

Matrix Concepts Holdings Bhd (MCH MK) : BUY

Mkt. Cap: US\$365m | 3m Avg. Daily Val: US\$0.15m

Last Traded Price (20 Feb 2019): RM1.97

Price Target 12-mth: RM2.40 (22% upside) (Prev RM2.50)

Analyst

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Hit by higher expenses

- 3QFY19 results missed expectations
- 3rd interim DPS of 3 sen declared
- Cut FY19-21F earnings by 9%/7%/5%
- Maintain BUY with revised TP of RM2.40

Forecasts and Valuation

FY Mar (RMm)	2018A	2019F	2020F	2021F
Revenue	812	1,106	1,290	1,371
EBITDA	308	313	358	372
Pre-tax Profit	294	294	337	349
Net Profit	212	211	239	248
Net Pft (Pre Ex.)	212	211	239	248
Net Pft Gth (Pre-ex) (%)	12.8	(0.2)	13.1	3.8
EPS (sen)	28.6	28.1	31.8	33.0
EPS Pre Ex. (sen)	28.6	28.1	31.8	33.0
EPS Gth Pre Ex (%)	9	(2)	13	4
Diluted EPS (sen)	28.6	28.1	31.8	33.0
Net DPS (sen)	12.9	12.1	12.7	13.2
BV Per Share (sen)	163	176	195	215
PE (X)	6.9	7.0	6.2	6.0
PE Pre Ex. (X)	6.9	7.0	6.2	6.0
P/Cash Flow (X)	9.1	17.1	11.4	7.3
EV/EBITDA (X)	4.8	5.1	4.6	4.4
Net Div Yield (%)	6.6	6.1	6.4	6.7
P/Book Value (X)	1.2	1.1	1.0	0.9
Net Debt/Equity (X)	0.0	0.1	0.1	0.1
ROAE (%)	19.0	16.7	17.1	16.1

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

3QFY19 below expectations: Matrix's 3QFY19 headline net profit dipped 8% q-o-q and 31% y-o-y to RM48.6m. This takes 9MFY19 earnings to RM153m (-9% y-o-y), which only comprised 66% of our initial FY19 full-year forecast. The negative variance was largely due to the weaker margins recorded in 3QFY19 given its product mix comprising more affordably-priced residential properties and less industrial properties which fetch better margin.

Weak margin. Matrix's 3QFY19 EBIT margin came in at 25.4% which is the lowest since its IPO in 2013. Apart from the less favourable product mix, we note that its 3QFY19 admin & general expenses surged to RM51.8m from RM31.7 in 2QFY19 and RM42.6m in 3QFY18.

Slow property sales in 3QFY19. It raked in property sales of RM243m in 3QFY19 (-53% q-o-q, -18% y-o-y) due to slower sales in Bandar Sri Sendayan after two consecutive quarters of strong sales. For 9MFY19, Matrix has already hit RM1.1bn (+22% y-o-y). Meanwhile, its unbilled sales remained high at RM1.4bn, offering strong earnings visibility over the next two years. Matrix has continued to chalk up strong sales despite the challenging environment that has affected most of its peers.

RM533m launches in 4QFY19. It has a launch pipeline of RM533m in 4QFY19, after launching RM1.1bn projects in 9MFY19. The projects in 4QFY19 mainly comprise different phases in Bandar Sri Sendayan which are expected to be well received given their affordable pricing.



Flash Note

Investment properties: Its investment properties – Matrix Global Schools, d’Sora Business Boutique Hotel and d’Tempat Country Club – remained in the red with an operating loss of RM2.7m as the business has yet to operate with economies of scale. We believe that it may take some time for its investment properties to break even.

High dividend payout. As per its quarterly practice, Matrix declared its 3rd interim DPS of 3 sen during 3QFY19 which translates into a high payout ratio of 46%. Meanwhile, its balance sheet remains healthy with a net gearing of 9% as at end-Dec 2018.

Cut FY19-21F earnings by 9%/7%/5%. As we impute high operating expenses for its property development projects, we revise down our FY19-21F earnings. Accordingly, our TP is revised to RM2.40, based on an unchanged 30% discount to our RNAV. We reiterate our BUY rating on Matrix. We continue to like Matrix for its impeccable track record in township developments. Its valuation remains undemanding at 6x FY20 EPS despite having sustainable earnings visibility and a high dividend yield of ~6.5%.

Flash Note
Quarterly Income Statement (RMm)

FY Mar	3Q2018	2Q2019	3Q2019	% chg yoy	% chg qoq
Revenue	266	253	286	7.3	12.8
Cost of Goods Sold	(122)	(140)	(157)	29.1	12.6
Gross Profit	144	113	128	(11.1)	13.0
Other Oper. (Exp)/Inc	(45.8)	(38.1)	(55.7)	21.6	46.4
Operating Profit	98.4	75.4	72.5	(26.3)	(3.8)
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	(1.0)	(1.0)	(0.8)	23.2	20.6
Exceptional Gain/(Loss)	0.0	0.0	0.0	nm	nm
Pre-tax Profit	97.4	74.4	71.8	(26.4)	(3.6)
Tax	(26.9)	(21.5)	(23.2)	(13.9)	7.8
Minority Interest	0.0	0.0	0.0	nm	nm
Net Profit	70.6	52.9	48.6	(31.1)	(8.2)
Net profit bef Except.	70.6	52.9	48.6	(31.1)	(8.2)
EBITDA	101	78.0	75.3	(25.3)	(3.4)
Margins (%)					
Gross Margins	54.2	44.8	44.9		
Opg Profit Margins	37.0	29.8	25.4		
Net Profit Margins	26.5	20.9	17.0		

Source of all data: Company, AllianceDBS

Target Price & Ratings History


S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	28 Feb 18	2.23	2.40	BUY
2:	01 Mar 18	2.23	2.40	BUY
3:	24 May 18	1.93	2.40	BUY
4:	12 Jun 18	2.10	2.40	BUY
5:	22 Jun 18	2.02	2.50	BUY
6:	28 Aug 18	2.10	2.50	BUY
7:	18 Sep 18	2.11	2.50	BUY
8:	03 Oct 18	2.11	2.50	BUY
9:	15 Nov 18	2.04	2.50	BUY
10:	12 Dec 18	1.94	2.50	BUY
11:	04 Jan 19	1.88	2.50	BUY
12:	29 Jan 19	1.94	2.50	BUY

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

Source: AllianceDBS

Analyst: QUAH He Wei, CFA

Flash Note

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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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Sources for all charts and tables are AllianceDBS unless otherwise specified.

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