



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

Mkt. Cap: US\$355m | 3m Avg. Daily Val: US\$0.26m

Last Traded Price ( 28 Aug 2019): RM1.90

Price Target 12-mth: RM2.40 (26% upside) (Prev RM2.40)

### Analyst

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### Steady as she goes

- 1QFY20 results met expectations
- Impressive EBIT margin of 29.8% sustained
- RM1.2bn unbilled sales to underpin earnings visibility
- Maintain BUY with RM2.40 TP; valuation undemanding at 6x EPS while offering 6.7% net yield

### Forecasts and Valuation

FY Mar (RMm)	2019A	2020F	2021F	2022F
Revenue	1,048	1,290	1,371	1,321
EBITDA	310	357	371	371
Pre-tax Profit	298	335	348	346
Net Profit	218	238	247	249
Net Pft (Pre Ex.)	218	238	247	249
Net Pft Gth (Pre-ex) (%)	2.0	9.3	3.8	0.8
EPS (sen)	28.9	30.2	31.4	31.6
EPS Pre Ex. (sen)	28.9	30.2	31.4	31.6
EPS Gth Pre Ex (%)	0	5	4	1
Diluted EPS (sen)	28.9	30.2	31.4	31.6
Net DPS (sen)	12.8	12.7	13.2	13.3
BV Per Share (sen)	176	187	205	224
PE (X)	6.6	6.3	6.1	6.0
PE Pre Ex. (X)	6.6	6.3	6.1	6.0
P/Cash Flow (X)	23.8	8.6	7.0	5.7
EV/EBITDA (X)	5.0	4.5	4.2	4.0
Net Div Yield (%)	6.7	6.7	6.9	7.0
P/Book Value (X)	1.1	1.0	0.9	0.8
Net Debt/Equity (X)	0.1	0.1	0.0	CASH
ROAE (%)	17.2	17.0	16.0	14.8

Source of all data on this page: Company, AllianceDBS, Bloomberg Finance L.P.

### What's New

**In-line 1QFY20 performance:** Matrix's 1QFY20 headline net profit came in at RM54.6m (-17% q-o-q, +9% y-o-y), on the back of RM249m revenue (-11% q-o-q, +8% y-o-y). This contributes 23% of our full-year estimate, which is within expectations

**Strong margin sustained.** Matrix's 1QFY20 EBIT margin came in at 29.8%, which has been sustained at similar levels over the past few quarters despite the challenging property market that has invariably resulted in more subdued margins.

**Consistent quarterly dividend payout.** Matrix declared its first interim DPS of 3 sen for the quarter, implying 43% payout that is in line with our forecast. Meanwhile, its balance sheet stayed healthy with 7% net gearing as at end-Jun 2019.

**Decent 1QFY20 property sales.** It raked in property sales of RM319m in 1QFY20 (+102% q-o-q, -16% y-o-y), largely due to stronger sales in Bandar Sri Sendayan as its affordable and affordable-premium residential properties continue to be in demand. Correspondingly, its unbilled sales remained high at RM1.2bn, offering decent earnings visibility over the next two years.

**Investment properties:** Its investment properties – Matrix Global Schools, d'Sora Business Boutique Hotel and d'Tempat Country Club – remained in the red with a slight operating loss of RM0.1m as the business continues to gain traction among the residents. We believe that its investment properties could break even faster than expected in the near term.

## Flash Note

### Outlook

**Strong launch pipeline in FY20.** It has already launched RM384m worth of projects in 1QFY20, and there is another RM1bn new launches earmarked for the remainder of FY20. We believe that its flagship projects in Bandar Sri Sendayan will continue to enjoy strong sales momentum. It is noteworthy that Matrix has continued to chalk up strong sales despite the challenging environment that has affected most of its peers over the past few years.

### Valuation and Recommendation

**Maintain BUY.** We reiterate our RM2.40 TP, based on an unchanged 30% discount to our RNAV. 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%

### Quarterly Income Statement (RMm)

FY Mar	1Q2019	4Q2019	1Q2020	% chg yoy	% chg qoq
Revenue	230	279	249	8.0	(10.9)
Cost of Goods Sold	(125)	(152)	(123)	(2.3)	(19.2)
<b>Gross Profit</b>	<b>105</b>	<b>127</b>	<b>126</b>	<b>20.4</b>	<b>(1.0)</b>
Other Oper. (Exp)/Inc	(35.7)	(44.8)	(52.0)	45.5	16.1
<b>Operating Profit</b>	<b>68.9</b>	<b>82.5</b>	<b>74.0</b>	<b>7.4</b>	<b>(10.3)</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	(0.9)	0.97	(1.0)	(10.1)	nm
Exceptional Gain/(Loss)	0.0	0.0	0.0	nm	nm
<b>Pre-tax Profit</b>	<b>68.0</b>	<b>83.5</b>	<b>73.0</b>	<b>7.4</b>	<b>(12.6)</b>
Tax	(17.8)	(17.6)	(18.4)	3.5	4.5
Minority Interest	0.0	0.0	0.0	nm	nm
<b>Net Profit</b>	<b>50.2</b>	<b>65.9</b>	<b>54.6</b>	<b>8.8</b>	<b>(17.2)</b>
Net profit bef Except.	50.2	65.9	54.6	8.8	(17.2)
EBITDA	71.3	85.2	76.6	7.4	(10.2)
<b>Margins (%)</b>					
Gross Margins	45.5	45.6	50.7		
Opg Profit Margins	29.9	29.6	29.8		
Net Profit Margins	21.8	23.6	22.0		

Source of all data: Company, AllianceDBS

### Target Price & 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

**DISCLAIMER**

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