

**HLIB** Research

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**BUY** (Maintain)

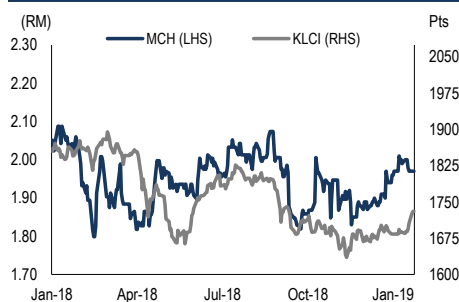
**Target Price:** RM2.17  
**Previously:** RM2.17  
**Current Price:** RM1.97

Capital upside	10.2%
Dividend yield	6.2%
Expected total return	16.3%

**Sector coverage:** Property

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

**Share price**



Historical return (%)	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	6.2

**Earnings summary**

FYE (Mar)	FY18	FY19f	FY20f
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

## Likely to exceed sales target

To recap, Matrix's 9MFY19 core PAT of RM151.7m (-9.7% YoY) came in below expectations largely due to a lower than expected margin product mix. Over RM500m worth of GDV will be launched in 4QFY19, on track to meet the full year launch target of RM1.7bn; note that these projects command lower margins vis-à-vis the historical product mix. There are currently no plans on further landbanking activities in Australia in the near-term (focus will be placed on areas surrounding BSS instead). Maintain forecasts and BUY rating with unchanged TP of RM2.17 based on unchanged 25% discount to RNAV of RM2.90.

**9MFY19 below expectations.** To recap, Matrix's 9MFY19 core PAT of RM151.7m (-9.7% YoY) came in below expectations, accounting for 64% and 66% of HLIB and consensus full year forecasts, respectively. The lower QoQ and YoY results were attributed to a lower than expected margin product mix and a high base effect in 3QFY18 from the sale of industrial properties.

**Australian projects.** Recall that the proceeds from M.Carnegie (which has been completed) will be reinvested in Australia into two projects i.e. Greenvale and St. Kilda. The Greenvale project is targeted to launch in mid-FY19 and fetch over AUD20m worth of GDV. With regards to the St. Kilda project, the targeted launch date will be in mid-FY20; the project is expected to generate a GDV of at least AUD78m and management is in midst of seeking approval to increasing its plot ratio. Management guided there are currently no plans of further landbanking activities in Australia in the near-term. Instead, landbanking activities will be focused on areas surrounding the BSS township.

**Chambers, KL.** Matrix's maiden project in Kuala Lumpur, Chambers KL, was launched back in August 2018 with a GDV of RM310.8m. We note that the construction progress is at c.10% and we can expect bulk of the revenue recognition to take place in FY19 and FY20. As of now, the project achieved bookings of over 80%, whereas the take-up rate stands at c.50%.

**FY19 sales target to be exceeded.** We expect 4QFY19 to come in strong, allowing Matrix to exceed its sales target of RM1.2bn (from RM1.1bn initially). Recall that 9MFY19 sales figures have already hit RM1.14bn.

**Outlook.** We understand that over RM500m worth of GDV will be launched in 4QFY19, on track to meet the full year launch target of RM1.7bn. Notable launches include Ara Sendayan Phase 5 (RM104m), and Tiara Sendayan Phase 3 & 4 (RM364m) (Figure #1); note that these projects command lower margins vis-à-vis the historical product mix. Moving forward, earnings visibility will continue to be supported by the strong new sales and unbilled sales of 1.7x cover, albeit having a lower margin product mix.

**Forecast.** Unchanged as we have already lowered our earnings forecast in our results review yesterday.

Maintain **BUY** with unchanged **TP** of **RM2.17** based on unchanged 25% discount to RNAV of RM2.90. We continue to like Matrix as it is well-positioned to ride on the 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
<b>Working capital</b>	<b>644.9</b>	<b>798.2</b>	<b>721.6</b>	<b>799.3</b>	<b>805.2</b>
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
<b>Net cash / (debt)</b>	<b>(156.9)</b>	<b>(35.1)</b>	<b>105.0</b>	<b>125.5</b>	<b>200.5</b>
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
<b>Equity</b>	<b>1024.0</b>	<b>1205.5</b>	<b>1318.6</b>	<b>1445.8</b>	<b>1589.3</b>
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)
<b>Operating cashflow</b>	<b>53.5</b>	<b>160.7</b>	<b>237.0</b>	<b>128.0</b>	<b>194.6</b>
Capex & acquisitions	(24.5)	(10.2)	(10.2)	(10.2)	(10.2)
<b>Free cashflow</b>	<b>28.9</b>	<b>150.5</b>	<b>226.8</b>	<b>117.8</b>	<b>184.4</b>
Others	(3.2)	(1.8)	5.8	6.8	8.0
<b>Investing cashflow</b>	<b>(27.8)</b>	<b>(12.1)</b>	<b>(4.4)</b>	<b>(3.4)</b>	<b>(2.3)</b>
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
<b>Financing cashflow</b>	<b>(4.0)</b>	<b>22.0</b>	<b>(92.5)</b>	<b>(104.1)</b>	<b>(117.4)</b>
<b>Net cashflow</b>	<b>21.8</b>	<b>170.6</b>	<b>140.1</b>	<b>20.5</b>	<b>75.0</b>

### 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
<b>Revenue</b>	<b>775.0</b>	<b>812.3</b>	<b>989.6</b>	<b>1096.1</b>	<b>1104.1</b>
Operating cost	(498.2)	(504.0)	(694.7)	(766.3)	(735.1)
<b>EBITDA</b>	<b>276.8</b>	<b>308.3</b>	<b>294.9</b>	<b>329.8</b>	<b>369.0</b>
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
<b>Pretax profit</b>	<b>260.3</b>	<b>294.1</b>	<b>281.5</b>	<b>316.9</b>	<b>357.3</b>
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
<b>Core Earning</b>	<b>185.3</b>	<b>211.8</b>	<b>205.5</b>	<b>231.3</b>	<b>260.8</b>
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
<b>Margins (%)</b>					
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** FY19 launches (GDV RM'm)

Project	1Q	2Q	3Q	4Q
<b>Bandar Sri Sendayan</b>				
Hijayu Resorts Homes (Phases 5 & 6)				17.0
Ara Sendayan Phase 3 (Precinct 4)	119.6			
Ara Sendayan Phase 4 (Precinct 2A)			191.2	
Ara Sendayan Phase 5 (Precinct 2A)				103.5
Tiara Sendayan 1	151.4			
Tiara Sendayan 2		225.7		
Tiara Sendayan 3				158.4
Tiara Sendayan 4				205.2
Tiara Biz 1			23.7	
Tiara Biz – Petrol Station			2.9	
Sub Centre @ STV 1A			77.8	
<b>Bandar Sri Impian</b>				
Impiana Bayu 3A				44.6
<b>Others</b>				
Chambers KL (PWTC)		310.8		
Lobak Commercial Centre			25.0	3.6

Company

**Figure #2** RNAV Table

Projects	Stake (%)	NPV (RM m)
<b>Ongoing</b>		
BSS	100%	4.3
TSI	100%	2.8
STV 1 and 2	100%	73.0
Unbilled Sales	100%	67.7
<b>Future</b>		
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
<b>Discounted RNAV/Share</b>		<b>2.17</b>

Company, HLIB

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<b>HOLD</b>	Expected absolute return of -10% to +15% over the next 12-months.
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