

HLIB Research

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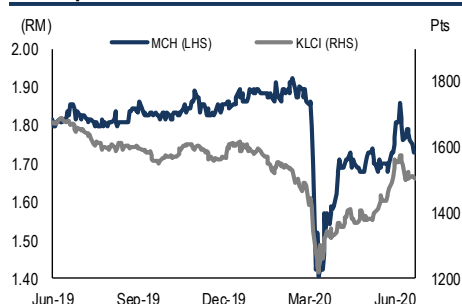
BUY (Maintain)

Target Price: RM2.06
Previously: RM2.06
Current Price: RM1.83

Capital upside	12.6%
Dividend yield	5.7%
Expected total return	18.3%

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	-1.6	7.0	-5.2
Relative	-2.1	-7.4	0.8

Stock information

Bloomberg Ticker	MCH MK
Bursa Code	5236
Issued Shares (m)	834
Market cap (RM m)	1,527
3-mth avg. volume ('000)	468
SC Shariah-compliant	Yes

Major shareholders

Lee Tian Hock	15.1
Shining Term Sdn Bhd	12.7
EPF	9.8

Earnings summary

FYE (Mar)	FY20	FY21f	FY22f
PATMI - core (RM m)	231.5	193.6	258.8
EPS - core (sen)	25.9	23.3	31.2
P/E (x)	7.1	7.8	5.9

Matrix Concepts Holdings

Ending strong

Matrix reported FY20 core PATMI of RM231.5m (+6.4% YoY), within expectations. 4QFY20 core PATMI fell QoQ/YoY largely due to a lower margin product mix. 4QFY20 new sales came in at RM87.3m, bringing FY20 sales to RM1bn. Both FY21 sales and GDV launch targets are set at RM1.1bn which will likely be achieved given that over RM700m worth of property bookings were made during the MCO period. We maintain our forecasts and BUY recommendation with an unchanged RNAV-based TP of RM2.06.

Within expectations. Matrix reported 4QFY20 core PATMI of RM52.9m (-19% QoQ, -19.7% YoY), bringing the FY20 amount to RM231.5m (+6.4% YoY) which formed 101% and 103% of our and consensus full year forecasts, respectively. No EIs were excluded from the reported earnings.

Dividend. Declared interim dividend of 2.5 sen (4QFY19: 3.0) per share going ex on 23 Jul 2020, bringing YTD dividend to 11.5 sen per share.

QoQ/YoY. 4QFY20 revenue increased +69.2%/+69.3% to RM472.1m on the back of higher recognition from the sales of Sendayan Development residential properties. On the other hand, core PATMI fell -19%/-19.7% to RM52.9m due to a higher effective tax rate due to non-deductibles coupled with lower margin product mix (i.e. more affordably-priced houses compared to more commercial and industrial properties in the previous quarters)

YTD. Revenue rose +22.4% to RM1282.3m from higher revenue recognition from progressive billings. Similarly, core PATMI improved 6.4% to RM231.5m in tandem with revenue coupled with a lower margin product mix.

Ending strong. We view Matrix's recent quarterly results positively as the earnings did relatively better in comparison to its property peers (which registered much wider decreases). 4QFY20 new sales came in at RM87.3m, bringing FY20 sales to RM1bn which is below its full year target of RM1.3bn largely due to the Covid-19 impact. Both FY21 sales and GDV launch targets are set at RM1.1bn which will likely be achieved given that over RM700m worth of property bookings were made during the MCO period. Earnings visibility will continue to be supported by new sales and unbilled sales of 0.8x cover (RM1bn).

Forecast. Unchanged.

Maintain **BUY** with an unchanged TP of **RM2.06** based on a 30% discount to RNAV of RM2.94. 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 5.7% for FY21 and 6.8% for FY22, being one of the highest in the sector.

Figure #1 Financial Summary

FYE Dec (RM m)	FY18	FY19	FY20	FY21f	FY22f
Revenue	818.5	1,045.5	1,282.3	955.8	1,336.0
EBIT	300.3	301.1	335.4	257.3	345.7
PBT	295.2	297.8	339.0	264.1	353.1
PAT	213.3	218.2	231.5	193.5	258.8
PAT – Core	213.3	218.2	231.5	193.5	258.8
% change YoY – Core PAT		2.3%	6.1%	-16.4%	33.7%
HLIB/ Consensus (%) – Core PAT			100%	79%	98%
Core EPS (sen)	25.7	26.3	25.9	23.3	31.2
P/E (x)	7.1	7.0	7.1	7.8	5.9
EV/EBITDA (x)	5.0	5.2	2.0	4.5	4.0
DPS (sen)	12.9	12.8	11.5	10.5	12.5
Yield (%)	7.0	7.0	6.3	5.7	6.8
BVPS (RM/share)	1.5	1.6	1.8	1.9	2.1
P/B (x)	1.3	1.1	1.0	1.0	0.9
ROE (%)	17.7	16.4	14.4	12.4	15.1
Net Gearing (%)	CASH	CASH	0.1	CASH	CASH

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Figure #2 Quarterly results comparison

FYE March	4Q19	3Q20	4Q20	QoQ	YoY	FY19	FY20	YoY
Revenue	278.9	279.0	472.1	69.2%	69.3%	1,047.9	1,282.3	22.4%
COGS	(151.7)	(123.2)	(302.9)	145.8%	99.7%	(538.1)	(692.4)	28.7%
Gross Profit	127.3	155.8	169.3	8.7%	33.0%	509.8	590.0	15.7%
Other income	4.7	1.3	0.1	-92.4%	-98.0%	7.3	4.1	-43.6%
Other expenses	(50.8)	(66.9)	(74.4)	11.1%	46.4%	(255.5)	(258.7)	1.3%
EBIT	81.2	90.1	95.0	5.4%	17.0%	293.8	335.4	14.2%
Net Interest	2.3	1.3	0.2	-81.6%	-90.0%	3.8	3.6	-5.6%
PBT	83.5	91.4	95.2	4.2%	14.1%	297.6	339.0	13.9%
Tax	(17.6)	(26.0)	(42.3)	62.6%	140.1%	(80.1)	(107.5)	34.2%
PAT	65.9	65.3	52.9	-19.0%	-19.7%	217.6	231.5	6.4%
EI (Gain/(Losses))	-	-	-	#DIV/0!	#DIV/0!	-	-	#DIV/0!
Core PAT	65.9	65.3	52.9	-19.0%	-19.7%	217.6	231.5	6.4%
EBIT margin	29.1%	32.3%	20.1%	-12.2%	-9.0%	28.0%	26.2%	-1.9%
PBT margin	29.9%	32.7%	20.2%	-12.6%	-9.8%	28.4%	26.4%	-2.0%
PAT margin	23.6%	23.4%	11.2%	-12.2%	-12.4%	20.8%	18.1%	-2.7%

Company; HLIB

Figure #3 RNAV Table

Projects	Stake (%)	NPV (RM m)
Bandar Sri Sendayan		
BSS	100%	935.1
BSI	100%	249.0
Others	100%	194.0
Australia	100%	20.4
Indonesia	30%	21.8
Total NPV		1,420.4
Shareholders funds		1,206.5
RNAV		2,626.8
Share base		893.1
RNAV/share		2.94
Discount		30%
Discounted RNAV/share		2.06

Company, HLIB

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Stock rating guide

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.
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