



Flash Note

Refer to important disclosures at the end of this report

AllianceDBS Research, Malaysia Equity

15 Nov 2018

Matrix Concepts Holdings Bhd (MCH MK) : BUY

Mkt. Cap: US\$344m | **3m Avg. Daily Val:** US\$0.31m

Last Traded Price (14 Nov 2018): RM1.92

Price Target 12-mth: RM2.50 (30% upside) (Prev RM2.50)

Shariah Compliant: Yes

Analyst

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Unrivalled performance

- 2QFY19 results met expectations
- Record-high unbilled sales of RM1.4bn to sustain strong earnings visibility
- 2nd interim DPS of 3.25 sen declared
- Maintain BUY and RM2.50 TP

Forecasts and Valuation	2018A	2019F	2020F	2021F
FY Mar (RMm)				
Revenue	812	1,106	1,290	1,371
EBITDA	308	342	379	386
Pre-tax Profit	294	323	358	364
Net Profit	212	232	258	262
Net Pft (Pre Ex.)	212	232	258	262
Net Pft Gth (Pre-ex) (%)	12.8	9.6	11.0	1.8
EPS (sen)	28.6	30.9	34.2	34.9
EPS Pre Ex. (sen)	28.6	30.9	34.2	34.9
EPS Gth Pre Ex (%)	9	8	11	2
Diluted EPS (sen)	28.6	30.9	34.2	34.9
Net DPS (sen)	12.9	12.3	13.7	13.9
BV Per Share (sen)	163	178	200	221
PE (X)	6.7	6.2	5.6	5.5
PE Pre Ex. (X)	6.7	6.2	5.6	5.5
P/Cash Flow (X)	8.8	10.0	10.7	6.9
EV/EBITDA (X)	4.7	4.4	4.1	3.9
Net Div Yield (%)	6.7	6.4	7.1	7.3
P/Book Value (X)	1.2	1.1	1.0	0.9
Net Debt/Equity (X)	0.0	0.0	0.1	0.0
ROAE (%)	19.0	18.2	18.1	16.5

Source of all data on this page: Company, AllianceDBS, Bloomberg Finance L.P.

What's New

In-line 2QFY19 results: Matrix's 2QFY19 headline net profit rose 4% q-o-q and 2% y-o-y to RM52.9m. This takes 1HFY19 earnings to RM104m (+7% y-o-y), which comprised 45% of our FY19 full-year forecast.

The decent quarterly results were mainly contributed by higher industrial property sales in Bandar Sri Sendayan as well as the maiden contribution from its Australian project, M. Carnegie which delivered RM7.2m profit during the quarter. Nevertheless, 2QFY19 EBIT margin was weaker at 29.8% (vs 30.4% in 1QFY19, 35.3% in 2QFY18) due to fewer higher-premium properties in its product mix.

Record-breaking property sales. It raked in property sales of RM517m in 2QFY19 (+35% q-o-q, +48% y-o-y), which is an all-time high. Accordingly, its unbilled sales stood at a record high of RM1.4bn. Matrix has continued to chalk up strong sales despite the challenging environment which has affected most of its peers. Therefore, we believe that its flagship projects will continue to enjoy strong sales momentum going forward.

More launches in the pipeline. It has a launch pipeline of RM1.7bn in FY19 (vs RM1.2bn in FY18), of which RM807m has been rolled out in 1HFY19. We expect its maiden project in KL, Chambers KL serviced residences with a GDV of RM310.6m to contribute strongly to its 2HFY19 property sales.

Investment properties: Its investment properties – Matrix Global Schools, d'Sora Business Boutique Hotel and d'Tempat Country Club – remained in the red with an

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operating loss of RM1.8m as the business has yet to operate with economies of scale. We believe that it may take some time for its investment properties to break even.

High dividend payout. As per its quarterly practice, Matrix declared its 2nd interim DPS of 3.25 sen during 2QFY19 which is similar to 1QFY19. This translates into a high payout ratio of 46%. Meanwhile, its balance sheet remains healthy with a net cash position of RM1m as at end-Sep 2018.

Maintain BUY and RM2.50 TP. We continue to like Matrix for its impeccable track record in township developments. Its valuation remains undemanding at 6x FY19 EPS despite having sustainable earnings visibility and a high dividend yield of ~6.5%. We maintain our BUY recommendation and TP of RM2.50, based on a 30% discount to our fully-diluted RNAV of RM3.56.

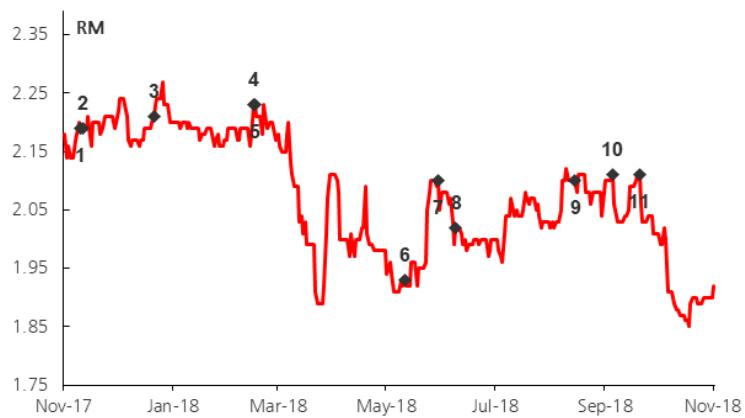
Quarterly / Interim Income Statement (RMm)

FY Mar	2Q2017	1Q2018	2Q2018	% chg yoy	% chg qoq
Revenue	203	230	253	24.8	10.1
Cost of Goods Sold	(94.1)	(125)	(140)	48.6	11.5
Gross Profit	109	105	113	4.3	8.5
Other Oper. (Exp)/Inc	(37.2)	(34.8)	(38.1)	2.5	9.5
Operating Profit	71.7	69.8	75.4	5.2	8.0
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	nm	nm
Associates & JV Inc	0.0	0.0	0.0	nm	nm
Net Interest (Exp)/Inc	(0.7)	(0.9)	(1.0)	(48.9)	(4.8)
Exceptional Gain/(Loss)	0.0	0.0	0.0	nm	nm
Pre-tax Profit	71.0	68.9	74.4	4.8	8.0
Tax	(19.2)	(17.8)	(21.5)	12.0	20.7
Minority Interest	0.0	0.0	0.0	nm	nm
Net Profit	51.8	51.1	52.9	2.2	3.6
Net profit bef Except.	51.8	51.1	52.9	2.2	3.6
EBITDA	74.1	72.2	78.0	5.2	8.0
Margins (%)					
Gross Margins	53.6	45.5	44.8		
Opg Profit Margins	35.3	30.4	29.8		
Net Profit Margins	25.5	22.2	20.9		

Source of all data: Company, AllianceDBS

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Target Price & Ratings History



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	23 Nov 17	2.19	2.40	BUY
2:	24 Nov 17	2.19	2.40	BUY
3:	03 Jan 18	2.21	2.40	BUY
4:	28 Feb 18	2.23	2.40	BUY
5:	01 Mar 18	2.23	2.40	BUY
6:	24 May 18	1.93	2.40	BUY
7:	12 Jun 18	2.10	2.40	BUY
8:	22 Jun 18	2.02	2.50	BUY
9:	28 Aug 18	2.10	2.50	BUY
10:	18 Sep 18	2.11	2.50	BUY
11:	03 Oct 18	2.11	2.50	BUY

Note: Share price and Target price are adjusted for corporate actions.

Source: AllianceDBS

Analyst: QUAH He Wei, CFA

DISCLOSURE

Stock rating definitions

STRONG BUY	-	> 20% total return over the next 3 months, with identifiable share price catalysts within this time frame
BUY	-	> 15% total return over the next 12 months for small caps, >10% for large caps
HOLD	-	-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps
FULLY VALUED	-	negative total return > -10% over the next 12 months
SELL	-	negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame

Commonly used abbreviations

Adex = advertising expenditure	EPS = earnings per share	PBT = profit before tax
bn = billion	EV = enterprise value	P/B = price / book ratio
BV = book value	FCF = free cash flow	P/E = price / earnings ratio
CF = cash flow	FV = fair value	PEG = P/E ratio to growth ratio
CAGR = compounded annual growth rate	FY = financial year	q-o-q = quarter-on-quarter
Capex = capital expenditure	m = million	RM = Ringgit
CY = calendar year	M-o-m = month-on-month	ROA = return on assets
Div yld = dividend yield	NAV = net assets value	ROE = return on equity
DCF = discounted cash flow	NM = not meaningful	TP = target price
DDM = dividend discount model	NTA = net tangible assets	trn = trillion
DPS = dividend per share	NR = not rated	WACC = weighted average cost of capital
EBIT = earnings before interest & tax	p.a. = per annum	y-o-y = year-on-year
EBITDA = EBIT before depreciation and amortisation	PAT = profit after tax	YTD = year-to-date

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