



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
Gross Profit	113	126	139	22.4	10.3
Other Oper. (Exp)/Inc	(38.1)	(52.0)	(59.6)	56.4	14.6
Operating Profit	75.4	74.0	79.4	5.2	7.3
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
Pre-tax Profit	74.4	73.0	79.5	6.8	8.9
Tax	(21.5)	(18.4)	(20.7)	(3.6)	12.5
Minority Interest	0.0	0.0	0.0	nm	nm
Net Profit	52.9	54.6	58.7	11.0	7.7
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
Margins (%)					
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

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Wong Ming Tek, Executive Director

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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