

**HLIB Research**

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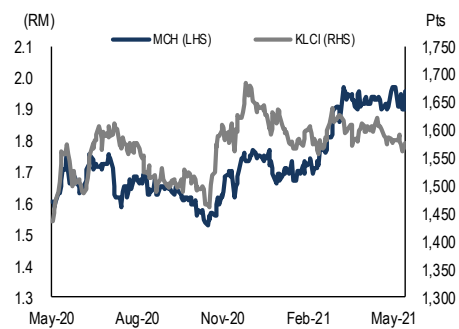
**BUY** (Maintain)

**Target Price: RM2.16**
**Previously: RM2.12**
**Current Price: RM1.96**

Capital upside	10.2%
Dividend yield	7.0%
Expected total return	17.2%

**Sector coverage:** Property

**Company description:** Matrix involves in property development and construction businesses primarily focus in Negeri Sembilan and Johor.

**Share price**


	1M	3M	12M
Absolute	-80.3	-78.9	-77.6
Relative	3.5	9.1	5.0

**Stock information**

Bloomberg Ticker	MCH MK
Bursa Code	5236
Issued Shares (m)	834
Market cap (RM m)	1,635
3-mth avg. volume ('000)	782
SC Shariah-compliant	Yes
F4GBM Index member	Yes
ESG rating	★★★

**Major shareholders**

Lee Tian Hock	13.9%
Shining Term Sdn Bhd	12.7%
EPF	10.0%

**Earnings summary**

	FY21	FY22f	FY23f
FYE (Mar)			
PATMI - core (RM m)	280.2	286.3	297.6
EPS - core (sen)	29.1	32.1	33.3
P/E (x) - FD	6.7	6.1	5.9

# Matrix Concepts Holdings

## Strong sales recorded

Matrix's FY21 core PATMI of RM280.2m (+19.6% YoY) was above our and consensus expectation. The improved performance was largely attributed to higher progressive billing, higher new property sales as well as better margin from its products. Matrix exceeded its sales target with FY21 sales at RM1.2bn. We increase our forecast by 8.3%/9.0% for FY22-23 to account for higher progressive billings recognitions and higher sales. Maintain BUY with a higher TP of RM2.16 (from RM2.12) based on 35% discount to RNAV of RM3.33.

**Above expectations.** Matrix reported 4QFY21 core PATMI of RM98.8m (+31.1% QoQ, +77.7% YoY), bringing FY21's sum to RM280.2m (+19.6% YoY). The results were above expectations forming 123% of our and 119% consensus full year forecasts, attributable to higher margin products from the sales of industrial properties. Our core PATMI is arrived after we added back EIs worth RM20.3m (RM8.4m from impairment of assets and RM11.8m from notional interest).

**Dividend.** Declared fourth interim dividend of 4.0 (4QFY20: 2.5) sen per share going ex on 23 June 2021, bringing FY21 dividends to 12 sen per share.

**QoQ.** Top line increased by 23.1% attributable to higher progress billing recognition in addition to higher sales. Sequentially, core PATAMI was higher by 31.1% buoyed by the better margin.

**YoY.** Notwithstanding the lower revenue by -17.8% from the lower progressive billing recognition, Matrix's core earnings increased by 77.7% thanks to higher margin from the sales of industrial development properties. There was an increase in finance cost (+>100%) mainly due to MFRS123 where the interest cost is now being recognised as a finance cost vs COGS in the previous treatment. As this is merely a reclassification amongst cost components, there was no impact on bottom line.

**YTD.** Core earnings fell by -12.1% largely due to the loss of operations during the MCO period in 1QFY21 (impacted Apr month) but this was partially mitigated by lower selling and marketing expenses as well as administrative expenses. In turn, core earnings rose to 19.6% from the cost saving initiatives as well as higher margin from the sales of industrial properties.

**Strong sales recorded.** 4QFY21 new sales came in at RM342.2m, bringing FY21 sales to RM1.2bn which exceeded its full year target (RM1.1bn). The company has launched RM1bn worth of products in FY21.

**Outlook.** For FY22, management guided a conservative sales target of RM1.2bn. Management shared that the upcoming quarter of 1QFY22 staged an encouraging sales momentum and achieved their internal sales target. We believe Matrix sales momentum is sustainable given the appealing product mix that they have in pipeline. For FY22, management is targeting RM1.6bn GDV worth of products coming from the Laman Sendayan, Tiara Sendayan and Hijayu Residence.

**Forecast.** We increase our forecast by 8.3%/9.0% for FY22-23 to account for higher progressive billings recognitions and higher sales.

Maintain **BUY** with a higher TP of **RM2.16** (from RM2.12) based on 35% discount to RNAV of RM3.33 as we make changes to our earnings base. We continue to like Matrix as it is well-positioned to ride on affordable housing theme within its successful townships with cheap land cost and sustained property sales. This is supported by an attractive dividend yield of 7.0% for FY22 and 7.3% for FY23, being one of the highest in the sector.

**Figure #1** Financial forecast summary

FYE Mar (RM m)	FY19	FY20	FY21	FY22f	FY22f
Revenue	1,045.5	1,282.3	1,127.7	1,337.7	1,412.8
EBIT	301.1	335.4	359.7	367.4	382.3
PBT	302.3	339.0	355.3	378.1	393.5
PAT	231.9	234.2	259.9	286.3	297.6
PAT – Core	231.9	234.2	280.2	286.3	297.6
% change YoY – Core PAT		1.0%	19.6%	2.2%	3.9%
Consensus PAT			235.3	252.7	264.5
HLIB/ Consensus (%) – Core PAT			119%	113%	113%
Core EPS (sen)	26.0	27.3	29.1	32.1	33.3
P/E (x)	7.5	7.2	6.7	6.1	5.9
EV/EBITDA (x)	5.5	5.0	4.7	3.8	3.4
DPS (sen)	12.5	11.5	12.0	13.8	14.4
Yield (%)	6.4	5.9	6.1	7.0	7.3
BVPS (RM/share)	1.6	1.9	2.1	2.3	2.5
P/B (x)	1.2	1.0	0.9	0.8	0.8
ROE (%)	17.5	15.2	15.6	15.0	14.3
Net Gearing (%)	0.07	0.07	0.07	CASH	CASH

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**Figure #2** Quarterly results comparison

FYE Mar (RM m)	4Q20	3Q21	4Q21	QoQ	YoY	FY20	FY21	YoY
Revenue	472.1	315.4	388.2	23.1%	-17.8%	1,282.3	1,127.7	-12.1%
COGS	(302.9)	(166.2)	(182.5)	9.8%	-39.7%	(692.4)	(544.3)	-21.4%
Gross Profit	169.3	149.2	205.7	37.9%	21.5%	590.0	583.4	-1.1%
Other income	0.1	2.4	1.2	-50.5%	1158.3%	4.1	6.0	45.6%
Other expenses	(74.4)	(62.0)	(80.2)	29.2%	7.7%	(258.7)	(229.7)	-11.2%
EBIT	95.0	89.6	126.8	41.5%	33.4%	335.4	359.7	7.3%
Net Interest	0.2	0.9	(11.8)	N.M.	N.M.	3.6	(8.9)	N.M.
PBT	95.2	94.5	115.5	22.2%	21.3%	339.0	355.3	4.8%
Tax	(42.3)	(20.5)	(21.8)	6.0%	-48.5%	(107.5)	(84.3)	-21.6%
<b>Core PATMI</b>	<b>55.6</b>	<b>75.3</b>	<b>98.8</b>	<b>31.1%</b>	<b>77.7%</b>	<b>234.2</b>	<b>280.2</b>	<b>19.6%</b>
EI (Gain/(Losses))	-	-	(20.3)	N.M.	N.M.	-	(20.3)	N.M.
Reported PATMI	55.6	75.3	78.5	4.1%	41.2%	234.2	259.9	11.0%
				<i>ppts change</i>	<i>ppts change</i>			<i>ppts change</i>
EBIT margin	20.1%	28.4%	32.6%	4.2%	12.5%	26.2%	31.9%	5.7%
PBT margin	20.2%	30.0%	29.7%	-0.2%	9.6%	26.4%	31.5%	5.1%
PAT margin	11.8%	23.9%	25.4%	1.5%	13.7%	18.3%	24.8%	6.6%

Company; HLIB

**Figure #3 RNAV Table**

<b>Projects</b>	<b>Stake (%)</b>	<b>NPV (RM m)</b>
<b>Bandar Sri Sendayan</b>		
BSS	100%	916.6
BSI	100%	249.1
Others	100%	152.4
Australia	100%	22.4
Indonesia	30%	24.0
Total NPV		1,364.5
Shareholders funds		1,605.1
<b>RNAV</b>		<b>2,969.6</b>
Share base		893.1
RNAV/share		3.33
Discount		35%
<b>Discounted RNAV/share</b>		<b>2.16</b>

*Company, HLIB*

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## Stock rating guide

<b>BUY</b>	Expected absolute return of +10% or more over the next 12 months.
<b>HOLD</b>	Expected absolute return of -10% to +10% over the next 12 months.
<b>SELL</b>	Expected absolute return of -10% or less over the next 12 months.
<b>UNDER REVIEW</b>	Rating on the stock is temporarily under review which may or may not result in a change from the previous rating.
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## Sector rating guide

<b>OVERWEIGHT</b>	Sector expected to outperform the market over the next 12 months.
<b>NEUTRAL</b>	Sector expected to perform in-line with the market over the next 12 months.
<b>UNDERWEIGHT</b>	Sector expected to underperform the market over the next 12 months.

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