

# Flash Note

Refer to important disclosures at the end of this report

Malaysia Equity Research

17 May 2017

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

Mkt. Cap: US\$356m | 3m Avg. Daily Val: US\$0.39m

Last Traded Price ( 16 May 2017): RM2.68

Price Target 12-mth: RM3.10 (16% upside) (Prev RM3.10)

### Analyst

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### Proxy to affordable housing

- 4QFY17 results missed expectations
- 4<sup>th</sup> interim DPS of 3.75 sen declared
- Proposed bonus issue of 1-for-4
- Maintain BUY and RM3.10 TP

#### Forecasts and Valuation

FY Mar (RMm)	*2016A	2017A	2018F	2019F
Revenue	912	780	1,035	1,070
EBITDA	371	277	330	337
Pre-tax Profit	357	261	309	316
Net Profit	261	188	232	237
Net Pft (Pre Ex.)	261	188	232	237
Net Pft Gth (Pre-ex) (%)	43.3	(28.1)	23.6	2.0
EPS (sen)	46.3	32.8	40.6	41.4
EPS Pre Ex. (sen)	46.3	32.8	40.6	41.4
EPS Gth Pre Ex (%)	35	(29)	24	2
Diluted EPS (sen)	46.3	32.8	40.6	41.4
Net DPS (sen)	18.5	13.7	14.6	14.9
BV Per Share (sen)	157	179	206	233
PE (X)	5.8	8.2	6.6	6.5
PE Pre Ex. (X)	5.8	8.2	6.6	6.5
P/Cash Flow (X)	nm	25.9	13.6	7.0
EV/EBITDA (X)	4.4	6.1	5.3	5.0
Net Div Yield (%)	6.9	5.1	5.4	5.6
P/Book Value (X)	1.7	1.5	1.3	1.2
Net Debt/Equity (X)	0.1	0.2	0.2	0.1
ROAE (%)	33.7	19.7	21.1	18.9

\*15-month period due to FYE change from Dec15 to Mar16  
Source of all data on this page: Company, AllianceDBS, Bloomberg Finance L.P.

### What's New

**4QFY17 below expectations:** Matrix's 4QFY17 headline net profit of RM39m (-23% q-o-q, -19% y-o-y) takes FY17 earnings to RM188m – below our estimate and consensus'. The weaker-than-expected result is largely due to lower progress billings of its ongoing property developments as 4QFY17 revenue is the lowest for FY17, falling 19% q-o-q and 24% y-o-y to RM161m. Overall net margin remained strong at 24% in 4QFY17, compared to 25.5% in 3QFY17.

**Investment properties:** Its investment properties (Matrix Global Schools and d'Tempat Country Club) remained in the red with RM5.6m operating loss, as the business has yet to operate with economies of scale. Nevertheless, student enrolment in Matrix Global Schools is set to be boosted significantly, following Matrix's collaboration with China's Shanghai Zhangjiang Specialised College to send at least 300 students to Matrix Global Schools to undertake an 18-month preparatory programme for public examinations over 2017-2018.

**Consistently high dividend payout.** Matrix declared its fourth interim DPS of 3.75 sen, taking full-year FY17 DPS to 13.75 sen, which translates into 5% yield. Its FY17 payout ratio of 42% is higher than its dividend policy of up to 40% payout. Meanwhile, its balance sheet remains healthy with net gearing at 15% as at end-Mar 2017.

## Flash Note

**Record property sales.** It achieved RM193m property sales in 4QFY17, taking FY17 sales to an unprecedented RM1.03bn – ahead of management’s target of RM1bn in FY17. This reinforces our view that the flagship projects in Bandar Sri Sendayan, Sembilan and Bandar Seri Impian, Kluang are enjoying strong sales momentum. Unbilled sales stood at RM860m as at end-Mar 2017, which will provide strong earnings visibility over the next two years.

**Proposed bonus issue.** Matrix has announced a proposed bonus issue of 1 share for every 4 existing Matrix shares to reward shareholders. This is also its third bonus issue since its listing in 2013.

**Maintain BUY and RM3.10 TP.** We maintain our earnings at this juncture as we expect progress billings to pick up in the subsequent quarters and the completion of its RM100m GDV Australian project, M.Carnegie in Carnegie, Melbourne by Dec 2017 to boost its FY18 earnings as well.

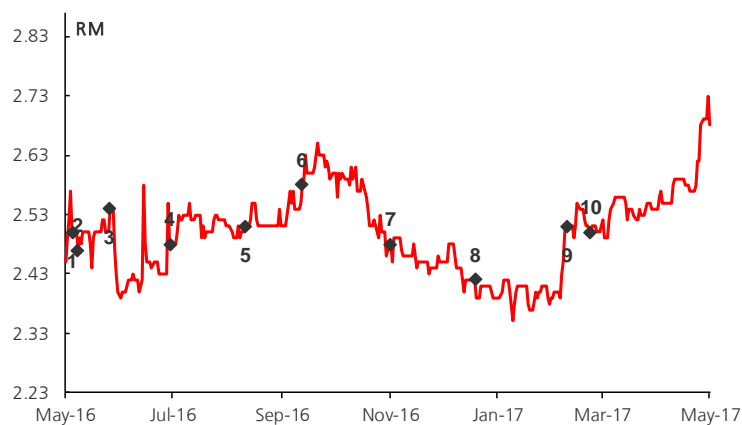
### Quarterly / Interim Income Statement (RMm)

FY Mar	*5Q2016	3Q2016	4Q2017	% chg yoy	% chg qoq
Revenue	211	198	161	(23.6)	(18.5)
Cost of Goods Sold	(99.9)	(78.7)	(66.6)	(33.4)	(15.4)
<b>Gross Profit</b>	<b>111</b>	<b>119</b>	<b>94.8</b>	<b>(14.9)</b>	<b>(20.6)</b>
Other Oper. (Exp)/Inc	(40.0)	(45.0)	(35.6)	(11.1)	(21.0)
<b>Operating Profit</b>	<b>71.4</b>	<b>74.3</b>	<b>59.2</b>	<b>(17.1)</b>	<b>(20.3)</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	(0.6)	(1.4)	(4.1)	(645.4)	(203.1)
Exceptional Gain/(Loss)	0.0	0.0	0.0	nm	nm
<b>Pre-tax Profit</b>	<b>70.8</b>	<b>72.9</b>	<b>55.1</b>	<b>(22.2)</b>	<b>(24.4)</b>
Tax	(22.9)	(22.5)	(16.1)	(29.5)	(28.3)
Minority Interest	0.0	0.0	0.0	nm	nm
<b>Net Profit</b>	<b>48.0</b>	<b>50.5</b>	<b>39.0</b>	<b>(18.7)</b>	<b>(22.7)</b>
Net profit bef Except.	48.0	50.5	39.0	(18.7)	(22.7)
EBITDA	74.1	76.5	61.8	(16.7)	(19.3)
<b>Margins (%)</b>					
Gross Margins	52.7	60.3	58.7		
Opg Profit Margins	33.8	37.5	36.7		
Net Profit Margins	22.7	25.5	24.2		

\*Mar16 quarter

Source of all data: Company, AllianceDBS

## Target Price &amp; Ratings History



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

Source: AllianceDBS

Analyst: QUAH He Wei, CFA

### DISCLOSURE

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#### 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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