

HLIB Research

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Andrew Lim Ken-Wern
kwlim@hlib.hongleong.com.my

(603) 2083 1730

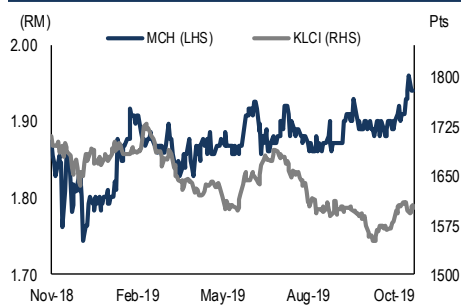
BUY (Maintain)

Target Price: **RM2.25**
Previously: **RM2.25**
Current Price: **RM1.90**

Capital upside	18.4%
Dividend yield	6.7%
Expected total return	25.1%

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	0.0	0.0	-4.9
Relative	-1.9	0.1	1.6

Stock information

Bloomberg Ticker	MCH MK
Bursa Code	5236
Issued Shares (m)	823
Market cap (RM m)	1,563
3-mth avg. volume ('000)	328
SC Shariah-compliant	Yes

Major shareholders

Lee Tian Hock	14.8
Shining Term Sdn Bhd	12.9
EPF	7.9

Earnings summary

FYE (Mar)	FY19	FY20f	FY21f
PATMI - core (RM m)	218.2	235.4	265.3
EPS - core (sen)	26.3	28.4	32.0
P/E (x)	7.2	6.7	5.9

Matrix Concepts Holdings

On track to meet sales target

Matrix reported 1HFY20 core PATMI of RM113.3m (+9.9% YoY), within expectations. 1HFY20 core PATMI improved in tandem with revenue largely attributed to higher revenue recognition from the BSS township and Chambers, KL. 2QFY20 new sales came in at RM346.4m, bringing 1HFY20 sales to RM665.6m which represents 51.2% of the full year target of RM1.3bn. Meanwhile, unbilled sales remained healthy at RM1.2bn, representing a 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 2QFY20 core PATMI of RM58.7m (+7.7% QoQ, +11% YoY), bringing 1HFY20 core PATMI to RM113.3m (+9.9% YoY). We deem this within expectations as it forms 48.1% and 48.2% of our and consensus full year forecasts, respectively.

Dividend. Declared second interim dividend of 3.0 (2QFY19: 3.25) sen per share going ex on 19 Dec 2019, bringing YTD dividend to 6.0 sen per share.

QoQ/YoY. 2Q19 revenue increased 13.8%/11.6% to RM282.7m largely due to higher progressive billings from Chambers, KL. Subsequently, core PATMI increased 7.7%/11% to RM58.7m in tandem with revenue which was marginally dragged by a lower margin product mix.

YTD. Revenue rose 9.9% to RM531.2m (from RM483.4m) on the back of higher revenue recognition from the BSS township and Chambers, KL. Similarly, core PATMI improved 9.9% to RM113.3m (from RM103.1m) in tandem with revenue.

Strong sales continue. 2QFY20 new sales came in at RM346.4m, bringing 1HFY20 sales to RM665.6m which represents 51.2% of the full year target of RM1.3bn. Meanwhile, unbilled sales remained healthy at RM1.2bn, representing a healthy cover ratio of 1.2x.

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 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 6.7% for FY20 and 7.6% for FY21, being one of the highest in the sector.

Financial Forecast

All items in (RM m) unless otherwise stated

Balance Sheet

FYE Mar	FY18	FY19	FY20f	FY21f	FY22f
Cash	280.4	264.2	303.6	325.2	373.0
Receivables	309.4	425.0	436.1	538.2	573.4
Inventories	389.8	671.4	751.9	742.4	790.9
Others	885.1	737.2	754.9	880.4	935.8
Assets	1,864.8	2,097.9	2,246.4	2,486.2	2,673.1
Payables	312.8	381.6	400.7	494.5	526.9
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	789.0	882.9	915.2
Shareholder's equity	1,206.5	1,327.1	1,456.6	1,602.5	1,757.1
Minority interest	0.5	0.8	0.8	0.8	0.8
Equity	1,207.0	1,327.9	1,457.4	1,603.3	1,757.9

Cash Flow Statement

FYE Mar	FY17	FY18	FY19f	FY20f	FY21f
Profit before taxation	295.2	297.8	321.2	362.0	383.5
D&A	9.6	10.5	11.4	12.3	13.1
Working capital	(43.5)	(148.4)	(69.4)	(104.5)	(87.8)
Taxation	(83.6)	(89.7)	(85.8)	(96.7)	(102.4)
Others	4.6	7.6	-	-	-
CFO	182.3	77.9	177.4	173.2	206.4
Capex	(11.3)	(32.1)	(32.1)	(32.1)	(32.1)
Others	(55.7)	19.4	-	-	-
CFI	(66.9)	(12.8)	(32.1)	(32.1)	(32.1)
Changes in debt	37.9	29.2	-	-	-
Shares issued	60.8	3.5	-	-	-
Dividends	(85.2)	(101.5)	(105.9)	(119.4)	(126.5)
Others	-	-	-	-	-
CFF	13.5	(68.8)	(105.9)	(119.4)	(126.5)
Net cash flow	129.0	(3.7)	39.4	21.6	47.8
Forex	(5.4)	-	-	-	-
Others	93.0	80.5	-	-	-
Beginning cash	63.9	187.4	264.2	303.6	325.2
Ending cash	280.4	264.2	303.6	325.2	373.0

Income statement

FYE Mar	FY18	FY19	FY20f	FY21f	FY22f
Revenue	818.5	1045.5	1097.7	1354.9	1443.4
Operating cost	(508.5)	(733.9)	(767.3)	(983.1)	(1050.0)
EBITDA	310.0	311.6	330.5	371.8	393.4
D&A	(9.6)	(10.5)	(11.4)	(12.3)	(13.1)
Net Interest	(5.1)	(3.3)	2.2	2.5	3.2
Pretax profit	295.2	297.8	321.2	362.0	383.5
Taxation	(81.9)	(79.5)	(85.8)	(96.7)	(102.4)
Minority Interest	0.0	0.0	0.0	0.0	0.0
PATMI	213.3	218.2	235.4	265.3	281.1
Exceptionals	0.0	0.0	0.0	0.0	0.0
Core Earning	213.3	218.2	235.4	265.3	281.1
Basic shares (m)	829.2	829.2	829.2	829.2	829.2
Diluted shares (m)	893.1	893.1	893.1	893.1	893.1
Consensus core PATMI			235.0	252.7	266.0
HLIB/ Consensus			100%	105%	106%

Valuation ratios

FYE Mar	FY18	FY19	FY20f	FY21f	FY22f
Net DPS (sen)	12.9	12.8	12.8	14.4	15.3
Yield (%)	6.8	6.7	6.7	7.6	8.0
Core EPS (sen)	25.7	26.3	28.4	32.0	33.9
Fully Diluted EPS (sen)	23.9	24.4	26.4	29.7	31.5
P/E (x)	7.4	7.2	6.7	5.9	5.6
FD P/E (x)	8.0	7.8	7.2	6.4	6.0
Market capitalization (m)	1575.4	1575.4	1575.4	1575.4	1575.4
Net cash (m)	(34.6)	(98.1)	(58.7)	(37.1)	10.7
Net gearing (%)	0.03	0.07	0.04	0.02	CASH
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	10.7	10.5
ROE (%)	17.7	16.4	16.2	16.5	16.0
Enterprise value	1610.1	1673.5	1634.2	1612.5	1564.7
EV/ EBITDA (x)	5.2	5.4	4.9	4.3	4.0

Margin ratios

FYE Mar	FY18	FY19	FY20f	FY21f	FY22f
EBITDA Margin	37.9	29.8	30.1	27.4	27.3
PBT Margin	36.1	28.5	29.3	26.7	26.6
PATMI	26.1	20.9	21.4	19.6	19.5

Figure #1 Quarterly results comparison

FYE March	2Q19	1Q20	2Q20	QoQ	YoY	1H19	1H20	YoY
Revenue	253.3	248.5	282.7	13.8%	11.6%	483.4	531.2	9.9%
COGS	(139.8)	(122.5)	(143.8)	17.3%	2.8%	(265.3)	(266.3)	0.4%
Gross Profit	113.5	126.0	138.9	10.3%	22.4%	218.1	264.9	21.5%
Other income	0.6	2.0	0.8	-59.8%	23.0%	1.2	2.8	127.2%
Other expenses	(40.5)	(55.3)	(62.1)	12.3%	53.2%	(77.9)	(117.3)	50.6%
EBIT	73.6	72.7	77.7	6.9%	5.5%	141.4	150.3	6.3%
Net Interest	0.8	0.3	1.8	485.6%	123.8%	1.0	2.1	112.9%
PBT	74.4	73.0	79.5	8.9%	6.8%	142.4	152.4	7.1%
Tax	(21.5)	(18.4)	(20.7)	12.5%	-3.6%	(39.3)	(39.1)	-0.4%
PAT	52.9	54.5	58.7	7.7%	11.0%	103.1	113.3	9.9%
EI (Gain/(Losses))	-	-	-	#DIV/0!	#DIV/0!	-	-	#DIV/0!
Core PAT	52.9	54.5	58.7	7.7%	11.0%	103.1	113.3	9.9%
EBIT margin	29.1%	29.2%	27.5%	-1.8%	-1.6%	29.3%	28.3%	-1.0%
PBT margin	29.4%	29.4%	28.1%	-1.3%	-1.3%	29.5%	28.7%	-0.8%
PAT margin	20.9%	22.0%	20.8%	-1.2%	-0.1%	21.3%	21.3%	0.0%

Company; HLIB

Figure #2 RNAV Table

Projects	Stake (%)	NPV (RM m)
Bandar Sri Sendayan		
BSS	100%	977.3
BSI	100%	249.8
Others	100%	196.1
Australia	100%	21.9
Indonesia	30%	23.5
Total NPV		1,468.5
Shareholders funds		1,206.5
RNAV		2,675.0
Share base		893.1
RNAV/share		3.00
Discount		25%
Discounted RNAV/share		2.25

Company, HLIB

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Hong Leong Investment Bank Berhad (10209-W)

Level 28, Menara Hong Leong,

No. 6, Jalan Damanlela,

Bukit Damansara,

50490 Kuala Lumpur

Tel: (603) 2083 1800

Fax: (603) 2083 1766

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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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