



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

Mkt. Cap: US\$376m | 3m Avg. Daily Val: US\$0.15m

Last Traded Price ( 20 Nov 2019): RM1.90

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

### Analyst

QUAH He Wei, CFA +603 2604 3966; hewei@alliancedbs.com

### Steady quarter

- 2QFY20 results met expectations
- Sustained strong EBIT margin of 28% despite challenging market
- RM1.2bn unbilled sales to underpin earnings visibility
- Reiterate BUY with RM2.40 TP

### Forecasts and Valuation

FY Mar (RMm)	2019A	2020F	2021F	2022F
Revenue	1,048	1,290	1,371	1,321
EBITDA	310	345	369	371
Pre-tax Profit	298	322	346	346
Net Profit	218	229	245	249
Net Pft (Pre Ex.)	218	229	245	249
Net Pft Gth (Pre-ex) (%)	2.0	5.2	7.2	1.4
EPS (sen)	28.9	29.1	31.2	31.6
EPS Pre Ex. (sen)	28.9	29.1	31.2	31.6
EPS Gth Pre Ex (%)	0	1	7	1
Diluted EPS (sen)	28.9	29.1	31.2	31.6
Net DPS (sen)	12.8	12.2	13.1	13.3
BV Per Share (sen)	176	185	204	223
PE (X)	6.6	6.5	6.1	6.0
PE Pre Ex. (X)	6.6	6.5	6.1	6.0
P/Cash Flow (X)	23.8	9.9	6.6	5.7
EV/EBITDA (X)	5.0	4.7	4.3	4.0
Net Div Yield (%)	6.7	6.4	6.9	7.0
P/Book Value (X)	1.1	1.0	0.9	0.9
Net Debt/Equity (X)	0.1	0.1	0.1	0.0
ROAE (%)	17.2	16.4	16.0	14.8

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

### What's New

**In-line 2QFY20 performance:** Matrix's 2QFY20 headline net profit came in at RM58.7m (+8% q-o-q, +11% y-o-y), on the back of RM283m revenue (+14% q-o-q, +12% y-o-y). This takes 1HFY20 earnings to 48% of our full-year estimate, which is within expectations.

**Strong margin sustained.** Matrix's 2QFY20 EBIT margin came in at 28%, 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 second interim DPS of 3 sen for the quarter, implying a 42% payout that is in line with our forecast. Meanwhile, its balance sheet stayed healthy with a minimal net gearing of 2% as at end-Sep 2019, following the completion of its private placement exercise of 70m new shares in 1HFY20.

**Decent 2QFY20 property sales.** It raked in property sales of RM346m in 2QFY20 (+9% q-o-q, -33% y-o-y), largely due to stronger sales in Bandar Sri Sendayan as its affordable and affordable-premium residential properties continued to be in demand. Correspondingly, its unbilled sales remained high at RM1.21bn, 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 continued to gain traction among the residents. We believe that its investment properties could break even faster than expected in the near term.



### Outlook

**Strong launch pipeline in FY20.** It has already launched RM743m worth of projects in 1HFY20, and there is another RM500m of 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 plagued most of its peers over the past few years.

### Valuation and Recommendation

**Maintain BUY.** We reiterate our TP of RM2.40, 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	2Q2019	1Q2020	2Q2020	% chg yoy	% chg qoq
Revenue	253	249	283	11.6	13.8
Cost of Goods Sold	(140)	(123)	(144)	2.8	17.3
<b>Gross Profit</b>	<b>113</b>	<b>126</b>	<b>139</b>	<b>22.4</b>	<b>10.3</b>
Other Oper. (Exp)/Inc	(38.1)	(52.0)	(59.6)	56.4	14.6
<b>Operating Profit</b>	<b>75.4</b>	<b>74.0</b>	<b>79.4</b>	<b>5.2</b>	<b>7.3</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	(1.0)	(1.0)	0.10	nm	nm
Exceptional Gain/(Loss)	0.0	0.0	0.0	nm	nm
<b>Pre-tax Profit</b>	<b>74.4</b>	<b>73.0</b>	<b>79.5</b>	<b>6.8</b>	<b>8.9</b>
Tax	(21.5)	(18.4)	(20.7)	(3.6)	12.5
Minority Interest	0.0	0.0	0.0	nm	nm
<b>Net Profit</b>	<b>52.9</b>	<b>54.6</b>	<b>58.7</b>	<b>11.0</b>	<b>7.7</b>
Net profit bef Except.	52.9	54.6	58.7	11.0	7.7
EBITDA	78.0	76.6	82.0	5.2	7.1
<b>Margins (%)</b>					
Gross Margins	44.8	50.7	49.1		
Opg Profit Margins	29.8	29.8	28.1		
Net Profit Margins	20.9	22.0	20.8		

Source of all data: Company, AllianceDBS

### Target Price & Ratings History



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	12 Dec 18	1.94	2.50	BUY
2:	04 Jan 19	1.88	2.50	BUY
3:	29 Jan 19	1.94	2.50	BUY
4:	21 Feb 19	1.97	2.40	BUY
5:	16 Apr 19	1.92	2.40	BUY
6:	03 May 19	1.92	2.40	BUY
7:	14 May 19	1.95	2.40	BUY
8:	03 Jun 19	1.97	2.40	BUY
9:	27 Jun 19	1.89	2.40	BUY
10:	29 Aug 19	1.89	2.40	BUY

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

Source: AllianceDBS

Analyst: QUAH He Wei, CFA

### DISCLOSURE

---

#### 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

---

This report has been prepared for information purposes only by AllianceDBS Research Sdn Bhd ("ADBSR"), a subsidiary of Alliance Investment Bank Berhad ("AIBB") and an associate of DBS Vickers Securities Holdings Pte Ltd ("DBSVH"). DBSVH is a wholly-owned subsidiary of DBS Bank Ltd. This report is strictly confidential and is meant for circulation to clients of ADBSR, AIBB and DBSVH only or such persons as may be deemed eligible to receive such research report, information or opinion contained herein. Receipt and review of this report indicate your agreement not to distribute, reproduce or disclose in any other form or medium (whether electronic or otherwise) the contents, views, information or opinions contained herein without the prior written consent of ADBSR.

This report is based on data and information obtained from various sources believed to be reliable at the time of issuance of this report and any opinion expressed herein is subject to change without prior notice and may differ or be contrary to opinions expressed by ADBSR's affiliates and/or related parties. ADBSR does not make any guarantee, representation or warranty (whether express or implied) as to the accuracy, completeness, reliability or fairness of the data and information obtained from such sources as may be contained in this report. As such, neither ADBSR nor its affiliates and/or related parties shall be held liable or responsible in any manner whatsoever arising out of or in connection with the reliance and usage of such data and information or third party references as may be made in this report (including, but not limited to any direct, indirect or consequential losses, loss of profits and damages).

The views expressed in this report reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendation(s) or view(s) in this report. ADBSR prohibits the analyst(s) who prepared this report from receiving any compensation, incentive or bonus based on specific investment banking transactions or providing a specific recommendation for, or view of, a particular company.

This research report provides general information only and is not to be construed as an offer to sell or a solicitation to buy or sell any securities or other investments or any options, futures, derivatives or other instruments related to such securities or investments. In particular, it is highlighted that this report is not intended for nor does it have regard to the specific investment objectives, financial situation and particular needs of any specific person who may receive this report. Investors are therefore advised to make their own independent evaluation of the information contained in this report, consider their own individual investment objectives, financial situations and particular needs and consult their own professional advisers (including but not limited to financial, legal and tax advisers) regarding the appropriateness of investing in any securities or investments that may be featured in this report.

ADBSR, AIBB, DBSVH and DBS Bank Ltd, their directors, representatives and employees or any of their affiliates or their related parties may, from time to time, have an interest in the securities mentioned in this report. AIBB, DBSVH and DBS Bank Ltd, their affiliates and/or their related persons may do and/or seek to do business with the company(ies) covered in this report and may from time to time act as market maker or have assumed an underwriting commitment in securities of such company(ies), may sell or buy such securities from customers on a principal basis and may also perform or seek to perform significant investment banking, advisory or underwriting services for or relating to such company(ies) as well as solicit such investment, advisory or other services from any entity mentioned in this report.

AIBB, DBSVH, DBS Bank Ltd (which carries on, inter alia, corporate finance activities) and their activities are separate from ADBSR. AIBB, DBSVH and DBS Bank Ltd may have no input into company-specific coverage decisions (i.e. whether or not to initiate or terminate coverage of a particular company or securities in reports produced by ADBSR) and ADBSR does not take into account investment banking revenues or potential revenues when making company-specific coverage decisions.

ADBSR, AIBB, DBSVH, DBS Bank Ltd and/or other affiliates of DBS Vickers Securities (USA) Inc ("DBSVUSA"), a U.S.-registered broker-dealer, may beneficially own a total of 1% or more of any class of common equity securities of the subject company mentioned in this report. ADBSR, AIBB, DBSVH, DBS Bank Ltd and/or other affiliates of DBSVUSA may, within the past 12 months, have received compensation and/or within the next 3 months seek to obtain compensation for investment banking services from the subject company. DBSVUSA does not have its own investment banking or research department, nor has it participated in any investment banking transaction as a manager or co-manager in the past twelve months. Any US persons wishing to obtain further information, including any clarification on disclosures in this disclaimer, or to effect a transaction in any security discussed in this report should contact DBSVUSA exclusively. DBS Vickers Securities (UK) Ltd is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Services Authority. Research distributed in the UK is intended only for institutional clients.

In reviewing this report, an investor should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additional information is, subject to the overriding issue of confidentiality, available upon request to enable an investor to make their own independent evaluation of the information contained herein.



Wong Ming Tek, Executive Director

Published by  
**AllianceDBS Research Sdn Bhd (128540 U)**  
19th Floor, Menara Multi-Purpose, Capital Square, 8 Jalan Munshi Abdullah, 50100 Kuala Lumpur, Malaysia.  
Tel.: +603 2604 3333 Fax: +603 2604 3921 email : general@alliancedbs.com