

1 March 2018

Property | Real Estate

Matrix Concepts Holdings

Buy (Maintained)

Full-Year New Sales To Surpass MYR1bn Target

Matrix's 3QFY18 results came in above expectations. The higher sales recognition for industrial land plots led to stronger profit margin. 9MFY18 new sales of MYR939.2m is set to exceed management's MYR1bn target. About MYR584m worth of new launches are scheduled for 4QFY18. Given the strong sales, unbilled sales currently stands at MYR1.1bn. We maintain our BUY call and TP of MYR2.45 (12% upside).

Above expectations. Matrix Concepts Holdings' (Matrix) 3QFY18 (Mar) results beat our and market expectations. The strong earnings growth YoY and QoQ were largely driven by higher sales of industrial land plots in Sendayan Tech Valley 1 & 2. It amounted to MYR63.6m in 3QFY18 compared with zero land sales in the previous quarter. As a result, 9MFY18 EBIT margin expanded to 36.5% vs 33.8% last year. Meanwhile, billings from property development as well as the income from investment properties were largely consistent. A MYR0.035 third interim single-tier dividend was declared, similar to 3QFY17's payout.

MYR294.5m new sales in 3QFY18. 3QFY18 new sales reached MYR294.5m, vs MYR350m in 2QFY18. Total 9M sales amounted to MYR939.2m and Matrix's full-year new sales should exceed management's target of MYR1bn. The take-up rates for the all the new and ongoing projects were very encouraging, particularly those in Seremban. Most of them were 80-90% sold. Matrix has also launched a new phase in Ara Sendayan recently, and it has already hit an 88% take-up rate. We believe the strong sales could be partly driven by the potential positive spillover from the upcoming KL-Singapore high speed rail (HSR) development. This is as Matrix has over 1,000 acres of land in the Seremban/Labu area, in which one of the HSR stations would be located at Sime Darby Property's (SDPR MK, BUY, TP: MYR1.60) land in Labu.

MYR584m worth of new projects in 4QFY18. Matrix still has MYR584m worth of new launches in 4QFY18. These include the maiden launch of Tiara Sendayan township (formerly known as Kota Gadong Perdana). This project would mainly feature mid-range landed homes, with a pricing of around MYR320,000 for a single-storey and MYR400,000 for a double-storey. We believe sales from Tiara Sendayan would likely flow more materially to FY19.

Forecasts. We raise our FY18-19 earnings forecasts by 14-15%, in view of the strong margin from the industrial land sales. Forward earnings are well supported by the unbilled sales of MYR1,122.5m, relatively unchanged from MYR1,087.5m as at 2QFY18.

Maintain BUY. We maintain our BUY call with an unchanged TP of MYR2.45, based on a 25% discount to RNAV. Despite the persistent challenges in the property market, we are upbeat with the company's prospects as it is still able to record encouraging sales, earnings and hence dividend payout.

Target Price:	MYR2.45
Price:	MYR2.18
Market Cap:	USD416m
Bloomberg Ticker:	MCH MK

Share Data

Avg Daily Turnover (MYR/USD)	0.89m/0.22m
52-wk Price low/high (MYR)	1.99 - 2.28
Free Float (%)	43
Shares outstanding (m)	301
Estimated Return	12%

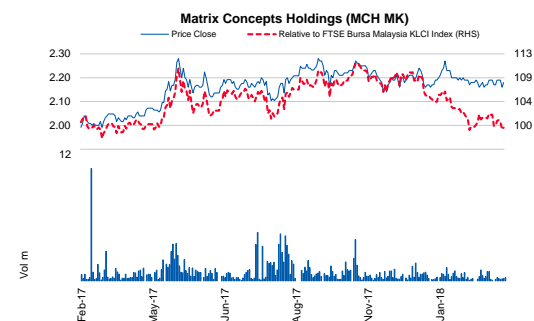
Shareholders (%)

Dato' Lee & Family	60.0
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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(0.5)	(0.5)	(1.4)	0.2	8.6
Relative	(4.7)	(1.4)	(10.2)	(5.6)	(1.9)

Source: Bloomberg



Source: Bloomberg

Forecasts and Valuations	Mar-16	Mar-17	Mar-18F	Mar-19F	Mar-20F
Total turnover (MYRm)	732	780	850	987	1,152
Reported net profit (MYRm)	210	188	225	252	279
Recurring net profit (MYRm)	210	188	225	252	279
Recurring net profit growth (%)	10.8	(10.4)	19.6	12.2	10.6
Recurring EPS (MYR)	0.38	0.33	0.37	0.41	0.45
DPS (MYR)	0.16	0.14	0.14	0.15	0.16
Recurring P/E (x)	5.79	6.64	5.83	5.30	4.87
P/B (x)	1.37	1.22	1.08	0.98	0.88
Dividend Yield (%)	7.1	6.3	6.4	6.9	7.3
Return on average equity (%)	26.7	19.7	20.1	19.5	19.1
Return on average assets (%)	18.3	13.4	14.0	14.1	14.2
Net debt to equity (%)	14.3	15.3	11.1	9.6	9.6
Our vs consensus EPS (adjusted) (%)			13.2	17.4	12.0

Source: Company data, RHB

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Financial Exhibits

Financial model updated on : 2018-02-28

Asia	Financial summary	Mar-16	Mar-17	Mar-18F	Mar-19F	Mar-20F
Malaysia	Recurring EPS (MYR)	0.38	0.33	0.37	0.41	0.45
Property	EPS (MYR)	0.38	0.33	0.37	0.41	0.45
Matrix Concepts Holdings	DPS (MYR)	0.16	0.14	0.14	0.15	0.16
Bloomberg MCH MK	BVPS (MYR)	1.59	1.79	2.01	2.23	2.49
Buy	Weighted avg adjusted shares (m)	557	572	601	613	622
Valuation basis	Valuation metrics	Mar-16	Mar-17	Mar-18F	Mar-19F	Mar-20F
25% discount to RNAV	Recurring P/E (x)	5.79	6.64	5.83	5.30	4.87
Key drivers	P/E (x)	5.79	6.64	5.83	5.30	4.87
i. New property and industrial land sales;	P/B (x)	1.37	1.22	1.08	0.98	0.88
ii. Landbank acquisitions	FCF Yield (%)	(1.5)	3.9	7.7	11.4	11.1
Key risks	Dividend Yield (%)	7.1	6.3	6.4	6.9	7.3
Weaker-than-expected market conditions	EV/EBITDA (x)	3.35	2.41	2.27	2.03	2.03
	EV/EBIT (x)	3.35	2.41	2.27	2.03	2.03
Company Profile	Income statement (MYRm)	Mar-16	Mar-17	Mar-18F	Mar-19F	Mar-20F
Matrix Concepts (Matrix) is a Negeri Sembilan-based developer that currently has 2,732 acres of land with a total portfolio GDV of MYR8.2bn. The group concentrates mainly in developing residential and commercial properties, as well as industrial land sale	Total turnover	732	780	850	987	1,152
	Gross profit	407	414	465	535	609
	EBITDA	290	268	316	352	389
	Operating profit	290	268	316	352	389
	Net interest	(3)	(7)	(8)	(7)	(7)
	Pre-tax profit	287	261	308	345	382
	Taxation	(77)	(73)	(83)	(93)	(103)
	Recurring net profit	210	188	225	252	279
	Cash flow (MYRm)	Mar-16	Mar-17	Mar-18F	Mar-19F	Mar-20F
	Change in working capital	(257)	165	(113)	(59)	(149)
	Cash flow from operations	(17)	391	151	233	171
	Capex	(1)	(342)	(50)	(80)	(20)
	Cash flow from investing activities	(27)	(363)	(49)	(98)	(47)
	Proceeds from issue of shares	37	31	0	0	0
	Dividends paid	(64)	(108)	(79)	(84)	(92)
	Cash flow from financing activities	42	(49)	(118)	(123)	(130)
	Cash at beginning of period	97	78	117	120	93
	Net change in cash	(3)	(21)	(17)	12	(6)
	Ending balance cash	94	57	101	132	87
	Balance sheet (MYRm)	Mar-16	Mar-17	Mar-18F	Mar-19F	Mar-20F
	Total cash and equivalents	78	117	120	93	90
	Total investments	269	623	671	769	816
	Total other assets	7	12	12	12	12
	Total assets	1,292	1,510	1,698	1,875	2,062
	Short-term debt	79	86	66	66	91
	Total long-term debt	126	188	188	158	148
	Other liabilities	0	24	24	24	24
	Total liabilities	406	484	490	506	514
	Shareholders' equity	886	1,026	1,209	1,369	1,548
	Total equity	886	1,026	1,209	1,369	1,548
	Net debt	126	156	134	131	148
	Total liabilities & equity	1,292	1,510	1,698	1,875	2,062
	Key metrics	Mar-16	Mar-17	Mar-18F	Mar-19F	Mar-20F
	Revenue growth (%)	16.1	6.6	9.0	16.0	16.7
	Recurrent EPS growth (%)	(4.3)	(12.9)	13.9	10.0	9.0
	Gross margin (%)	55.7	53.0	54.7	54.2	52.9
	Operating EBITDA margin (%)	39.6	34.4	37.1	35.7	33.8
	Net profit margin (%)	28.6	24.1	26.4	25.5	24.2
	Dividend payout ratio (%)	41.4	41.9	37.5	36.5	35.7
	Capex/sales (%)	0.2	43.8	5.9	8.1	1.7
	Interest cover (x)	102	38	40	49	56

Source: Company data, RHB

Figure 1: Quarterly results

FYE Mar (MYRm)	3QFY17	2QFY18	3QFY18	QoQ (%)	YoY (%)	9MFY17	9MFY18	YoY (%)	Comments
Turnover	198.0	202.9	266.2	31.2	34.4	619.1	641.9	3.7	The higher sequential turnover was largely due to higher industrial land sales.
EBIT	74.3	71.7	98.4	37.4	32.5	209.2	234.3	12.0	Higher margin was due to higher margin from land sales
EBIT margin (%)	37.5	35.3	37.0			33.8	36.5		
Net interest	(1.4)	(0.7)	(1.0)	53.9	(25.2)	(3.0)	(3.9)	29.3	
Pretax profit	72.9	71.0	97.4	37.2	33.6	206.2	230.4	11.8	
Pretax margin (%)	36.8	35.0	36.6			33.3	35.9		
Taxation	(22.5)	(19.2)	(26.9)	40.1	19.5	(57.3)	(62.5)	9.0	
Tax rate (%)	30.8	27.0	27.6			27.8	27.1		
Minority interest	0.0	0.0	0.0	nm	nm	0.0	0.0	n.m.	
Net profit	50.4	51.8	70.6	36.1	39.9	148.8	167.9	12.8	Above expectations
Net margin (%)	25.5	25.5	26.5			24.0	26.2		
EPS (sen)	8.8	8.6	9.5			26.2	26.1		
Gross DPS (sen)	3.5	3.3	3.5			10.0	10.0		
NTA/share (MYR)	1.8	1.5	1.6			1.8	1.6		

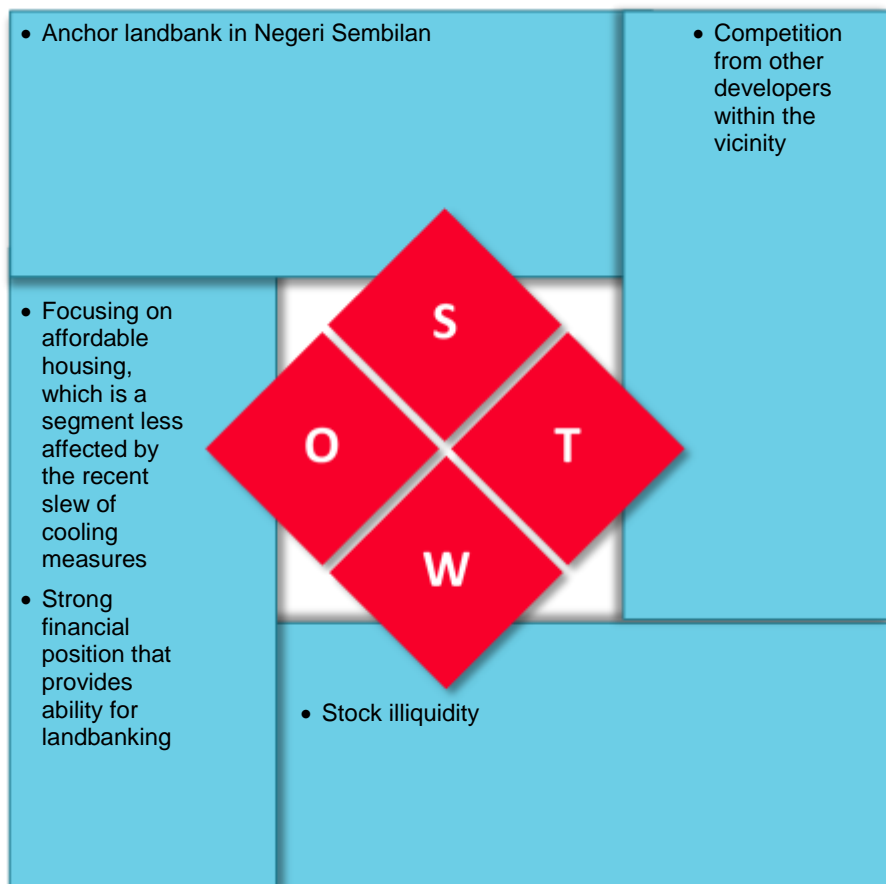
Source: RHB

Figure 2: RNAV estimate

Projects	Remaining landbank (acres)	GDV (MYR m)	Stake	NPV @ 9%
<i>Bandar Sri Sendayan, Negeri Sembilan</i>				
Ongoing & future developments	1,069.6	4,380.9	100%	343.3
New land in BSS	194.0	1,200.0	100%	77.8
Taman Seri Impian, Kluang, Johor	279.2	1,514.2	100%	162.8
KL land	1.1	400	100%	31.6
Tiara Sendayan (Kota Gadong Perdana)	227.1	1490	100%	109.2
Residensi SIGC (Third 9 Residence)	41.8	229	100%	10.7
Lobak Commercial Centre	7.3	29.3	100%	2.6
Labu land	236.9	760	100%	87.4
Ara Sendayan (Rasah Kemayan land)	194.4	950	100%	130.5
Puchong	5.8	500	100%	39.6
Australia	n.a.	94.5	100%	9.4
	Remaining landbank (acres)	Market price (MYR psf)	BV (MYR psf)	Net surplus
Sendayan TechValley 1 & 2	112	45	10	128.1
Sendayan TechPark	123	40	13	70.5
Sendayan TechValley 3	85	45	15	83.3
Unbilled sales				186.7
Total				1,473.4
Shareholders' fund				1,065.0
Warrants conversion (exercise price at MYR1.92)				123.6
ESOS proceeds				57.7
Total RNAV				2,719.8
Share base (incl. warrants)				832.3
RNAV/share				3.27
Discount				25%
Target price				2.45

Source: RHB

SWOT Analysis



Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2017-11-24	Buy	2.45	2.19
2017-08-25	Buy	3.03	2.18
2017-05-16	Buy	2.96	2.14
2017-02-23	Buy	2.80	2.00
2016-11-15	Buy	2.80	1.98
2016-08-25	Buy	2.80	2.00
2016-05-19	Buy	2.80	2.06
2016-02-24	Buy	2.73	1.90
2015-08-10	Buy	2.73	1.81
2015-05-13	Buy	3.65	2.20

Source: RHB, Bloomberg

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