)	-	-	-
CFI	(12.8)	(108.5)	(7.0)	(7.0)	(7.0)
Changes in debt	29.2	57.8	-	-	-
Shares issued	3.5	178.3	-	-	-
Dividends	(101.5)	(97.5)	(92.3)	(101.0)	(104.7)
Others	-	-	-	-	-
CFF	(68.8)	138.5	(92.3)	(101.0)	(104.7)
Net cash flow	(3.7)	82.4	530.6	(207.9)	77.2
Forex	-	14.9	-	-	-
Others	80.5	-	-	-	-
Beginning cash	187.4	183.7	281.0	811.6	603.8
Ending cash	264.2	281.0	811.6	603.8	681.0

Income statement

FYE Mar	FY19	FY20	FY21f	FY22f	FY23f
Revenue	1045.5	1283.4	930.8	1296.4	1378.4
Operating cost	(733.9)	(931.9)	(652.2)	(957.0)	(1025.0)
EBITDA	311.6	351.5	278.6	339.3	353.4
D&A	(10.5)	(11.7)	(11.1)	(10.9)	(10.7)
Net Interest	(3.3)	(2.1)	8.7	12.2	10.6
Pretax profit	297.8	337.6	276.2	340.6	353.3
Taxation	(79.5)	(103.2)	(73.8)	(90.9)	(94.3)
Minority Interest	(2.7)	(2.7)	(2.7)	(2.7)	(2.7)
PATAMI	221.0	237.2	205.2	252.4	261.7
Exceptionals	0.0	0.0	0.0	0.0	0.0
Core Earning	221.0	237.2	205.2	252.4	261.7
Basic shares (m)	829.2	829.2	829.2	829.2	829.2
Diluted shares (m)	893.1	893.1	893.1	893.1	893.1
Consensus core PATMI			207.0	244.0	236.5
HLIB/ Consensus			99%	103%	111%

Valuation ratios

FYE Mar	FY19	FY20	FY21f	FY22f	FY23f
Net DPS (sen)	12.8	12.9	11.1	12.2	12.6
Yield (%)	7.4	7.4	6.4	7.0	7.3
Core EPS (sen)	26.6	28.6	24.7	30.4	31.6
Fully Diluted EPS (sen)	24.7	26.6	23.0	28.3	29.3
P/E (x)	6.5	6.0	7.0	5.7	5.5
FD P/E (x)	7.0	6.5	7.5	6.1	5.9
Market capitalization (m)	1434.5	1434.5	1434.5	1434.5	1434.5
Net cash (m)	(98.1)	(146.5)	384.1	176.2	253.4
Net gearing (%)	0.07	0.09	CASH	CASH	CASH
BV / share	1.6	1.9	2.1	2.3	2.4
P/BV (x)	1.1	0.9	0.8	0.8	0.7
ROA (%)	10.5	9.2	8.1	9.0	8.7
ROE (%)	16.6	14.8	12.0	13.6	13.0
Enterprise value	1532.6	1581.0	1050.4	1258.3	1181.1
EV/ EBITDA (x)	4.9	4.5	3.8	3.7	3.3

Margin ratios

FYE Mar	FY19	FY20	FY21f	FY22f	FY23f
EBITDA Margin	29.8	27.4	29.9	26.2	25.6
PBT Margin	28.5	26.3	29.7	26.3	25.6
PATMI	21.1	18.5	22.0	19.5	19.0

Figure #1 RNAV Table

Projects	Stake (%)	NPV (RM m)
Bandar Sri Sendayan		
BSS	100%	813.1
BSI	100%	245.6
Others	100%	182.5
Australia	100%	22.4
Indonesia	30%	24.0
Total NPV		1,287.6
Shareholders funds		1,605.1
RNAV		2,892.7
Share base		893.1
RNAV/share		3.24
Discount		35%
Discounted RNAV/share		2.11

Company, HLIB

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Stock rating guide

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.

Sector rating guide

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

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