

Matrix Concepts Holdings Bhd (MCH MK) : HOLD

Mkt. Cap: US\$358m | 3m Avg. Daily Val: US\$0.18m

Last Traded Price (9 Jul 2020): RM1.83

Price Target 12-mth: RM1.65 (10% downside)

Analyst

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Resilient developer

- 4QFY20 results beat expectations due to strong progress billings from residential developments
- Declared quarterly DPS of 2.5 sen, taking FY20 DPS to 11.5 sen
- RM1bn unbilled sales to sustain near-term earnings visibility
- Maintain HOLD and RM1.65 TP

Forecasts and Valuation

FY Mar (RMm)	2019A	2020A	2021F	2022F
Revenue	1,048	1,282	1,171	1,129
EBITDA	310	352	307	297
Pre-tax Profit	298	339	289	278
Net Profit	218	234	202	197
Net Pft (Pre Ex.)	218	234	202	197
Net Pft Gth (Pre-ex) (%)	2.0	7.7	(13.8)	(2.4)
EPS (sen)	28.9	28.1	24.2	23.6
EPS Pre Ex. (sen)	28.9	28.1	24.2	23.6
EPS Gth Pre Ex (%)	0	(3)	(14)	(2)
Diluted EPS (sen)	28.9	28.1	24.2	23.6
Net DPS (sen)	12.8	11.5	9.93	9.69
BV Per Share (sen)	176	194	206	220
PE (X)	6.3	6.5	7.6	7.7
PE Pre Ex. (X)	6.3	6.5	7.6	7.7
P/Cash Flow (X)	22.9	24.8	5.5	9.4
EV/EBITDA (X)	4.8	4.7	5.0	5.1
Net Div Yield (%)	7.0	6.3	5.4	5.3
P/Book Value (X)	1.0	0.9	0.9	0.8
Net Debt/Equity (X)	0.1	0.1	CASH	CASH
ROAE (%)	17.2	15.9	12.1	11.1

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

Strong 4QFY20 performance: Matrix's 4QFY20 headline net profit came in at RM52.9m (+19% q-o-q, -20% y-o-y), on the back of a record-high quarterly revenue of RM472m (+69% q-o-q, y-o-y). This takes FY20 earnings to 107% of our full-year estimate, which is above expectations. The better-than-expected performance was mainly attributable to the strong progress billings from its residential developments despite the impact of the Movement Control Order since 18 March 2020.

Weaker margin. Notwithstanding its higher revenue recognition, Matrix's 4QFY20 EBIT margin was weaker at 20%, compared to 33% in 3QFY20 and 30% in 4QFY19. This is due to the product mix comprising more affordably-priced residential properties and minimal contribution from commercial and industrial properties during the quarter. This is also the lowest quarterly EBIT margin in recent years.

Consistent quarterly dividend payout. Matrix declared its fourth interim DPS of 2.5 sen for the quarter, taking FY20 DPS to 11.5 sen (vs. 12.75 sen in FY19). This implies a 41% payout that is in line with our forecast. Meanwhile, its balance sheet stayed healthy with a minimal net gearing of 7% as at end-Mar 2020.

Low 4QFY20 property sales. It only secured a low property sales of RM87m in 4QFY20 (-69% q-o-q, -45% y-o-y), taking FY20 sales to RM1,035m (-20% y-o-y). The lower annual property sales were mainly due to the challenging property market, which has been exacerbated by the COVID-19 pandemic which resulted in fewer launches in 2HFY20. Correspondingly, its unbilled sales also declined to RM1bn, the lowest over the past two years.

Investment properties: Its investment properties – Matrix Global Schools, d'Sora Business Boutique Hotel and



Flash Note

d'Tempat Country Club – turned around with a positive EBIT of RM0.2m in 4QFY20 due to the narrowing losses from its education arm. We believe that its investment properties would continue to contribute positively going forward as its Bandar Sri Sendayan township matures.

Outlook

RM1.04bn launch pipeline in FY21. Matrix has earmarked RM1.94bn worth of launches in FY21 to replenish its unbilled sales. We believe that its flagship projects in Bandar Sri Sendayan will continue to enjoy decent sales momentum. Nevertheless, we believe its growth prospects over the next two years may be more subdued in view of Malaysia's challenging property market outlook which has been exacerbated by the core issues of affordability and supply glut. The elevated household debt to gross domestic product (GDP) of ~83% and slowing economic growth may also pose more downside risks to the property sector.

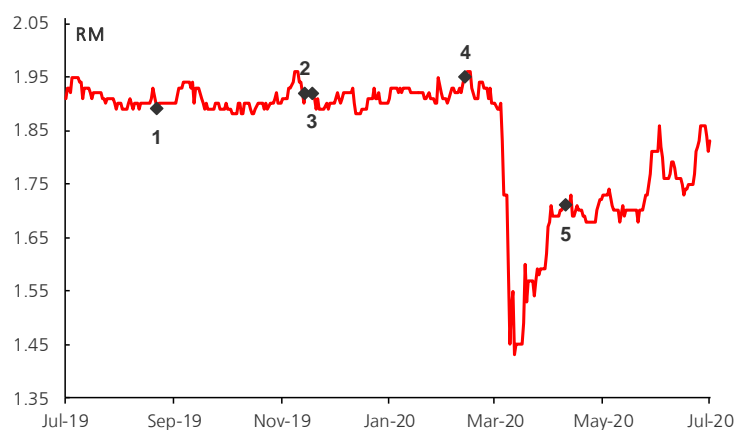
Valuation and Recommendation

Maintain HOLD. We reiterate our TP of RM1.65, based on an unchanged 50% discount to our RNAV. We continue to like Matrix for its impeccable track record in township developments, but there is limited upside potential due to the stagnating property market that could persist for some time.

Flash Note
Quarterly Income Statement (RMm)

FY Mar	4Q2019	3Q2020	4Q2020	% chg yoy	% chg qoq
Revenue	279	279	472	69.3	69.2
Cost of Goods Sold	(152)	(123)	(303)	99.7	145.8
Gross Profit	127	156	169	33.0	8.7
Other Oper. (Exp)/Inc	(44.8)	(63.9)	(73.6)	64.3	15.1
Operating Profit	82.5	91.9	95.7	16.0	4.2
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	0.97	(0.5)	(0.5)	nm	2.2
Exceptional Gain/(Loss)	0.0	0.0	0.0	nm	nm
Pre-tax Profit	83.5	91.4	95.2	14.1	4.2
Tax	(17.6)	(26.0)	(42.3)	140.1	62.6
Minority Interest	0.0	0.0	0.0	nm	nm
Net Profit	65.9	65.3	52.9	(19.7)	(19.0)
Net profit bef Except.	65.9	65.3	52.9	(19.7)	(19.0)
EBITDA	85.2	94.5	98.5	15.6	4.2
Margins (%)					
Gross Margins	45.6	55.8	35.9		
Opg Profit Margins	29.6	32.9	20.3		
Net Profit Margins	23.6	23.4	11.2		

Source of all data: Company, AllianceDBS

Target Price & Ratings History


S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	29 Aug 19	1.89	2.40	BUY
2:	21 Nov 19	1.92	2.40	BUY
3:	25 Nov 19	1.92	2.40	BUY
4:	20 Feb 20	1.95	2.40	BUY
5:	17 Apr 20	1.71	1.65	HOLD

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

Source: AllianceDBS

Analyst: QUAH He Wei, CFA

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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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