

Matrix Concepts Holdings Bhd (MCH MK) : BUY

Mkt. Cap: US\$385m | 3m Avg. Daily Val: US\$0.13m

Last Traded Price (19 Feb 2020): RM1.95

Price Target 12-mth: RM2.40 (23% upside) (Prev RM2.40)

Analyst

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

Top-notch delivery and execution

- 3QFY20 net profit gained 11% q-o-q and 34% y-o-y
- Impressive margins sustained despite challenging property market
- RM1.2bn unbilled sales to sustain earnings visibility
- Maintain BUY and 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)	6.7	6.7	6.3	6.2
PE Pre Ex. (X)	6.7	6.7	6.3	6.2
P/Cash Flow (X)	24.4	10.2	6.8	5.8
EV/EBITDA (X)	5.1	4.8	4.4	4.1
Net Div Yield (%)	6.5	6.3	6.7	6.8
P/Book Value (X)	1.1	1.1	1.0	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.

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

In-line 3QFY20 performance: Matrix's 3QFY20 headline net profit came in at RM65.3m (+11% q-o-q, +34% y-o-y), on the back of RM279m revenue (-1% q-o-q, -2% y-o-y). This takes 9MFY20 earnings to 78% of our full-year estimate, which is within expectations.

Impressive margin sustained. Matrix's 3QFY20 EBIT margin came in stronger at 33% (vs. 28% in 2QFY20, 25% in 3QFY19), due to higher sales of industrial properties. It has been able to sustain its high margins over the past few quarters despite the challenging property market.

Consistent quarterly dividend payout. Matrix declared its third interim DPS of 3 sen for the quarter, taking 9MFY20 DPS to 12 sen. This implies a 41% payout that is in line with our forecast. Meanwhile, its balance sheet stayed healthy with a minimal net gearing of 6.5% as at end-Dec 2019, following the completion of its private placement exercise of 70m new shares in 1HFY20.

Decent 3QFY20 property sales. It raked in property sales of RM281m in 3QFY20 (-19% q-o-q, +16% y-o-y), taking 9MFY20 sales to RM947m (-17% y-o-y). Nevertheless, management is optimistic of surpassing its FY20 sales target of RM1.3bn, implying strong property sales are expected in 4QFY20. This is largely due to the encouraging response 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.



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 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 RM867m worth of projects in 9MFY20, and there is another RM257m of new launches earmarked for 4QFY20. 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.

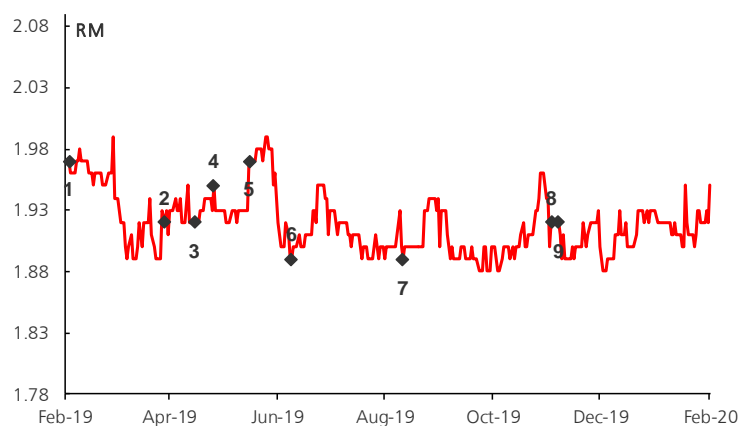
Valuation and Recommendation

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 FY21 EPS despite having sustainable earnings visibility and a high dividend yield of ~6.5%.

Flash Note
Quarterly Income Statement (RMm)

FY Mar	3Q2019	2Q2020	3Q2020	% chg yoy	% chg qoq
Revenue	286	283	279	(2.3)	(1.3)
Cost of Goods Sold	(157)	(144)	(123)	(21.7)	(14.3)
Gross Profit	128	139	156	21.4	12.1
Other Oper. (Exp)/Inc	(55.7)	(59.6)	(63.9)	14.7	7.3
Operating Profit	72.5	79.4	91.9	26.6	15.7
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	(0.8)	0.10	(0.5)	36.6	nm
Exceptional Gain/(Loss)	0.0	0.0	0.0	nm	nm
Pre-tax Profit	71.8	79.5	91.4	27.3	15.0
Tax	(23.2)	(20.7)	(26.0)	12.4	25.6
Minority Interest	0.0	0.0	0.0	nm	nm
Net Profit	48.6	58.7	65.3	34.4	11.2
Net profit bef Except.	48.6	58.7	65.3	34.4	11.2
EBITDA	75.3	82.0	94.5	25.5	15.3
Margins (%)					
Gross Margins	44.9	49.1	55.8		
Opg Profit Margins	25.4	28.1	32.9		
Net Profit Margins	17.0	20.8	23.4		

Source of all data: Company, AllianceDBS

Target Price & Ratings History


S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	21 Feb 19	1.97	2.40	BUY
2:	16 Apr 19	1.92	2.40	BUY
3:	03 May 19	1.92	2.40	BUY
4:	14 May 19	1.95	2.40	BUY
5:	03 Jun 19	1.97	2.40	BUY
6:	27 Jun 19	1.89	2.40	BUY
7:	29 Aug 19	1.89	2.40	BUY
8:	21 Nov 19	1.92	2.40	BUY
9:	25 Nov 19	1.92	2.40	BUY

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

Source: AllianceDBS

Analyst: QUAH He Wei, CFA

Flash Note

AllianceDBS recommendations are based on an Absolute Total Return* Rating system, defined as follows:

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 share price 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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Flash Note**DBS Regional Research Offices**

HONG KONG**DBS (Hong Kong) Ltd**

Contact: Carol Wu
13th Floor One Island East,
18 Westlands Road,
Quarry Bay, Hong Kong
Tel: 852 3668 4181
Fax: 852 2521 1812
e-mail: dbsvhk@dbs.com

THAILAND**DBS Vickers Securities (Thailand) Co Ltd**

Contact: Chanpen Sirithanarattanukul
989 Siam Piwat Tower Building,
9th, 14th-15th Floor
Rama 1 Road, Pathumwan,
Bangkok Thailand 10330
Tel. 66 2 857 7831
Fax: 66 2 658 1269
e-mail: research@th.dbs.com
Company Regn. No 0105539127012
Securities and Exchange Commission, Thailand

MALAYSIA**AllianceDBS Research Sdn Bhd**

Contact: Wong Ming Tek (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
e-mail: general@alliancedbs.com

INDONESIA**PT DBS Vickers Sekuritas (Indonesia)**

Contact: Maynard Priajaya Arif
DBS Bank Tower
Ciputra World 1, 32/F
Jl. Prof. Dr. Satrio Kav. 3-5
Jakarta 12940, Indonesia
Tel: 62 21 3003 4900
Fax: 6221 3003 4943
e-mail: indonesiaresearch@dbs.com

SINGAPORE**DBS Bank Ltd**

Contact: Janice Chua
12 Marina Boulevard,
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel: 65 6878 8888
Fax: 65 65353 418
e-mail: equityresearch@dbs.com
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