

HLIB Research

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BUY (Maintain)

Target Price: **RM2.17**

Previously: **RM2.21**

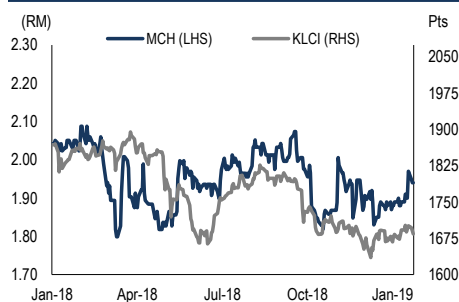
Current Price: **RM1.97**

Capital upside	10.2%
Dividend yield	6.2%
Expected total return	16.4%

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	4.2	-1.5	-9.2
Relative	2.2	-2.4	-2.4

Stock information

Bloomberg Ticker	MCH MK
Bursa Code	5236
Issued Shares (m)	753
Market cap (RM m)	1,483
3-mth avg. volume ('000)	336
SC Shariah-compliant	Yes

Major shareholders

Lee Tian Hock	15.4
Shining Term Sdn Bhd	14.1
KWSP	6.92

Earnings summary

	FY18	FY19f	FY20f
FYE (Mar)			
PATMI - core (RM m)	211.8	205.5	231.3
EPS - core (sen)	28.2	27.3	30.8
P/E (x)	7.0	7.2	6.4

Matrix Concepts Holdings

A weaker than expected quarter

Matrix's 9MFY19 core PAT of RM151.7m (-9.7% YoY) was below expectations, largely attributed to a lower than expected margin product mix. Declared dividend of 3.0 sen per share. 3QFY19 new sales came in at RM243m, bringing YTD sales to RM1143m, well on track to meet the full year target of RM1.2bn. Earnings visibility will continue to be supported by the strong new sales and unbilled sales of 1.7x cover. We lower our FY19 to FY20 forecasts by 14%, 14% and 9%, respectively after taking into account lower margins moving forward. **Maintain BUY with lower RNAV-based TP of RM2.17.**

Below expectations. 9MFY19 revenue of RM769m translated into core PATAMI of RM151.7m which came in below expectations, accounting for 64% and 66% of HLIB and consensus full year forecasts, respectively. The lower than expected results were largely due to a lower than expected margin product mix.

Dividend. Declared 3rd interim dividend of 3.0 (3QFY18: 3.5) sen per share going ex on 19 Mar 2019, bringing YTD dividend to 9.5 sen per share.

QoQ. 3QFY19 revenue rose by 12.8% to RM285.7m mainly contributed by higher revenue recognition from the sales of residential properties. However, core PAT decreased 8.2% to RM48.6m due to the product mix comprising more affordably priced products.

YoY. Revenue for 3QFY19 improved by 7.3% mainly attributed to higher revenue recognition from the sales of residential and commercial properties. In contrast, core PAT decreased by 31.1% due to the product mix comprising more affordably priced products and a high base effect in 3QFY18 from the sale of industrial properties.

YTD. Stronger revenue (+19.8%) was recorded thanks to higher progress billing from the ongoing projects and recognition of the completion of M.Carnegie. Core PAT decreased by 9.7% due to the product mix comprising more affordably priced products and a high base effect in 9MFY18 from the sale of industrial properties.

Strong sales continue. 3QFY19 new sales came in at RM243m (-17.6% from 3QFY18), bringing YTD sales to RM1143m, well on track to meet the full year target of RM1.2bn. RM243m new sales consists of sales from existing townships (62%), Chambers KL (30%), and the remaining are industrial (8%). Meanwhile, unbilled sales remained healthy at RM1.4bn (3QFY19: RM1.1bn), representing a healthy cover ratio of 1.7x.

Outlook. Earnings visibility will continue to be supported by the strong new sales and unbilled sales of 1.7x cover. We understand that over RM500m worth of GDV will be launched in 4QFY19 including Tiara Sendayan 3 & 4, Ara Sendayan (Phase 5) and Impiana Bayu 3A, on track to meet full year launch target of RM1.7bn.

Forecast. We lower our FY19 to FY20 forecasts by 14%, 14% and 9%, respectively after taking into account lower margins moving forward.

Maintain **BUY** with a lower **TP** of **RM2.17** (from RM2.21) based on unchanged 25% discount to RNAV of RM2.90 to reflect the adjustment in our forecasts. 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 6.2% for FY19 and 7.0% for FY20, being one of the highest in the sector.

Financial Forecast

All items in (RM m) unless otherwise stated

Balance sheet

FYE Mar	FY17	FY18	FY19f	FY20f	FY21f
Fixed assets	235.7	235.6	235.5	235.4	235.3
Other long-term assets	10.9	16.4	16.4	16.4	16.4
Other short-term assets	0.0	0.0	0.0	0.0	0.0
Working capital	644.9	798.2	721.6	799.3	805.2
Receivables	266.8	154.2	241.4	267.4	269.3
Payables	214.3	172.3	271.1	300.3	302.5
Inventory	163.8	471.7	209.1	231.6	233.3
Net cash / (debt)	(156.9)	(35.1)	105.0	125.5	200.5
Cash	117.3	277.3	417.5	437.9	512.9
ST debt	92.9	150.5	150.5	150.5	150.5
LT debt	181.3	161.9	161.9	161.9	161.9
Equity	1024.0	1205.5	1318.6	1445.8	1589.3
Shareholders' funds	1024.0	1205.0	1318.1	1445.3	1588.8
Minorities	0.0	0.5	0.5	0.5	0.5
Other liabilities	(289.4)	(190.4)	(240.0)	(269.2)	(331.9)

Cashflow

FYE Mar	FY17	FY18	FY19f	FY20f	FY21f
EBIT	267.8	298.7	284.5	319.4	358.7
D&A	9.0	9.6	10.3	7.0	10.3
Working capital changes	(153.7)	(65.9)	27.0	(106.8)	(68.6)
Taxation	(75.0)	(82.2)	(76.0)	(85.5)	(96.5)
Others	9.0	0.8	(8.8)	(9.4)	(9.4)
Operating cashflow	53.5	160.7	237.0	128.0	194.6
Capex & acquisitions	(24.5)	(10.2)	(10.2)	(10.2)	(10.2)
Free cashflow	28.9	150.5	226.8	117.8	184.4
Others	(3.2)	(1.8)	5.8	6.8	8.0
Investing cashflow	(27.8)	(12.1)	(4.4)	(3.4)	(2.3)
Equity Raised	22.5	60.8	0.0	0.0	0.0
Others	0.0	0.0	0.0	1.0	1.0
Net Borrowing	56.7	45.9	0.0	0.0	0.0
Financing cashflow	(4.0)	22.0	(92.5)	(104.1)	(117.4)
Net cashflow	21.8	170.6	140.1	20.5	75.0

Growth ratios

FYE Mar	FY17	FY18	FY19f	FY20f	FY21f
Sales Growth		4.8	21.8	10.8	0.7
Operating expenses		1.2	37.8	10.3	(4.1)
EBITDA Growth		11.4	(4.4)	11.8	11.9
PBT Growth		13.0	(4.3)	12.5	12.8
PATMI		14.3	(3.0)	12.5	12.8
Basic EPS Growth		14.3	(3.0)	12.5	12.8

Income statement

FYE Mar	FY17	FY18	FY19f	FY20f	FY21f
Revenue	775.0	812.3	989.6	1096.1	1104.1
Operating cost	(498.2)	(504.0)	(694.7)	(766.3)	(735.1)
EBITDA	276.8	308.3	294.9	329.8	369.0
D&A	(9.0)	(9.6)	(10.3)	(10.3)	(10.3)
Net Interest	(7.5)	(4.6)	(3.0)	(2.6)	(1.4)
JV & Associates	0.0	0.0	0.0	0.0	0.0
Pretax profit	260.3	294.1	281.5	316.9	357.3
Taxation	(75.0)	(82.2)	(76.0)	(85.5)	(96.5)
Minority Interest	0.0	0.0	0.0	0.0	0.0
PATAMI	185.3	211.8	205.5	231.3	260.8
Exceptionals	0.0	0.0	0.0	0.0	0.0
Core Earning	185.3	211.8	205.5	231.3	260.8
Basic shares (m)	752.2	752.2	752.2	752.2	752.2
Consensus core PATMI			230.0	253.5	267.0
HLIB/ Consensus			89%	91%	98%

Valuation ratios

FYE Mar	FY17	FY18	FY19f	FY20f	FY21f
Net DPS (sen)	11.0	12.9	12.3	13.8	15.6
FCF/ share (sen)	3.8	20.0	30.2	15.7	24.5
FCF yield (%)	2.0	10.2	15.3	7.9	12.4
Market capitalization (m)	1481.8	1481.8	1481.8	1481.8	1481.8
Net cash (m)	(156.9)	(35.1)	105.0	125.5	200.5
Core EPS (sen)	24.6	28.2	27.3	30.8	34.7
P/E (x)	8.0	7.0	7.2	6.4	5.7
Fully Diluted EPS (sen)	22.7	26.0	25.2	28.4	32.0
FD P/E (x)	8.7	7.6	7.8	6.9	6.2
BV / share	1.4	1.6	1.8	1.9	2.1
P/BV (x)	1.4	1.2	1.1	1.0	0.9
ROA (%)	23.3	18.3	18.4	19.5	20.6
ROE (%)	18.1	17.6	15.6	16.0	16.4
Enterprise value	1638.7	1516.9	1376.8	1356.3	1281.3
EV/ EBITDA (x)	5.9	4.9	4.7	4.1	3.5

Margin ratios

FYE Mar	FY17	FY18	FY19f	FY20f	FY21f
Margins (%)					
EBITDA Margin	35.7	38.0	29.8	30.1	33.4
EBIT Margin	34.6	36.8	28.8	29.1	32.5
PBT Margin	33.6	36.2	28.5	28.9	32.4
PATMI	23.9	26.1	20.8	21.1	23.6

Figure #1 Quarterly results comparison

FYE March	3QFY18	2QFY19	3QFY19	QoQ	YoY	9MFY18	9MFY19	YoY
Revenue	266.2	253.3	285.7	12.8%	7.3%	641.9	769.0	19.8%
COGS	(121.9)	(139.8)	(157.4)	12.6%	29.1%	(286.9)	(422.6)	47.3%
Gross Profit	144.3	113.5	128.3	13.0%	-11.1%	355.0	346.4	-2.4%
Other income	0.5	0.6	1.4	119.1%	187.0%	1.6	2.6	59.5%
Other expenses	(48.3)	(40.5)	(58.4)	44.2%	20.9%	(125.5)	(136.3)	8.6%
EBIT	96.4	73.6	71.3	-3.2%	-26.1%	231.1	212.7	-8.0%
Net Interest	1.0	0.8	0.5	-39.1%	-51.6%	(0.7)	1.5	-306.5%
PBT	97.4	74.4	71.8	-3.6%	-26.4%	230.4	214.1	-7.1%
Tax	(26.9)	(21.5)	(23.1)	7.8%	-13.9%	(62.5)	(62.4)	-0.1%
PAT	70.6	52.9	48.6	-8.2%	-31.1%	167.9	151.7	-9.7%
EI (Gain/(Losses))	-	-	-	N.M.	N.M.	-	-	N.M.
Core PAT	70.6	52.9	48.6	-8.2%	-31.1%	167.9	151.7	-9.7%
EBIT margin	36.2%	29.1%	24.9%	-4.1%	-29.1%	36.0%	27.7%	-8.4%
PBT margin	36.6%	29.4%	25.1%	-4.3%	-29.4%	35.9%	27.8%	-8.1%
PAT margin	26.5%	20.9%	17.0%	-3.9%	-20.9%	26.2%	19.7%	-6.4%

Company; HLIB

Figure #2 RNAV Table

Projects	Stake (%)	NPV (RM m)
Ongoing		
BSS	100%	4.3
TSI	100%	2.8
STV 1 and 2	100%	73.0
Unbilled Sales	100%	67.7
Future		
BSS	100%	576.9
TSI	100%	168.3
STP	100%	54.0
STV 3	100%	27.3
Residency SIGC	100%	27.3
Kota Gadong Perdana	100%	164.2
Puchong	100%	30.7
KL High Rise Mixed Development	100%	41.1
Lobak Commercial Centre	100%	41.1
Carnegie, Australia	100%	5.0
NPV		1,248.4
Shareholder Funds as of 4Q18		1,205.0
Net cash/(debt) as of 4Q18		(277.3)
RNAV		2,176.1
Wa proceed		185.6
Total RNAV		2,361.7
Total Diluted Shares		815.5
RNAV/share		2.90
Discount		25%
Discounted RNAV		1,771.3
Discounted RNAV/Share		2.17

Company, HLIB

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BUY	Expected absolute return of +10% or more over the next 12-months.
HOLD	Expected absolute return of -10% to +15% over the next 12-months.
SELL	Expected absolute return of -10% or less over the next 12-months.
UNDER REVIEW	Rating on the stock is temporarily under review which may or may not result to a change from the previous rating.
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