

21 February 2020

Property | Real Estate

Matrix Concepts (MCH MK)

Buy (Maintained)

On Track To Hit Full-Year Sales Target; Keep BUY

Target Price (Return):	MYR2.22 (+14%)
Price:	MYR1.95
Market Cap:	USD386m
Avg Daily Turnover (MYR/USD)	0.61m/0.15m

- **MAINTAIN BUY, MYR2.22 TP implies 14% upside and 7% FY20F (Mar) yield.** Matrix Concepts' 3QFY20 results are in line with expectations. As 9MFY20 new property sales have hit MYR946.5m, the company is on track to meet its MYR1.3bn sales target by end-FY20. We remain optimistic on its sales prospects and earnings delivery. Its strong balance sheet as well as the consistent cash flow from township developments should sustain its high dividend yield in the coming years.

- **3QFY20 results review.** The sequential drop in revenue was largely due to the slower billings from the residential segment, but this was partially offset by higher industrial land sales of around MYR70m during the quarter. As a result, the EBIT margin was higher at 33% in 3QFY20, compared with 28% in 2QFY20. Consistent with the previous two quarters, a 3 sen interim DPS was declared.

- **Sales momentum eased slightly but is on track to hit its full-year target.** New property sales in 3QFY20 totalled MYR280.9m, vs MYR346.4m in 2QFY20, bringing the 9MFY20 figure to MYR946.5m. The bulk of the sales was mainly generated from the township projects in Sendayan. The take-up rates for Hijayu Resort Homes (Phase 5), Ara Sendayan (Phase 7) and Tiara Sendayan 5 (Precinct 5) have reached 42%, 61% and 55%, from 15%, 30% and 16% in the preceding quarter. Meanwhile, Chambers KL is now 74%-sold. Thus far in 9MFY20, Matrix has released MYR867.4m worth of properties, which are mainly the landed homes in Sendayan. Pipeline projects worth MYR255.7m will be rolled out progressively in 4Q, comprising mainly the affordable products in Seremban.

- **Lining up new township Laman Sendayan for FY21.** We understand that Sendayan TechPark has been successfully converted into a residential development. This new township, Laman Sendayan, is expected to debut by mid-2020, and the property units will very much replicate the design, concept and pricing of units in Tiara Sendayan. We believe this new project will be able to sustain the company's sales momentum next year.

- **Forecasts.** We understand that the industrial land sale to be recognised in 4QFY20 could be minimal, and make no changes to our earnings forecasts. Unbilled sales remained largely unchanged at MYR1.21bn, same as the previous quarter.

- **Maintain TP.** Our MYR2.22 TP is based on an unchanged 30% discount to RNAV.

Analyst

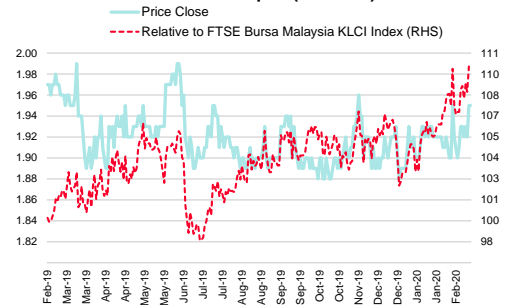
Loong Kok Wen CFA
+603 9280 8861
loong.kok.wen@rhbgroup.com



Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	2.1	1.6	2.6	2.6	(1.0)
Relative	5.5	5.1	6.8	6.9	10.1
52-wk Price low/high (MYR)					1.88 – 1.99

Matrix Concepts (MCH MK)



Source: Bloomberg

Forecasts and Valuation	Mar-18	Mar-19	Mar-20F	Mar-21F	Mar-22F
Total turnover (MYRm)	812	1,048	1,086	1,147	1,211
Recurring net profit (MYRm)	212	218	231	239	259
Recurring net profit growth (%)	12.8	2.7	6.3	3.5	8.4
Recurring EPS (MYR)	0.32	0.29	0.28	0.28	0.30
DPS (MYR)	0.13	0.13	0.13	0.13	0.14
Recurring P/E (x)	6.13	6.76	6.98	6.84	6.41
P/B (x)	1.08	1.11	1.01	0.94	0.88
Dividend Yield (%)	6.6	6.5	6.4	6.7	7.2
Return on average equity (%)	19.0	17.2	15.8	14.4	14.3
Net debt to equity (%)	2.9	8.0	2.9	2.5	1.5

Source: Company data, RHB

Financial Exhibits

Asia	Financial summary (MYR)	Mar-18	Mar-19	Mar-20F	Mar-21F	Mar-22F
Malaysia	Recurring EPS	0.32	0.29	0.28	0.28	0.30
Property	EPS	0.32	0.29	0.28	0.28	0.30
Matrix Concepts	DPS	0.13	0.13	0.13	0.13	0.14
MCH MK	BVPS	1.81	1.76	1.93	2.07	2.21
Buy	Return on average equity (%)	19.0	17.2	15.8	14.4	14.3
	Return on average assets (%)	13.1	11.6	10.8	10.3	10.4
Valuation basis						
30% discount to RNAV						
Key drivers	Valuation metrics	Mar-18	Mar-19	Mar-20F	Mar-21F	Mar-22F
New property and industrial land sales, landbank acquisitions.	Recurring P/E (x)	6.13	6.76	6.98	6.84	6.41
	P/B (x)	1.1	1.1	1.0	0.9	0.9
	Dividend Yield (%)	6.6	6.5	6.4	6.7	7.2
	EV/EBITDA (x)	1.57	1.65	1.56	1.46	1.30
Key risks	Income statement (MYRm)	Mar-18	Mar-19	Mar-20F	Mar-21F	Mar-22F
Weaker-than-expected market conditions.	Total turnover	812	1,048	1,086	1,147	1,211
	Gross profit	497	508	541	562	593
	EBITDA	299	299	324	337	365
	Operating profit	299	299	324	337	365
	Net interest	(5)	(2)	(7)	(7)	(7)
	Pre-tax profit	294	298	317	330	358
	Taxation	(82)	(80)	(86)	(90)	(99)
	Reported net profit	212	218	231	239	259
	Recurring net profit	212	218	231	239	259
Company Profile	Cash flow (MYRm)	Mar-18	Mar-19	Mar-20F	Mar-21F	Mar-22F
Matrix Concepts is a Negeri Sembilan-based developer that currently has 2,732 acres of land with a total portfolio GDV of MYR8.2bn. The group concentrates mainly on developing residential and commercial properties, as well as selling industrial land.	Change in working capital	141	(3)	(47)	(15)	(15)
	Cash flow from operations	392	255	226	267	287
	Capex	(192)	(166)	(20)	(100)	(100)
	Cash flow from investing activities	(191)	(184)	(177)	(126)	(125)
	Dividends paid	(79)	(86)	(96)	(103)	(109)
	Cash flow from financing activities	(26)	(74)	(134)	(140)	(145)
	Cash at beginning of period	117	277	257	312	314
	Net change in cash	174	(3)	(85)	0	18
	Ending balance cash	292	274	172	312	331
	Balance sheet (MYRm)	Mar-18	Mar-19	Mar-20F	Mar-21F	Mar-22F
	Total cash and equivalents	277	257	312	314	329
	Total investments	802	977	1,146	1,263	1,380
	Total other assets	16	23	23	23	23
	Total assets	1,721	2,021	2,258	2,407	2,569
	Short-term debt	151	161	166	176	186
	Total long-term debt	162	202	192	182	172
	Total liabilities	516	694	656	670	685
	Shareholders' equity	1,205	1,326	1,601	1,736	1,883
	Minority interests	1	1	1	1	1
	Total equity	1,206	1,327	1,602	1,737	1,884
	Total liabilities & equity	1,721	2,021	2,258	2,407	2,569
	Key metrics	Mar-18	Mar-19	Mar-20F	Mar-21F	Mar-22F
	Revenue growth (%)	4.1	29.0	3.6	5.6	5.5
	Recurring net profit growth (%)	12.8	2.7	6.3	3.5	8.4
	Recurrent EPS growth (%)	(3.1)	(9.3)	(3.1)	2.0	6.8
	Gross margin (%)	61.2	48.4	49.8	49.0	49.0
	Recurring net profit margin (%)	26.1	20.8	21.3	20.9	21.4
	Dividend payout ratio (%)	40.4	44.2	44.7	45.6	46.0

Source: Company data, RHB

Results At a Glance

Figure 1: Quarterly results

FYE Mar (MYRm)	3QFY19	2QFY20	3QFY20	QoQ (%)	YoY (%)	9MFY19	9MFY20	YoY (%)	Comments
Turnover	285.7	282.7	279.0	(1.3)	(2.3)	769.0	810.2	5.4	The sequential drop in turnover was mainly from the residential segment, partially offset by higher revenue from industrial land sales.
EBIT	72.5	79.4	91.9	15.7	26.6	216.8	245.2		The better margin was due to the recognition of industrial land sales during the quarter.
EBIT margin (%)	25.4	28.1	32.9			28.2	30.3		
Net interest	(0.8)	0.1	(0.5)	(594.0)	(36.6)	(2.7)	(1.4)	(47.1)	
Pretax profit	71.8	79.5	91.4	15.0	27.3	214.1	243.8	13.8	
Pretax margin (%)	25.1	28.1	32.7			27.8	30.1		
Taxation	(23.1)	(20.7)	(26.0)	25.6	12.4	(62.4)	(65.2)	4.4	
Tax rate (%)	32.3	26.1	28.5			29.2	26.7		
Minority interest	0.0	0.0	0.0	n.m.	n.m.	0.0	0.0		
Net profit	48.6	58.7	65.3	11.2	34.4	151.7	178.6	17.7	Within expectations.
Net margin (%)	17.0	20.8	23.4			19.7	22.0		
EPS (sen)	6.5	7.4	7.9			20.2	22.4		
Gross DPS (sen)	3.0	3.0	3.0			9.5	9.0		
NTA/share (MYR)	1.7	1.9	1.9			1.7	1.9		

Source: Company data, RHB

21 February 2020

Property | Real Estate

Figure 2: RNAV estimate

Projects	Remaining landbank (acres)	GDV (MYR m)	Stake	NPV @ 9%
Bandar Sri Sendayan, Negeri Sembilan	657.0	4,233.4	100%	296.4
Sendayan Icon Park	116.4	6,000.0	100%	
Iram Sendayan	65.8	420.0	100%	39.8
Kiara Sendayan	237	850.0	100%	76.2
Tiara Sendayan (Kota Gadong Perdana)	220.49	1,223.0	100%	113.0
Ara Sendayan (Rasah Kemayan land)	30.5	85.1	100%	12.3
Taman Seri Impian, Kluang, Johor	465.7	2,223.3	100%	251.4
Others	27.7	156.8	100%	6.9
Chambers KL	1.1	400.0	100%	30.1
Damansara Perdana	5.5	400.0	100%	21.7
Puchong	5.8	400.0	100%	21.4
Cheras	5.2	400.0	100%	22.1
Greenvale, Melbourne	n.a.	94.5	100%	8.5
Islamic Financial District, Jakarta	8.9	2,044.0	30%	48.1

	Remaining landbank (acres)	Market price (MYR psf)	BV (MYR psf)	Net surplus
Sendayan TechValley 1 & 2	52	45	10	59.5
Sendayan TechPark	95	40	13	54.4
Sendayan TechValley 3	85	45	15	83.3
Unbilled sales				200.0
Total				1,345.1
Shareholders' fund				1,205.0
Warrants conversion (exercice price at MYR1.92)				123.6
ESOS proceeds				57.7
Placement proceeds				147.0
Total RNAV				2,878.5
Share base (incl. warrants and placement)				907.3
RNAV/share				3.17
Discount				30%
Target price				2.22

Source: RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2019-12-16	Buy	2.22	1.92
2019-11-21	Buy	2.20	1.92
2019-08-30	Buy	2.20	1.90
2019-06-03	Buy	2.42	1.97
2019-03-18	Buy	2.35	1.99
2019-03-13	Buy	2.35	1.95
2019-02-21	Buy	2.40	1.97
2018-11-15	Buy	2.40	2.04
2018-10-03	Buy	2.40	2.11

Source: RHB, Bloomberg

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KUALA LUMPUR

RHB Investment Bank Bhd
Level 3A, Tower One, RHB Centre
Jalan Tun Razak
Kuala Lumpur 50400
Malaysia
Tel : +603 9280 8888
Fax : +603 9200 2216

JAKARTA

PT RHB Sekuritas Indonesia
Revenue Tower, 11th Floor, District 8
- SCBD
Jl. Jendral Sudirman Kav 52-53
Jakarta 12190
Indonesia
Tel : +6221 509 39 888
Fax : +6221 509 39 777

HONG KONG

RHB Securities Hong Kong Ltd.
12th Floor, World-Wide House
19 Des Voeux Road
Central
Hong Kong
Tel : +852 2525 1118
Fax : +852 2810 0908

BANGKOK

RHB Securities (Thailand) PCL
10th Floor, Sathorn Square Office
Tower
98, North Sathorn Road, Silom
Bangrak, Bangkok 10500
Thailand
Tel: +66 2088 9999
Fax :+66 2088 9799

SINGAPORE

**RHB Securities Singapore
Pte Ltd.**
10 Collyer Quay
#09-08 Ocean Financial Centre
Singapore 049315
Tel : +65 6533 1818
Fax : +65 6532 6211