

## Matrix Concepts Holdings Bhd (MCH MK) : **BUY**

**Mkt. Cap:** US\$414m | **3m Avg. Daily Val:** US\$0.24m

**Last Traded Price ( 27 Feb 2018):** RM2.18

**Price Target 12-mth:** RM2.40 (10% upside) (Prev RM2.40)

### Analyst

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### Steady quarter

- 3QFY18 results met expectations
- Record-high unbilled sales to sustain earnings visibility
- 3<sup>rd</sup> interim DPS of 3.5 sen
- Maintain BUY and RM2.40 TP

#### Forecasts and Valuation

FY Mar (RMm)	2017A	2018F	2019F	2020F
Revenue	780	1,035	1,070	1,032
EBITDA	277	316	324	310
Pre-tax Profit	261	293	301	285
Net Profit	188	211	217	205
Net Pft (Pre Ex.)	188	211	217	205
Net Pft Gth (Pre-ex) (%)	(28.1)	12.5	2.5	(5.1)
EPS (sen)	26.3	28.5	29.3	27.8
EPS Pre Ex. (sen)	26.3	28.5	29.3	27.8
EPS Gth Pre Ex (%)	(29)	9	3	(5)
Diluted EPS (sen)	26.3	28.5	29.3	27.8
Net DPS (sen)	11.0	11.1	11.4	10.8
BV Per Share (sen)	143	156	175	191
PE (X)	8.3	7.6	7.5	7.9
PE Pre Ex. (X)	8.3	7.6	7.5	7.9
P/Cash Flow (X)	26.3	20.4	8.0	6.4
EV/EBITDA (X)	6.2	5.9	5.6	5.6
Net Div Yield (%)	5.0	5.1	5.2	5.0
P/Book Value (X)	1.5	1.4	1.2	1.1
Net Debt/Equity (X)	0.2	0.2	0.2	0.1
ROAE (%)	19.7	19.3	17.7	15.2

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

### Company Guide



Summary of our point of view, and highlights the relevant data points, which are actively tracked

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### What's New

**In-line 3QFY18 performance:** Matrix's 3QFY18 headline net profit came in at RM70.6m (+36% q-o-q, +40% y-o-y), taking 9MFY18 profit to RM167.9m (+13% y-o-y) that formed 79% of our full-year estimate. The stellar 3QFY18 performance was boosted by its higher industrial land sales of RM63.6m, contributing 24% of its 3QFY18 revenue.

**Investment properties:** Its investment properties – Matrix Global Schools and d'Tempat Country Club – remained in the red with an operating loss of RM1.2m and RM6.3m, respectively, as the business has yet to operate with economies of scale. We believe that it may take some time for its education arm Matrix Global Schools to break even given its current student enrolment of 813, compared to its required break-even enrolment of 1K.

**Growing property sales.** It raked in property sales of RM295m in 3QFY18 (-16% q-o-q, -11% y-o-y), bringing 9MFY18 sales to RM939m (+12% y-o-y). Accordingly, unbilled sales stood at a record-high level of RM1.11bn. 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 in Bandar Sri Sendayan, Sembilan and Bandar Seri Impian, Kluang will continue to enjoy strong sales momentum – thus enabling the company to most likely exceed its sales target of RM1bn in FY18.

## Flash Note

**Consistently high dividend payout.** Matrix declared its third interim DPS of 3.5 sen, which brings 9MFY18 DPS to 9.35 sen (adjusted for a bonus issue that was completed in Sep 2017). 9MFY18 payout came in at 41% which is slightly higher than its dividend policy of up to 40% payout. Meanwhile, its balance sheet remains healthy with net gearing at 12% as at end-Dec 2017.

**Maintain BUY and RM2.40 TP.** We continue to like Matrix for its impeccable track record in township developments. Its valuation remains undemanding at 8x FY18 EPS despite having sustainable earnings visibility and a high dividend yield of ~5%. We maintain our BUY recommendation and TP of RM2.40, based on a 30% discount to our fully-diluted RNAV of RM3.40.

### Quarterly / Interim Income Statement (RMm)

FY Mar	3Q2017	2Q2017	3Q2018	% chg yoy	% chg qoq
Revenue	198	203	266	34.4	31.2
Cost of Goods Sold	(78.7)	(94.1)	(122)	54.9	29.6
<b>Gross Profit</b>	<b>119</b>	<b>109</b>	<b>144</b>	<b>20.9</b>	<b>32.6</b>
Other Oper. (Exp)/Inc	(45.0)	(37.2)	(45.8)	1.8	23.3
<b>Operating Profit</b>	<b>74.3</b>	<b>71.7</b>	<b>98.4</b>	<b>32.5</b>	<b>37.4</b>
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	(1.4)	(0.7)	(1.0)	25.2	(53.9)
Exceptional Gain/(Loss)	0.0	0.0	0.0	nm	nm
<b>Pre-tax Profit</b>	<b>72.9</b>	<b>71.0</b>	<b>97.4</b>	<b>33.6</b>	<b>37.2</b>
Tax	(22.5)	(19.2)	(26.9)	19.5	40.1
Minority Interest	0.0	0.0	0.0	nm	nm
<b>Net Profit</b>	<b>50.5</b>	<b>51.8</b>	<b>70.6</b>	<b>39.9</b>	<b>36.1</b>
Net profit bef Except.	50.5	51.8	70.6	39.9	36.1
EBITDA	76.5	74.1	101	31.8	36.1
<b>Margins (%)</b>					
Gross Margins	60.3	53.6	54.2		
Opg Profit Margins	37.5	35.3	37.0		
Net Profit Margins	25.5	25.5	26.5		

Source of all data: Company, AllianceDBS

### Target Price & Ratings History



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	09 Mar 17	2.00	2.48	BUY
2:	17 May 17	2.17	2.48	BUY
3:	13 Jun 17	2.17	2.48	BUY
4:	05 Jul 17	2.19	2.40	BUY
5:	06 Jul 17	2.19	2.40	BUY
6:	24 Aug 17	2.20	2.40	BUY
7:	28 Aug 17	2.19	2.40	BUY
8:	23 Nov 17	2.19	2.40	BUY
9:	24 Nov 17	2.19	2.40	BUY
10:	03 Jan 18	2.21	2.40	BUY

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

Source: AllianceDBS

Analyst: QUAH He Wei, CFA

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**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 i.e. > -10% over the next 12 months)

**SELL** (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

*Share price appreciation + dividends*

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