

HLIB Research

PP 9484/12/2012 (031413)

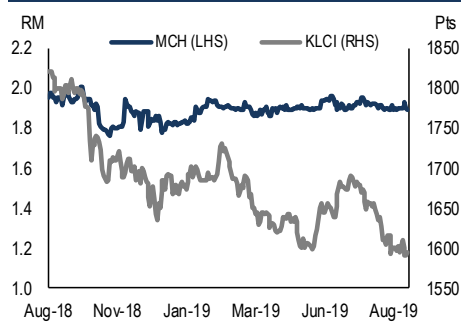
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BUY (Maintain)

Target Price: RM2.25
Previously: RM2.25
Current Price: RM1.89

Capital upside	19.0%
Dividend yield	6.8%
Expected total return	25.8%

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	-1.0	-1.9	-9.0
Relative	1.9	-0.2	3.8

Stock information

Bloomberg Ticker	MCH MK
Bursa Code	5236
Issued Shares (m)	787
Market cap (RM m)	1,487
3-mth avg. volume ('000)	575
SC Shariah-compliant	Yes

Major shareholders

Lee Tian Hock	15.5
Shining Term Sdn Bhd	13.4
EPF	8.1

Earnings summary

FYE (Mar)	FY18	FY19f	FY20f
PATMI - core (RM m)	218.2	236.4	266.6
EPS - core (sen)	26.4	28.6	32.2
P/E (x)	7.2	6.6	5.9

Matrix Concepts Holdings

Starting the year right

Matrix reported 1QFY20 core PATMI of RM54.5m (-10.9% QoQ, +8% YoY) came in within expectations. Core PATMI decreased -17.2% QoQ to RM54.5m in tandem with revenue coupled with favourable sales mix in the preceding quarter. Core PATMI increased 8.8% YoY in tandem with revenue. 1QFY20 new sales came in at RM157.7m while unbilled sales remained healthy at RM1.2bn, representing a healthy cover ratio of 1.2x. We maintain our forecasts and BUY recommendation with an unchanged RNAV-based TP of RM2.25.

Within expectations. Matrix reported 1QFY20 core PATMI of RM54.5m (-10.9% QoQ, +8% YoY), forming 24% and 23% of our and consensus full year forecasts, respectively.

Dividend. Declared first interim dividend of 3.0 (1QFY19: 3.25) sen per share, going ex on 19 Sep 2019.

QoQ. 1Q19 revenue decreased -10.9% to RM248.5m (from RM278.9m) largely due to lower progressive billings. Core PATMI decreased -17.2% to RM54.5m (from RM65.9m) in tandem with revenue coupled with favourable sales mix in the preceding quarter.

YoY. Revenue increased 8.0% from RM230m largely attributed to higher progressive billings recognition from projects in Bandar Sri Sendayan and Bandar Sri Impian. Consequently, core PATMI increased 8.8% in tandem with revenue.

Strong sales continue. 1QFY20 new sales came in at RM319.2m, representing 25% of the full year target of RM1.3bn. Meanwhile, unbilled sales remained healthy at RM1.2bn, representing a healthy cover ratio of 1.2x.

Greenvale, Australia in the pipeline. Matrix will be launching its Greenvale project sometime by 2HFY20, with an estimated GDV of AUD24m. The project will consist of 70 residential lots available for sale on its own, spanning over 10 acres. We note that that the estimated GDV has not taken into account the additional profit should buyers opt to use Matrix's partnered home builder.

Outlook. Earnings visibility will continue to be supported by new sales and unbilled sales of 1.2x cover. We understand that over RM1.35bn (ex-Australia) worth of GDV will be launched in FY20. With regards to sales target, management has decided to set a flat target of RM1.3bn for FY20.

Forecast. Unchanged.

Maintain **BUY** with an unchanged TP of **RM2.25** based on unchanged 25% discount to RNAV of RM3.00. 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 6.8% for FY20 and 7.7% for FY21, being one of the highest in the sector.

Financial Forecast

All items in (RM m) unless otherwise stated

Balance Sheet

FYE Dec	FY18	FY19	FY20f	FY21f	FY22f
Cash	280.4	264.2	566.2	195.2	225.8
Receivables	309.4	425.0	447.8	451.0	381.2
Inventories	389.8	671.4	452.6	455.9	256.9
Others	885.1	737.2	782.2	1,296.3	1,626.9
Assets	1,864.8	2,097.9	2,248.8	2,398.4	2,490.7
Payables	312.8	381.6	402.0	405.0	342.2
Debt	315.1	362.3	362.3	362.3	362.3
Others	29.9	26.0	26.0	26.0	26.0
Liabilities	657.8	770.0	790.4	793.3	730.6
Shareholder's equity	1,206.5	1,327.1	1,457.1	1,603.8	1,758.9
Minority interest	0.5	0.8	0.8	0.8	0.8
Equity	1,207.0	1,327.9	1,458.0	1,604.6	1,759.7

Cash Flow Statement

FYE Dec	FY17	FY18	FY19f	FY20f	FY21f
Profit before taxation	295.2	297.8	322.5	363.8	384.8
D&A	(9.6)	(10.5)	(11.4)	(12.3)	(13.1)
Working capital	(43.5)	(148.4)	192.2	(497.9)	(105.4)
Taxation	(83.6)	(89.7)	(86.2)	(97.2)	(102.8)
Others	23.9	28.7	97.3	15.7	21.3
CFO	182.3	77.9	514.4	(227.9)	184.7
Capex	(11.3)	(32.1)	(32.1)	(32.1)	(32.1)
Others	(55.7)	19.4	6.6	8.9	4.9
CFI	(66.9)	(12.8)	(25.5)	(23.2)	(27.2)
Changes in debt	37.9	29.2	-	-	-
Shares issued	60.8	3.5	-	-	-
Dividends	(85.2)	(101.5)	(106.4)	(120.0)	(126.9)
Others	-	-	-	-	-
CFF	13.5	(68.8)	(106.4)	(120.0)	(126.9)
Net cash flow	129.0	(3.7)	382.5	(371.1)	30.7
Forex	(5.4)	-	-	-	-
Others	93.0	80.5	-	-	-
Beginning cash	63.9	187.4	183.7	566.2	195.2
Ending cash	280.4	264.2	566.2	195.2	225.8

Income statement

FYE Dec	FY18	FY19	FY20f	FY21f	FY22f
Revenue	818.5	1045.5	1101.4	1109.5	937.6
Operating cost	(508.5)	(733.9)	(770.5)	(738.5)	(540.9)
EBITDA	310.0	311.6	330.9	371.0	396.7
D&A	(9.6)	(10.5)	(11.4)	(12.3)	(13.1)
Net Interest	(5.1)	(3.3)	3.1	5.2	1.2
Pretax profit	295.2	297.8	322.5	363.8	384.8
Taxation	(81.9)	(79.5)	(86.2)	(97.2)	(102.8)
Minority Interest	0.0	0.0	0.0	0.0	0.0
PATAMI	213.3	218.2	236.4	266.6	282.0
Exceptionals	0.0	0.0	0.0	0.0	0.0
Core Earning	213.3	218.2	236.4	266.6	282.0
Basic shares (m)	827.8	827.8	827.8	827.8	827.8
Diluted shares (m)	827.8	827.8	827.8	827.8	827.8
Consensus core PATMI			231.2	244.5	240.9
HLIB/ Consensus			102%	109%	117%

Valuation ratios

FYE Dec	FY18	FY19	FY20f	FY21f	FY22f
Net DPS (sen)	12.9	12.8	12.8	14.5	15.3
Yield (%)	6.8	6.7	6.8	7.7	8.1
Core EPS (sen)	25.8	26.4	28.6	32.2	34.1
Fully Diluted EPS (sen)	25.8	26.4	28.6	32.2	34.1
P/E (x)	7.3	7.2	6.6	5.9	5.5
FD P/E (x)	7.3	7.2	6.6	5.9	5.5
Market capitalization (m)	1564.6	1564.6	1564.6	1564.6	1564.6
Net cash (m)	(34.6)	(98.1)	203.9	(167.1)	(136.5)
Net gearing (%)	0.03	0.07	CASH	0.10	0.08
BV / share	1.5	1.6	1.8	1.9	2.1
P/BV (x)	1.3	1.2	1.1	1.0	0.9
ROA (%)	11.4	10.4	10.5	11.1	11.3
ROE (%)	17.7	16.4	16.2	16.6	16.0
Enterprise value	1599.2	1662.7	1360.6	1731.7	1701.0
EV/ EBITDA (x)	5.2	5.3	4.1	4.7	4.3

Margin ratios

FYE Dec	FY18	FY19	FY20f	FY21f	FY22f
EBITDA Margin	37.9	29.8	30.0	33.4	42.3
PBT Margin	36.1	28.5	29.3	32.8	41.0
PATMI	26.1	20.9	21.5	24.0	30.1

Figure #1 Quarterly results comparison

FYE March	1Q19	4Q19	1Q20	QoQ	YoY
Revenue	230.0	278.9	248.5	-10.9%	8.0%
COGS	(125.4)	(151.7)	(122.5)	-19.2%	-2.3%
Gross Profit	104.6	127.3	126.0	-1.0%	20.4%
Other income	0.6	4.7	2.0	-58.1%	244.5%
Other expenses	(37.4)	(50.8)	(55.3)	8.7%	47.7%
EBIT	67.8	81.2	72.7	-10.5%	7.2%
Net Interest	0.2	2.3	0.3	-86.9%	65.8%
PBT	68.0	83.5	73.0	-12.6%	7.4%
Tax	(17.8)	(17.6)	(18.4)	4.5%	3.5%
PAT	50.2	65.9	54.5	-17.2%	8.8%
EI (Gain/(Losses))	-	-	-	N.M.	N.M.
Core PAT	50.2	65.9	54.5	-17.2%	8.8%
EBIT margin	29.5%	29.1%	29.2%	0.1%	-29.1%
PBT margin	29.5%	29.9%	29.4%	-0.6%	-29.9%
PAT margin	21.8%	23.6%	22.0%	-1.7%	-23.6%

Company; HLIB

Figure #2 RNAV Table

Projects	Stake (%)	NPV (RM m)
Ongoing		
BSS	100%	4.3
BSI	100%	2.8
STV 1 and 2	100%	73.0
Unbilled Sales	100%	67.7
Future		
BSS	100%	576.9
BSI	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		1,372.0
Shareholder Funds as of 4Q18		1,205.0
Net cash/(debt) as of 4Q18		(277.3)
RNAV		2,299.7
Wa proceed		185.6
Total RNAV		2,485.3
Total Diluted Shares		827.8
RNAV/share		3.00
Discount		25%
Discounted RNAV		1,864.0
Discounted RNAV/Share		2.25

Company, HLIB

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Published & printed by:

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BUY	Expected absolute return of +10% or more over the next 12 months.
HOLD	Expected absolute return of -10% to +10% 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 in a change from the previous rating.
NOT RATED	Stock is not or no longer within regular coverage.

Sector rating guide

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

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