

HLIB Research

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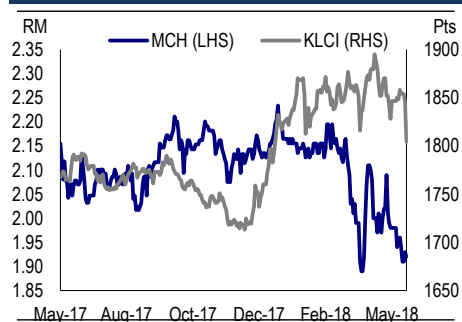
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BUY (Maintain)

Target Price: RM2.36
Previously: RM2.36
Current Price: RM1.92

Capital upside	22.9%
Dividend yield	6.2%
Expected total return	29.1%

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	-2.5	-12.3	-15.8
Relative	1.6	-9.5	-17.5

Stock information

Bloomberg Ticker	MCH MK
Bursa Code	5236
Issued Shares (m)	752
Market cap (RM m)	1,444
3-mth avg. volume ('000)	516
SC Shariah-compliant	Yes

Major shareholders

Lee Tian Hock	15.4
Shining Term Sdn Bhd	14.1

Earnings summary

FYE (Mac)	FY18	FY19f	FY20f
PATMI - core (RM m)	211.8	283.5	304.3
EPS - core (sen)	28.2	37.7	40.5
P/E (x)	6.8	5.1	4.7

Matrix Concepts Holdings

Scaling new height

Matrix's FY18 core PAT of RM212m (+12.8% YoY) was within expectations. The all-time high earnings were attributed to higher contribution from larger scale developments with better margin mix and lower finance cost. New sales of RM1.2bn (+15% YoY) exceeded full year target of RM1.1bn while unbilled sales remained healthy at 1.35x cover. We expect FY19 earnings to scale new high with overseas contribution and sustainable strong sales. Maintain BUY with unchanged RNAV-based TP (20% discount) of RM2.36.

Within expectations. FY18 revenue of RM812.3m translated into core PATAMI of RM211.8m, accounting for 99.2% and 97.8% of HLIB and consensus full year forecasts, respectively.

Dividend. Declared 4th interim dividend of 3.5 sen per share (4QFY17: 3.0 sen) going ex on 20 Jun 2018, bringing FY18 dividend to 12.85 sen per share (FY17: 11.0 sen), yielding 6.7% at current price.

QoQ. 4QFY18 revenue declined by 36.0% mainly undermined by the higher recognition of sales from industrial and commercial properties in 3QFY18. In the meantime, core PAT dropped by 37.8% in tandem with lower revenue.

YoY. Revenue for 4QFY18 grew by 5.6% attributed to higher progress billing and better property sales. Meanwhile, core PAT improved by greater magnitude of 12.6% thanks to lower SG&A and finance costs.

FY18 earnings at a new high. FY18 earnings of RM211.8m (+12.8%) achieved was at a new high on the back of higher revenue (+4.1%), driven by higher contribution from larger scale of developments with better margin mix and lower finance cost.

Exceeding sales target. FY18 total sales achieved RM1.2bn (up from RM1.0bn in FY17), exceeded the full year target of RM1.1bn. Unbilled sales remained healthy at RM1.1bn (3QFY18: RM1.1bn), representing a cover ratio of 1.35x.

Outlook. We expect FY19 earnings to scale new high with the recognition of its Carnegie project in Australia and strong unbilled sales. Besides, higher new sales are expected underpinned by RM1.6bn worth of launches (FY17: RM1.2bn), including the new launch of Chambers KL project.

Forecast. Unchanged as the results were in line.

Maintain **BUY** with unchanged **TP** of **RM2.36** based on unchanged 20% discount to RNAV of RM2.95. 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	FY16A*	FY17A	FY18A	FY19F	FY20F
Fixed assets	219	236	236	236	235
Other long-term assets	7	11	16	16	16
Other short-term assets	0	0	0	0	0
Working capital	499	645	798	771	891
Receivables	180	267	154	258	298
Payables	166	214	172	290	335
Inventory	152	164	472	223	258
Net cash / (debt)	(127)	(157)	(35)	94	112
Cash	78	117	277	407	424
ST debt	97	93	151	151	151
LT debt	108	181	162	162	162
Equity	885	1,024	1,206	1,376	1,558
Shareholders' funds	885	1,024	1,205	1,375	1,558
Minorities	-	-	1	1	1
Other liabilities	(287)	(289)	(190)	(259)	(304)

Cashflow

FYE Mar	FY16A*	FY17A	FY18A	FY19F	FY20F
EBIT	360	268	299	391	420
D&A	10	9	10	10	10
Working capital changes	(334)	(154)	(66)	(41)	(165)
Taxation	(95)	(75)	(82)	(105)	(113)
Others	(8)	9	1	(9)	(9)
Operating cashflow	(69)	53	161	247	143
Capex & acquisitions	(40)	(25)	(10)	(10)	(10)
Free cashflow	(110)	29	150	237	133
Others	3	(3)	(2)	6	7
Investing cashflow	(37)	(28)	(12)	(5)	(4)
Equity Raised	67	22	61	0	0
Others	0	0	0	0	1
Net Borrowing	132	57	46	-	-
Financing cashflow	94	(4)	22	(113)	(122)
Net cashflow	(13)	22	171	129	18

Growth ratios

FYE Mar	FY16A*	FY17A	FY18A	FY19F	FY20F
Sales Growth	52.3	(15.0)	4.8	30.2	15.6
Operating expenses	54.4	(8.2)	1.2	30.1	20.8
EBITDA Growth	49.4	(25.1)	11.4	30.3	7.0
PBT Growth	45.4	(26.8)	13.0	32.1	7.3
PATMI	43.1	(29.0)	14.3	33.8	7.3
Basic EPS Growth	(13.3)	(29.0)	14.3	33.8	7.3

*15M of financial result as financial year end change from Dec to Mar

Income statement

FYE Mar	FY16A*	FY17A	FY18A	FY19F	FY20F
Revenue	912	775	812	1,057	1,222
Operating cost	(543)	(498)	(504)	(655)	(792)
EBITDA	369	277	308	402	430
D&A	(10)	(9)	(10)	(10)	(10)
Net Interest	(4)	(8)	(5)	(3)	(3)
JV & Associates	-	-	-	-	-
Pretax profit	356	260	294	388	417
Taxation	(95)	(75)	(82)	(105)	(113)
Minority Interest	-	-	-	-	-
PATAMI	261	185	212	284	304
Exceptionals	-	-	-	-	-
Core Earning	261	185	212	284	304
Basic shares (m)	752	752	752	752	752
Consensus core PATMI			216.7	251.0	262.7
HLIB/ Consensus			98%	113%	116%

Valuation ratios

FYE Mar	FY16A*	FY17A	FY18A	FY19F	FY20F
Net DPS (sen)	18.8	11.0	12.9	15.1	16.2
FCF/ share (sen)	-14.6	3.8	20.0	31.5	17.6
FCF yield (%)	-7.6	2.0	10.4	16.4	9.2
Market capitalization (RM)	1,444	1,444	1,444	1,444	1,444
Net cash (m)	(127)	(157)	(35)	94	112
Core EPS (sen)	34.7	24.6	28.2	37.7	40.5
P/E (x)	5.5	7.8	6.8	5.1	4.7
Fully Diluted EPS (sen)	32.0	22.7	26.0	34.8	37.3
FD P/E (x)	6.0	8.5	7.4	5.5	5.1
BV / share	1.2	1.4	1.6	1.8	2.1
P/BV (x)	1.6	1.4	1.2	1.1	0.9
ROA (%)	41.0	23.3	18.3	24.9	24.7
ROE (%)	29.5	18.1	17.6	20.6	19.5
Enterprise value	1,571	1,601	1,479	1,350	1,332
EV/ EBITDA (x)	4.3	5.8	4.8	3.4	3.1

Margin ratios

FYE Mar	FY16A*	FY17A	FY18A	FY19F	FY20F
Margins (%)					
EBITDA Margin	40.5	35.7	38.0	38.0	35.2
PBT Margin	39.0	33.6	36.2	36.7	34.1
PATMI	28.6	23.9	26.1	26.8	24.9

Figure #1 Quarterly results comparison

FYE March	4QFY17	3QFY18	4QFY18	QoQ (%)	YoY (%)	FY17	FY18	YoY (%)
Revenue	161.3	266.2	170.4	(36.0)	5.6	780.4	812.3	4.1
Cost of Sales	(66.6)	(121.9)	(77.8)	36.2	(16.9)	(366.4)	(364.7)	0.5
Gross profit	94.8	144.3	92.5	(35.9)	(2.4)	414.0	447.6	8.1
Selling and marketing exp.	(4.4)	(5.7)	(3.2)	44.0	27.9	(19.1)	(23.0)	(20.3)
Administrative expenses	(32.1)	(42.6)	(27.9)	34.5	13.1	(129.8)	(133.6)	(2.9)
Other Income	0.5	0.5	1.0	102.4	86.5	1.3	2.6	101.4
Operating Profit	58.8	96.4	62.4	(35.3)	6.2	266.4	293.6	10.2
Interest Income	0.4	2.0	1.9	(4.1)	334.1	2.0	5.1	152.8
Finance costs	(4.1)	(1.0)	(0.7)	29.2	82.5	(7.1)	(4.6)	35.4
Net Interest	(3.7)	1.0	1.2	(21.3)	133.3	(5.1)	0.5	110.0
Profit before taxation (PBT)	55.1	97.4	63.6	(34.7)	15.5	261.3	294.1	12.5
Income tax expense	(16.1)	(26.9)	(19.7)	26.5	(22.5)	(73.5)	(82.2)	(11.9)
PATAMI	39.0	70.6	43.9	(37.8)	12.6	187.8	211.8	12.8
EI	-	-	-	NM	NM	-	-	NM
Core PATAMI	39.0	70.6	43.9	(37.8)	12.6	187.8	211.8	12.8

Company; HLIB

Figure #2 Peers comparison

Company	Mkt Cap (m)	Curr Price (RM)	TP (RM)	Recomm	FYE	Discount to RNAV	P/E (x)		P/B (x)		ROE (%)	Yield (%)
							CY18	CY19	CY18	CY19	CY18	CY18
IOI PROPERTIES	8644.6	1.57	2.44	BUY	JUN	-58.1	10.3	11.3	0.4	0.5	4.5	3.8
SP SET IABHD	12369.7	3.18	4.08	BUY	DEC	-43.9	18.5	16.6	1.1	1.1	4.3	3.5
SUNWAY BHD	7406.2	1.52	2.30	BUY	DEC		11.8	10.3	0.9	0.8	6.9	4.2
UEM SUNRISE BHD	3834.1	0.85	0.90	HOLD	DEC	-71.7	19.2	16.3	0.5	0.5	2.6	1.5
MAH SING GROUP	2719.0	1.12	1.53	HOLD	DEC	-52.3	7.2	7.4	0.7	0.7	8.7	5.8
MATRIX CONCEPTS	1444.2	1.92	2.36	BUY	MAR	-34.9	5.2	4.6	1.1	0.9	20.8	7.8
TAMBUN	355.3	0.82	1.23	T.BUY	DEC	-63.7	4.5	4.7	1.4	1.5	12.0	8.4
IBRACO BHD	255.6	0.52	0.93	BUY	DEC	-65.9	6.2	4.0	1.4	1.5	4.2	6.8
MB WORLD GROUP I	299.0	1.90	2.75	BUY	DEC	-55.1	6.8	5.7	1.4	1.5	19.5	2.9
Average						-55.7	10.0	9.0	1.0	1.0	9.3	5.0

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Figure #3 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%	110.6
Future		
BSS	100%	688.8
TSI	100%	148.4
STP	100%	63.4
STV 3	100%	41.0
Residency SIGC	100%	27.3
Kota Gadong Perdana	100%	171.6
KL High Rise Mixed Development	100%	-
Lobak Commercial Centre	100%	5.0
Carnegie, Australia	100%	17.3
NPV		1,353.5
Shareholder Funds as of 4Q17		1,025.6
Net cash/(debt) as of 4Q17		(156.9)
RNAV		2,222.1
Wa proceed		185.6
Total RNAV		2,407.7
Total Diluted Shares		817.4
RNAV/share		2.95
Discount		20%
Discounted RNAV		1,926.2
Discounted RNAV/Share		2.36
<hr/> <i>Company, HLIB</i> <hr/>		

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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.
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