

24 May 2018

Property | Real Estate

Matrix Concepts Holdings

Buy (Maintained)

MYR1.2bn New Sales In FY18

Maintain BUY, with a MYR2.40 TP offering 25% upside. Although there could be some policy uncertainties post-GE14, we believe demand for Matrix's township properties should stay resilient. Its 4QFY18 earnings are in line, and full-year new property sales achieved hit MYR1.2bn. Given its unbilled sales of MYR1.1bn and net gearing of only 3%, we are confident on its earnings outlook and dividend payout.

4QFY18 (Mar) results are in line with our and market estimates. The sequential decline in Matrix Concepts' (Matrix) revenue and net profit was largely due to the recognition of higher industrial land sales and commercial properties in 3QFY18, as some industrial land plots in Sendayan Tech Valley 1 & 2 were transacted in the preceding quarter. FY18 earnings grew 13% YoY, largely reflecting its property sales growth over the last two years. A MYR0.035 sen fourth interim single-tier DPS was declared, bringing FY18 total DPS to MYR0.1285 (adjusted for bonus issue). This translates into an attractive yield of 6.7%.

It booked new sales of MYR244.9m in 4QFY18, vs MYR294.5m in 3QFY18. This brought full-year total sales to MYR1.18bn (FY17: MYR1.03bn). The property products in Bandar Sri Sendayan remained popular. Phase 2 of Ara Sendayan, launched in 3QFY18, is already 77%-sold. Meanwhile, Hijayu Resorts Homes (Phase 3), which is a higher-end product, has achieved a 88% take-up rate. As for Bandar Seri Impian, the take-up rate for Impiana Casa 3A has also improved to 21%, from 4% last quarter.

MYR1.56bn worth of new projects for FY19. Matrix has lined up MYR1.56bn worth of new launches for FY19. The maiden launch of Tiara Sendayan, a mid-range project, was well-received. The 404 landed homes (GDV: MYR151m) were fully booked within a week. In the pipeline, management plans to roll out Chambers KL soon – Matrix's first high-rise project in the Klang Valley. The indicative ASP is around MYR800 psf (gross). As the range of unit sizes is 450-900 sqf, the absolute pricing is around MYR350,000-750,000/unit. Given the proximity to the PWTC LRT station, management expects market response to be positive, for this project.

We fine-tune our FY19-20 earnings forecasts after updating the latest financial numbers. Unbilled sales remained steady at MYR1.05bn, vs MYR1.12bn as at 3QFY18.

Maintain BUY. Our unchanged TP of MYR2.40 is based on a 25% discount to RNAV. Although there could be concerns on policy uncertainties after Malaysia's 14th general election (GE14), we think demand for township properties in Bandar Sri Sendayan and Bandar Seri Impian should stay resilient. Matrix's net gearing of only 3% should still support its dividend payout ratio.

Target Price:	MYR2.40
Price:	MYR1.92
Market Cap:	USD364m
Bloomberg Ticker:	MCH MK

Share Data

Avg Daily Turnover (MYR/USD)	1.01m/0.25m
52-wk Price low/high (MYR)	1.89 - 2.28
Free Float (%)	43
Shares outstanding (m)	301
Estimated Return	25%

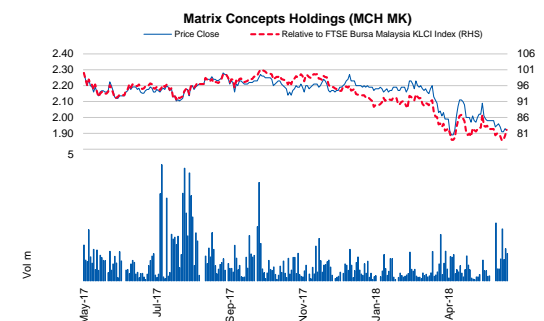
Shareholders (%)

Dato' Lee Tian Hock & family	60.0
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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(12.3)	(2.5)	(12.3)	(12.3)	(15.8)
Relative	(12.7)	1.6	(9.2)	(17.1)	(17.9)

Source: Bloomberg



Source: Bloomberg

Forecasts and Valuations	Mar-17	Mar-18	Mar-19F	Mar-20F	Mar-21F
Total turnover (MYRm)	780	812	892	970	1,067
Reported net profit (MYRm)	188	212	233	255	283
Recurring net profit (MYRm)	188	212	233	255	283
Recurring net profit growth (%)	(10.4)	12.8	9.9	9.6	11.0
Recurring EPS (MYR)	0.33	0.32	0.34	0.37	0.40
DPS (MYR)	0.14	0.13	0.15	0.16	0.17
Recurring P/E (x)	5.85	6.04	5.60	5.19	4.74
P/B (x)	1.07	1.06	0.98	0.89	0.82
Dividend Yield (%)	7.2	6.7	7.8	8.3	8.9
Return on average equity (%)	19.7	19.0	18.3	18.1	18.1
Return on average assets (%)	13.4	13.1	13.0	13.2	13.4
Net debt to equity (%)	15.3	2.9	0.4	net cash	net cash
Our vs consensus EPS (adjusted) (%)			(2.1)	(7.5)	1.2

Source: Company data, RHB

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Financial Exhibits

Financial model updated on : 2018-05-23.

Asia	Financial summary	Mar-17	Mar-18	Mar-19F	Mar-20F	Mar-21F
Malaysia	Recurring EPS (MYR)	0.33	0.32	0.34	0.37	0.40
Property	EPS (MYR)	0.33	0.32	0.34	0.37	0.40
Matrix Concepts Holdings	DPS (MYR)	0.14	0.13	0.15	0.16	0.17
Bloomberg MCH MK	BVPS (MYR)	1.79	1.81	1.97	2.15	2.35
Buy	Weighted avg adjusted shares (m)	572	666	679	689	700
Valuation basis	Valuation metrics	Mar-17	Mar-18	Mar-19F	Mar-20F	Mar-21F
25% discount to RNAV	Recurring P/E (x)	5.85	6.04	5.60	5.19	4.74
Key drivers	P/E (x)	5.85	6.04	5.60	5.19	4.74
i. New property and industrial land sales;	P/B (x)	1.07	1.06	0.98	0.89	0.82
ii. Land acquisitions	FCF Yield (%)	4.5	15.6	13.9	18.5	14.4
Key risks	Dividend Yield (%)	7.2	6.7	7.8	8.3	8.9
Weaker-than-expected market conditions	EV/EBITDA (x)	2.19	1.55	1.34	1.18	1.04
	EV/EBIT (x)	2.19	1.55	1.34	1.18	1.04
Company Profile	Income statement (MYRm)	Mar-17	Mar-18	Mar-19F	Mar-20F	Mar-21F
Matrix Concepts 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 on developing residential and commercial properties, as well as selling industrial land.	Total turnover	780	812	892	970	1,067
	Gross profit	414	497	512	550	592
	EBITDA	268	299	329	361	390
	Operating profit	268	299	329	361	390
	Net interest	(7)	(5)	(6)	(6)	(7)
	Pre-tax profit	261	294	323	354	383
	Taxation	(73)	(82)	(90)	(99)	(100)
	Recurring net profit	188	212	233	255	283
	Cash flow (MYRm)	Mar-17	Mar-18	Mar-19F	Mar-20F	Mar-21F
	Change in working capital	165	141	(12)	(32)	(32)
	Cash flow from operations	391	392	261	264	293
	Capex	(342)	(192)	(80)	(20)	(100)
	Cash flow from investing activities	(363)	(191)	(98)	(47)	(126)
	Proceeds from issue of shares	31	53	0	0	0
	Dividends paid	(108)	(79)	(86)	(102)	(110)
	Cash flow from financing activities	(49)	(26)	(124)	(140)	(147)
	Cash at beginning of period	78	117	277	276	365
	Net change in cash	(21)	174	39	78	20
	Ending balance cash	57	292	316	354	386
	Balance sheet (MYRm)	Mar-17	Mar-18	Mar-19F	Mar-20F	Mar-21F
	Total cash and equivalents	117	277	276	365	380
	Total investments	623	802	891	930	1,048
	Total other assets	12	16	16	16	16
	Total assets	1,510	1,721	1,847	2,017	2,202
	Short-term debt	86	151	151	176	186
	Total long-term debt	188	162	132	122	112
	Other liabilities	24	7	7	7	7
	Total liabilities	484	516	511	535	557
	Shareholders' equity	1,026	1,205	1,336	1,481	1,645
	Minority interests	0	1	1	1	1
	Total equity	1,026	1,206	1,336	1,481	1,646
	Net debt	156	35	6	(68)	(82)
	Total liabilities & equity	1,510	1,721	1,847	2,017	2,202
	Key metrics	Mar-17	Mar-18	Mar-19F	Mar-20F	Mar-21F
	Revenue growth (%)	6.6	4.1	9.8	8.7	10.0
	Recurrent EPS growth (%)	(12.9)	(3.1)	7.8	8.0	9.4
	Gross margin (%)	53.0	61.2	57.4	56.8	55.5
	Operating EBITDA margin (%)	34.4	36.8	36.9	37.2	36.5
	Net profit margin (%)	24.1	26.1	26.1	26.3	26.6
	Dividend payout ratio (%)	41.9	40.4	43.8	43.2	42.0
	Capex/sales (%)	43.8	23.6	9.0	2.1	9.4
	Interest cover (x)	37.8	65.2	55.3	56.5	57.0

Source: Company data, RHB

Figure 1: Quarterly results

FYE Mar (MYRm)	4QFY17	3QFY18	4QFY18	QoQ (%)	YoY (%)	FY17	FY18	YoY (%)	Comments
Turnover	161.3	266.2	170.4	(36.0)	5.6	780.4	812.3	4.1	QoQ decline was from the recognition of an increase in sales of industrial land and commercial properties in 3QFY18.
EBIT	59.2	98.4	64.4	(34.6)	8.7	268.4	298.7	11.3	
EBIT margin (%)	36.7	37.0	37.8			34.4	36.8		
Net interest	(4.1)	(1.0)	(0.7)	(29.2)	(82.5)	(7.1)	(4.6)	(35.4)	
Pretax profit	55.1	97.4	63.6	(34.7)	15.5	261.3	294.1	12.5	
Pretax margin (%)	34.2	36.6	37.4			33.5	36.2		
Taxation	(16.1)	(26.9)	(19.7)	(26.5)	22.5	(73.5)	(82.2)	11.9	
Tax rate (%)	29.2	27.6	31.0			28.1	28.0		The higher effective tax rate was due to the losses incurred by certain subsidiaries and non-deductible expenses for tax purposes.
Minority interest	0.0	0.0	0.0	n.m.	n.m.	0.0	0.0	n.m.	
Net profit	39.0	70.6	43.9	(37.8)	12.6	187.8	211.8	12.8	Within expectations.
Net margin (%)	24.2	26.5	25.8			24.1	26.1		
EPS (sen)	6.8	9.5	5.9			33.0	31.9		
Gross DPS (sen)	3.8	3.5	3.5			13.8	13.5		
NTA/share (MYR)	1.8	1.6	1.6			1.8	1.6		

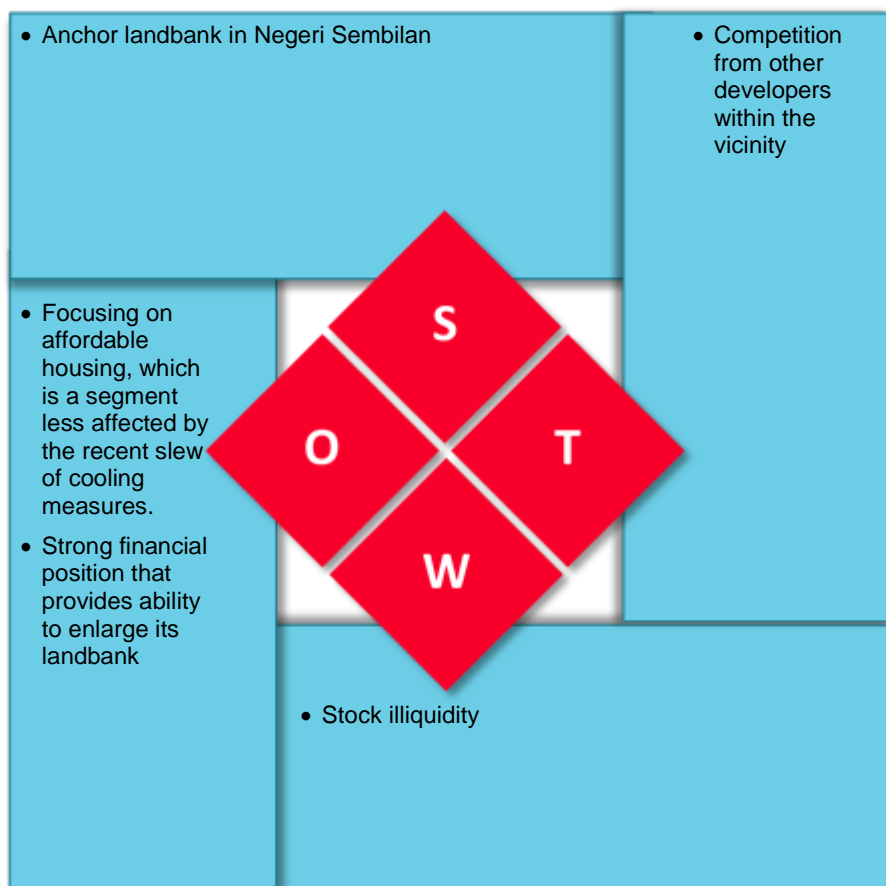
Source: RHB

Figure 2: RNAV estimate

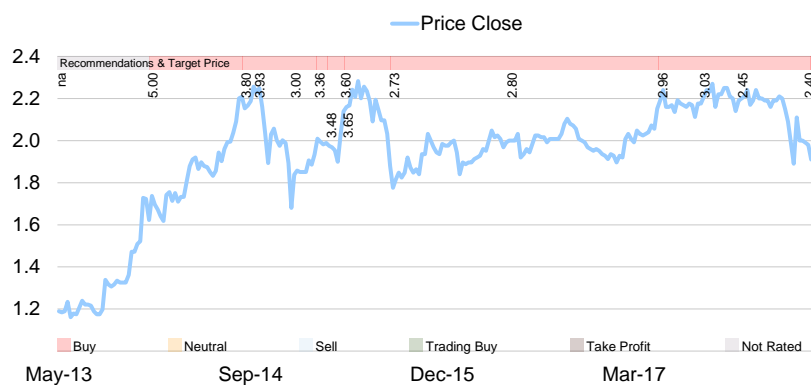
Projects	Remaining landbank (acres)	GDV (MYR m)	Stake	NPV @ 9%
<i>Bandar Sri Sendayan, Negeri Sembilan</i>				
Ongoing & future developments	917.7	2,917.0	100%	239.0
New land in BSS	194.0	1,200.0	100%	81.3
Taman Seri Impian, Kluang, Johor	169	940.7	100%	103.5
KL land	1.1	400	100%	33.0
Tiara Sendayan (Kota Gadong Perdana)	227.1	1490	100%	115.6
Residensi SIGC (Third 9 Residence)	41.8	105	100%	4.9
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%	136.7
Puchong	5.8	500	100%	42.2
Australia	n.a.	94.5	100%	9.4
	Remaining landbank (acres)	Market price (MYR psf)	BV (MYR psf)	Net surplus
Sendayan TechValley 1 & 2	66.4	45	10	75.9
Sendayan TechPark	123	40	13	70.5
Sendayan TechValley 3	85	45	15	83.3
Unbilled sales				186.7
Total				1,272.0
Shareholders' fund				1,205.0
Warrants conversion (exercice price at MYR1.92)				123.6
ESOS proceeds				57.7
Total RNAV				2,658.4
Share base (incl. warrants)				832.3
RNAV/share				3.19
Discount				25%
Target price				2.40

Source: RHB

SWOT Analysis



Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2018-05-15	Buy	2.40	1.95
2018-02-28	Buy	2.45	2.23
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

Source: RHB, Bloomberg

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