

HLIB Research

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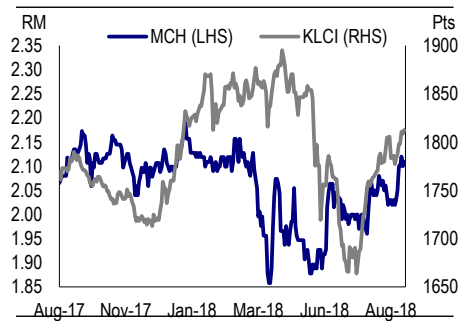
BUY (Maintain)

Target Price: **RM2.21**
Previously: **RM2.21**
Current Price: **RM1.91**

Capital upside	5.2%
Dividend yield	6.7%
Expected total return	11.9%

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	3.4	9.9	-3.0
Relative	1.0	9.0	-5.4

Stock information

Bloomberg Ticker	MCH MK
Bursa Code	5236
Issued Shares (m)	752
Market cap (RM m)	1,588
3-mth avg. volume ('000)	422
SC Shariah-compliant	Yes

Major shareholders

Lee Tian Hock	15.4
Shining Term Sdn Bhd	14.1
KWSP	5.6

Earnings summary

FYE (Mar)	FY18	FY19f	FY20f
PATMI - core (RM m)	211.8	237.8	271.5
EPS - core (sen)	28.2	31.6	36.1
P/E (x)	6.8	6.0	5.3

Matrix Concepts Holdings

Growing against the odds

Matrix's 1HFY19 core PAT of RM103.1m (+5.9% YoY) was within expectations. Declared dividend of 3.25 sen per share. The higher QoQ and YoY results were attributed to higher recognitions from the ongoing projects and the completion of M. Carnegie project in Australia. However, margin moderated due to lower margins from Australia project and other products. New sales remained strong (+75% YoY) and unbilled sales are at 1.9x cover. We keep our forecasts unchanged and maintain BUY with unchanged RNAV-based TP of RM2.21.

Within expectations. 1HFY19 revenue of RM483.4m translated into core PATAMI of RM103.1m which came in within expectations, accounting for 43.4% and 44.3% of HLIB and consensus full year forecasts, respectively. We expect subsequent quarters to come in stronger, supported by the strong new sales (+39.4% YoY) and unbilled sales of 1.9x cover.

Dividend. Declared 2nd interim dividend of 3.25 (2QFY18: 3.25) sen per share going ex on 19 Dec 2018, bringing YTD dividend to 6.5 sen per share.

QoQ. 2QFY19 revenue rose by 10.1% mainly contributed by recognition from the completion of M.Carnegie in Melbourne, along with higher sales of commercial and industrial properties. Nevertheless, core PAT only increased by 5.9% to RM52.9m due to lower margins from overseas project and other products.

YoY. Revenue for 2QFY19 improved by 24.8% to RM253.3m attributed to higher progress billing from the ongoing projects and recognition from its overseas project. Similarly, core PAT improved merely by 2.2% mainly affected by the lower margins from M.Carnegie as well as more affordable products.

YTD. Stronger revenue (+28.6%) was recorded thanks to higher progress billing from the ongoing projects and recognition of the completion of M.Carnegie. Core PAT (+5.9%) grew by lower magnitude given the lower blended margin of overall product mix such as Tiara Sendayan and M.Carnegie.

Strong sales continue. 2QFY19 new sales came in at RM517m (+75.2% from 2QFY18), bringing YTD sales to RM900m, well on track to meet the full year target of RM1.1bn. RM517m new sales consists of sales from existing townships (67.6%), Chambers KL (9.9%), M. Carnegie (17.9%), and the remaining are industrial (4.6%). Meanwhile, unbilled sales remained healthy at RM1.4bn (1QFY19: RM1.2bn), representing a healthy cover ratio of 1.9x.

Outlook. Earnings visibility will continue to be supported by the strong new sales and unbilled sales of 1.9x cover. We understand that RM900m worth of GDV will be launched in 2HFY19 including Tiara Sendayan 3 & 4, Ara Sendayan (Phase 4) and Impiana Bayu 3A in Bandar Seri Impian.

Forecast. Unchanged as the results were in line.

Maintain **BUY** with unchanged **TP** of **RM2.21** based on unchanged 25% discount to RNAV of RM2.94. 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. Dividend yield of circa 6% is one of the highest in the sector.

Financial Forecast

All items in (RM m) unless otherwise stated

Balance sheet

FYE Mar	FY17A	FY18A	FY19F	FY20F	FY21F
Fixed assets	235.7	235.6	235.5	235.4	235.3
Other long-term assets	10.9	16.4	16.4	16.4	16.4
Other short-term assets	0.0	0.0	0.0	0.0	0.0
Working capital	644.9	798.2	743.5	866.4	824.1
Receivables	266.8	154.2	248.7	289.8	275.7
Payables	214.3	172.3	279.3	325.5	309.6
Inventory	163.8	471.7	215.5	251.1	238.8
Net cash / (debt)	(156.9)	(35.1)	92.7	73.0	226.1
Cash	117.3	277.3	405.1	385.4	538.5
ST debt	92.9	150.5	150.5	150.5	150.5
LT debt	181.3	161.9	161.9	161.9	161.9
Equity	1024.0	1205.5	1336.3	1485.6	1642.4
Shareholders' funds	1024.0	1205.0	1335.8	1485.1	1641.9
Minorities	0.0	0.5	0.5	0.5	0.5
Other liabilities	(289.4)	(190.4)	(248.2)	(294.4)	(340.4)

Cashflow

FYE Mar	FY17A	FY18A	FY19F	FY20F	FY21F
EBIT	267.8	298.7	328.8	374.9	392.0
D&A	9.0	9.6	10.3	10.3	10.3
Working capital changes	(153.7)	(65.9)	(3.1)	(169.0)	(3.8)
Taxation	(75.0)	(82.2)	(87.9)	(100.4)	(105.4)
Others	9.0	0.8	(8.8)	(9.4)	(9.4)
Operating cashflow	53.5	160.7	239.3	106.5	283.8
Capex & acquisitions	(24.5)	(10.2)	(10.2)	(10.2)	(10.2)
Free cashflow	28.9	150.5	229.0	96.2	273.5
Others	(3.2)	(1.8)	5.7	6.3	7.8
Investing cashflow	(27.8)	(12.1)	(4.5)	(4.0)	(2.5)
Equity Raised	22.5	60.8	0.0	0.0	0.0
Others	0.0	0.0	0.0	1.0	1.0
Net Borrowing	56.7	45.9	0.0	0.0	0.0
Financing cashflow	(4.0)	22.0	(107.0)	(122.2)	(128.2)
Net cashflow	21.8	170.6	127.8	(19.7)	153.1

Growth ratios

FYE Mar	FY17A	FY18A	FY19F	FY20F	FY21F
Sales Growth	(15.0)	4.8	25.5	16.5	(4.9)
Operating expenses	(8.2)	1.2	35.0	18.0	(9.3)
EBIT DA Growth	(25.1)	11.4	10.0	13.6	4.4
PBT Growth	(26.8)	13.0	10.8	14.2	5.0
PATMI	(29.0)	14.3	12.2	14.2	5.0
Basic EPS Growth	(29.0)	14.3	12.2	14.2	5.0

Income statement

FYE Mar	FY17A	FY18A	FY19F	FY20F	FY21F
Revenue	775.0	812.3	1019.6	1188.1	1130.1
Operating cost	(498.2)	(504.0)	(680.5)	(802.8)	(727.8)
EBITDA	276.8	308.3	339.1	385.3	402.3
D&A	(9.0)	(9.6)	(10.3)	(10.3)	(10.3)
Net Interest	(7.5)	(4.6)	(3.1)	(3.1)	(1.6)
JV & Associates	0.0	0.0	0.0	0.0	0.0
Pretax profit	260.3	294.1	325.7	371.8	390.4
Taxation	(75.0)	(82.2)	(87.9)	(100.4)	(105.4)
Minority Interest	0.0	0.0	0.0	0.0	0.0
PATAMI	185.3	211.8	237.8	271.5	285.0
Exceptionals	0.0	0.0	0.0	0.0	0.0
Core Earning	185.3	211.8	237.8	271.5	285.0
Basic shares (m)	752.2	752.2	752.2	752.2	752.2
Consensus core PATMI			232.7	259.7	273.0
HLIB/ Consensus			102%	105%	104%

Valuation ratios

FYE Mar	FY17A	FY18A	FY19F	FY20F	FY21F
Net DPS (sen)	11.0	12.9	14.2	16.2	17.1
FCF/ share (sen)	3.8	20.0	30.4	12.8	36.4
FCF yield (%)	2.0	10.4	15.9	6.7	18.9
Market capitalization (m)	1444.2	1444.2	1444.2	1444.2	1444.2
Net cash (m)	(156.9)	(35.1)	92.7	73.0	226.1
Core EPS (sen)	24.6	28.2	31.6	36.1	37.9
P/E (x)	7.8	6.8	6.1	5.3	5.1
Fully Diluted EPS (sen)	22.7	26.0	29.2	33.3	34.9
FD P/E (x)	8.5	7.4	6.6	5.8	5.5
BV / share	1.4	1.6	1.8	2.0	2.2
P/BV (x)	1.4	1.2	1.1	1.0	0.9
ROA (%)	23.3	18.3	21.2	23.0	21.8
ROE (%)	18.1	17.6	17.8	18.3	17.4
Enterprise value	1601.1	1479.3	1351.5	1371.2	1218.1
EV/ EBITDA (x)	5.8	4.8	4.0	3.6	3.0

Margin ratios

FYE Mar	FY17A	FY18A	FY19F	FY20F	FY21F
Margins (%)					
EBIT DAMargin	35.7	38.0	33.3	32.4	35.6
EBIT Margin	34.6	36.8	32.2	31.6	34.7
PBT Margin	33.6	36.2	31.9	31.3	34.5
PATMI	23.9	26.1	23.3	22.8	25.2

Figure #1 Quarterly results comparison

FYE March	2QFY18	1QFY18	2QFY19	QoQ	YoY	1HFY18	1HFY19	YoY
Revenue	202.9	230.0	253.3	10.1%	24.8%	375.8	483.4	28.6%
Cost of Sales	(94.1)	(125.4)	(139.8)	-11.5%	-48.6%	(165.0)	(265.3)	-60.8%
Gross profit	108.8	104.6	113.5	8.5%	4.3%	210.8	218.1	3.5%
Selling and marketing exp.	(4.9)	(6.5)	(8.8)	-34.5%	-79.8%	(14.1)	(15.3)	-884.0%
Administrative expenses	(33.8)	(30.9)	(31.7)	-2.7%	6.1%	(63.1)	(62.6)	0.8%
Other Income	0.9	0.6	0.6	12.6%	-26.3%	1.2	1.2	5.3%
Operating Profit	71.0	67.8	73.6	8.6%	3.6%	134.7	141.4	5.0%
Interest Income	0.6	1.1	1.8	58.8%	180.6%	1.1	2.9	155.6%
Finance costs	(0.7)	(0.9)	(1.0)	-4.8%	-48.9%	(2.8)	(1.9)	32.7%
Net Interest	(0.0)	0.2	0.8	-333.7%	NM	(1.7)	1.0	NM
Profit before taxation (PBT)	0.0	0.0	0.0	NM	NM	0.0	0.0	NM
Income tax expense	71.0	68.0	74.4	9.5%	4.8%	133.0	142.4	7.0%
PATAMI	(19.2)	(17.8)	(21.5)	-20.7%	-12.0%	(35.6)	(39.3)	-10.3%
EI	0.0	0.0	0.0	NM	NM	0.0	0.0	NM
Core PATAMI	51.8	50.2	52.9	5.6%	2.2%	97.4	103.1	5.9%

Company; HLIB

Figure #2 RNAV Table

Projects	Stake (%)	NPV (RM m)
Ongoing		
BSS	100%	4.3
TSI	100%	2.8
STV 1 and 2	100%	73.0
Unbilled Sales	100%	67.7
Future		
BSS	100%	670.7
TSI	100%	172.7
STP	100%	54.0
STV 3	100%	27.3
Residency SIGC	100%	27.3
Kota Gadong Perdana	100%	164.2
Puchong	100%	30.7
KL High Rise Mixed Development	100%	41.1
Lobak Commercial Centre	100%	41.1
Carnegie, Australia	100%	5.0
NPV		1,346.6
Shareholder Funds as of 4Q17		1,025.6
Net cash/(debt) as of 4Q17		(156.9)
RNAV		2,215.2
Wa proceed		185.6
Total RNAV		2,400.8
Total Diluted Shares		815.5
RNAV/share		2.94
Discount		25%
Discounted RNAV		1,800.6
Discounted RNAV/Share		2.21

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 +15% 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 to a change from the previous rating.
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