

**HLIB Research**

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**BUY** (Maintain)

**Target Price:** RM2.25

**Previously:** RM2.25

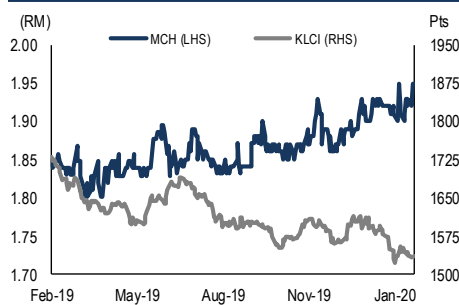
**Current Price:** RM1.96

Capital upside	14.8%
Dividend yield	6.5%
Expected total return	21.3%

**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	2.1	2.1	-0.4
Relative	5.8	6.1	12.6

**Stock information**

Bloomberg Ticker	MCH MK
Bursa Code	5236
Issued Shares (m)	823
Market cap (RM m)	1,613
3-mth avg. volume ('000)	329
SC Shariah-compliant	Yes

**Major shareholders**

Lee Tian Hock	14.8
Shining Term Sdn Bhd	12.9
EPF	8.1

**Earnings summary**

FYE (Mar)	FY18	FY19f	FY20f
PATMI - core (RM m)	218.2	235.4	247.4
EPS - core (sen)	26.3	28.4	29.8
P/E (x)	7.4	6.9	6.6

# Matrix Concepts Holdings

## Pipeline launches to cater to market demand

To recap, Matrix reported 3QFY20 core PATMI of RM65.3m (+11.2% QoQ, +34.4% YoY), bringing 9MFY20 core PATMI to RM178.6m (+17.7% YoY). Management reiterated its confidence on achieving the RM1.3bn FY20 sales target despite the potential impact of COVID-19 towards 4QFY20 sales. In terms of dividends, we expect Matrix to be able to pay over 12 sen per share for FY20 (9MFY20: 9 sen per share). We recalibrate our FY21/22 earnings downwards by -6.8%/-2.9% as our previous BSS launch assumptions were perhaps on the high side. **Maintain BUY with an unchanged TP of RM2.25 based on unchanged 25% discount to RNAV of RM3.00.**

We attended a small group briefing with Matrix's management. Below are the key takeaways.

**3QFY20 recap.** To recap, Matrix reported 3QFY20 core PATMI of RM65.3m (+11.2% QoQ, +34.4% YoY), bringing 9MFY20 core PATMI to RM178.6m (+17.7% YoY). 3QFY20 new sales came in at RM280.9m, bringing 9MFY20 sales to RM946.5m which represents 73% of the full year target of RM1.3bn while unbilled sales remained healthy at RM1.2bn, representing a healthy cover ratio of 1.2x.

**Pipeline launches.** We understand that RM155.7m worth of GDV will be launched in 4QFY20, bringing the full year launch target to slightly over RM1.1bn. The remaining launches will be located in the BSS township i.e. Hijayu Residence Phase 1 (RM130m) and Tiara Sendayan Precint 8 (RM125.7m). Tentatively, FY21 is set to launch RM768.1m from the BSS township and RM138.2m from the BSI township; do note that these are preliminary targets with the product mix and GDV to be reconsidered closer to end-FY20. To cater to the current market's appetite, Matrix will continue to focus its efforts on producing affordably priced products within its township. With regards to the high-rise projects in Klang Valley (in Puchong and Damansara Perdana), management has clarified that its launches may not take place in the immediate term due to the persisting weak market sentiments.

**Foreign projects.** In Australia, the soft launch of M.Greenvale took place in April 2019 has an estimated GDV of RM72m and garnered a take up rate of c.30%. The project is expected to be completed in 2021, with earnings to be recognised in FY22. 2021 will also see the launch of M.St.Kilda, a mixed development in Melbourne with an estimated GDV of RM240m.

**Outlook.** Management reiterated its confidence on achieving the RM1.3bn FY20 sales target despite the potential impact of COVID-19 towards 4QFY20 sales. In terms of dividends, we expect Matrix to be able to pay over 12 sen per share for FY20 (9MFY20: 9 sen per share)

**Forecast.** We take this opportunity to recalibrate our FY21/22 earnings downwards by -6.8%/-2.9% as our previous BSS launch assumptions were perhaps on the high side.

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 6.6% for FY20 and 7.4% 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	346.8	439.9	384.2
Receivables	309.4	425.0	420.9	488.3	563.2
Inventories	389.8	671.4	725.6	673.5	776.8
Others	885.1	737.2	739.2	828.7	925.2
<b>Assets</b>	<b>1,864.8</b>	<b>2,097.9</b>	<b>2,232.5</b>	<b>2,430.5</b>	<b>2,649.3</b>
Payables	312.8	381.6	386.7	448.7	517.5
Debt	315.1	362.3	362.3	362.3	362.3
Others	29.9	26.0	26.0	26.0	26.0
<b>Liabilities</b>	<b>657.8</b>	<b>770.0</b>	<b>775.0</b>	<b>837.0</b>	<b>905.8</b>
Shareholder's equity	1,206.5	1,327.1	1,456.6	1,592.6	1,742.7
Minority interest	0.5	0.8	0.8	0.8	0.8
<b>Equity</b>	<b>1,207.0</b>	<b>1,327.9</b>	<b>1,457.4</b>	<b>1,593.5</b>	<b>1,743.5</b>

### Cash Flow Statement

FYE Mar	FY17	FY18	FY19f	FY20f	FY21f
Profit before taxation	295.2	297.8	321.2	337.5	372.3
D&A	9.6	10.5	11.4	12.3	13.1
Working capital	(43.5)	(148.4)	(26.2)	(23.2)	(186.8)
Taxation	(83.6)	(89.7)	(85.8)	(90.2)	(99.4)
Others	4.6	7.6	-	-	-
<b>CFO</b>	<b>182.3</b>	<b>77.9</b>	<b>220.6</b>	<b>236.5</b>	<b>99.2</b>
Capex	(11.3)	(32.1)	(32.1)	(32.1)	(32.1)
Others	(55.7)	19.4	-	-	-
<b>CFI</b>	<b>(66.9)</b>	<b>(12.8)</b>	<b>(32.1)</b>	<b>(32.1)</b>	<b>(32.1)</b>
Changes in debt	37.9	29.2	-	-	-
Shares issued	60.8	3.5	-	-	-
Dividends	(85.2)	(101.5)	(105.9)	(111.3)	(122.8)
Others	-	-	-	-	-
<b>CFF</b>	<b>13.5</b>	<b>(68.8)</b>	<b>(105.9)</b>	<b>(111.3)</b>	<b>(122.8)</b>
<b>Net cash flow</b>	<b>129.0</b>	<b>(3.7)</b>	<b>82.6</b>	<b>93.1</b>	<b>(55.7)</b>
Forex	(5.4)	-	-	-	-
Others	93.0	80.5	-	-	-
Beginning cash	63.9	187.4	264.2	346.8	439.9
Ending cash	280.4	264.2	346.8	439.9	384.2

### Income statement

FYE Mar	FY18	FY19	FY20f	FY21f	FY22f
<b>Revenue</b>	<b>818.5</b>	<b>1045.5</b>	<b>1059.4</b>	<b>1229.2</b>	<b>1417.7</b>
Operating cost	(508.5)	(733.9)	(729.4)	(883.5)	(1036.7)
<b>EBITDA</b>	<b>310.0</b>	<b>311.6</b>	<b>330.0</b>	<b>345.7</b>	<b>380.9</b>
D&A	(9.6)	(10.5)	(11.4)	(12.3)	(13.1)
Net Interest	(5.1)	(3.3)	2.6	4.1	4.5
<b>Pretax profit</b>	<b>295.2</b>	<b>297.8</b>	<b>321.2</b>	<b>337.5</b>	<b>372.3</b>
Taxation	(81.9)	(79.5)	(85.8)	(90.2)	(99.4)
Minority Interest	0.0	0.0	0.0	0.0	0.0
PATAMI	213.3	218.2	235.4	247.4	272.8
Exceptionals	0.0	0.0	0.0	0.0	0.0
<b>Core Earning</b>	<b>213.3</b>	<b>218.2</b>	<b>235.4</b>	<b>247.4</b>	<b>272.8</b>
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			228.0	246.5	265.0
HLIB/ Consensus			103%	100%	103%

### Valuation ratios

FYE Mar	FY18	FY19	FY20f	FY21f	FY22f
Net DPS (sen)	12.9	12.8	12.8	13.4	14.8
Yield (%)	6.6	6.5	6.5	6.8	7.6
Core EPS (sen)	25.7	26.3	28.4	29.8	32.9
Fully Diluted EPS (sen)	23.9	24.4	26.4	27.7	30.5
P/E (x)	7.6	7.4	6.9	6.6	6.0
FD P/E (x)	8.2	8.0	7.4	7.1	6.4
Market capitalization (m)	1625.2	1625.2	1625.2	1625.2	1625.2
Net cash (m)	(34.6)	(98.1)	(15.5)	77.6	21.9
Net gearing (%)	0.03	0.07	0.01	CASH	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	10.2	10.3
ROE (%)	17.7	16.4	16.2	15.5	15.6
Enterprise value	1659.8	1723.3	1640.7	1547.6	1603.3
EV/ EBITDA (x)	5.4	5.5	5.0	4.5	4.2

### Margin ratios

FYE Mar	FY18	FY19	FY20f	FY21f	FY22f
EBITDA Margin	37.9	29.8	31.2	28.1	26.9
PBT Margin	36.1	28.5	30.3	27.5	26.3
PATMI	26.1	20.9	22.2	20.1	19.2

**Figure #1 Immediate BSS pipeline launches (GDV RM'm)**

Projects	No. of Units/Type	FY2020 GDV (RM 'm)				FY2021 GDV (RM 'm)			
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Hjaya Resorts Homes (Phase 5)	175 units 2-storey terrace houses		135.7						
Hjaya Aman P1	251 units 2-storey terrace houses	164.9							
Hjaya Aman P2	109 units 2-storey terrace houses			74.2					
Hjaya Residence (Phase 1: Parcel 1)	366 units 2-storey houses				130.0				
Hjaya Residence (Phase 1: Parcel 2)						130.0			
Hjaya (Residence) Phase 2	210 units 2-storey houses							159.0	
Hjaya Resort Villa (Phase 1,2 & 3)	46 units 2-storey bungalow s						110.0		
Ara Sendayan Phase 6 (Precint 3A2[1])	12 units 2-storey terrace houses	9.2							
Ara Sendayan Phase 7 (Precint 3A2[2])	47 units 2-storey terrace houses		50.1						
Ara Sendayan Phase 7 (Precint 2B)	46 units 2-storey semi-detached houses					56.0			
Tiara Sendayan 4 (Precint 3)	428 units 2-storey terrace houses	210.0							
Tiara Sendayan 5 (Precint 5)	245 units 2-storey terrace houses		123.0						
Tiara Sendayan 6 (Precint 6)	292 units 2-storey terrace houses						137.3		
Tiara Sendayan 7	254 units 2-storey terrace houses							129.2	
Tiara Sendayan 8	246 units 2-storey terrace houses				125.7				
Tiara Sendayan 9	90 units 2-storey terrace houses							46.6	
<b>Total</b>		<b>1022.9</b>				<b>768.1</b>			

Company

**Figure #2 RNAV Table**

Projects	Stake (%)	NPV (RM m)
<b>Bandar Sri Sendayan</b>		
BSS	100%	980.5
BSI	100%	249.8
Others	100%	196.1
Australia	100%	20.4
Indonesia	30%	21.8
Total NPV		1,468.5
Shareholders funds		1,206.5
<b>RNAV</b>		<b>2,675.0</b>
Share base		893.1
RNAV/share		3.00
Discount		25%
<b>Discounted RNAV/share</b>		<b>2.25</b>

Company, HLIB

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<b>BUY</b>	Expected absolute return of +10% or more over the next 12 months.
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