

COMPANY RESULTS

Matrix Concepts Holdings (MCH MK)

FY20: Results Within Estimates

Commendable FY20 results with PATAMI improving 7.7% yoy on top of the 22.4% increase in top-line. Notably, property sales declined slightly to RM1.03b in FY20, in line with weak sentiment, but management is confident that FY21 sales will remain intact at RM1.1b. Separately, take-up rate is still decent at 73%, and the company is in good shape to weather any uncertainties brought by the weak economy. The stock currently trading at 7.1x trailing 12-month PE and offers dividend yield of 6.3%.

FY20 RESULTS

Year to 31 Mar (RMm)	4QFY20	3QFY20	qoq % chg	yoy % chg	FY20	yoy % chg
Revenue	472.1	279.0	69.2	69.3	1,282.3	22.4
Property development	463.2	269.5	71.9	71.7	1,244.4	23.1
Construction	121.0	118.5	2.1	7.0	460.4	24.9
Education	4.9	4.9	(0.9)	(8.2)	20.5	(5.0)
Hospitality	4.1	4.6	(11.1)	3.9	17.4	10.2
Operating profit	95.7	91.9	4.2	16.0	341.0	13.9
Property development	86.4	92.8	(6.9)	12.9	318.9	17.6
Construction	8.5	8.8	(3.4)	(40.6)	31.7	(23.4)
Education	(0.8)	(1.1)	(31.4)	(77.8)	(3.4)	n.m.
Hospitality	1.0	1.0	(4.8)	(21.7)	3.4	37.7
PBT	95.2	91.4	4.2	14.1	339.1	13.9
PATAMI	55.6	65.3	(14.9)	(15.6)	234.3	7.7

Margins (%)						
Operating profit	20.7	34.1	(13.4)	(9.9)	27.4	(2.2)
PBT	20.2	32.7	(12.6)	(9.8)	26.4	(2.0)
PATAMI	11.8	23.4	(11.6)	(11.8)	18.3	(2.5)

Source: Matrix Concepts, UOB Kay Hian

RESULTS

- **Within consensus estimates.** Matrix Concepts (Matrix) reported 4QFY20 PATAMI of RM55.6m (-14.9% qoq, -15.6% yoy) on top of RM472.1m revenue (+69.2% qoq, +69.3% yoy). This brings its full-year PATAMI to RM234.3m (+7.7% yoy) and accounts for 96.8% of consensus' full-year estimates. To a certain extent, PATAMI was impacted by higher effective tax rate of 31.0% in FY20 (FY19: 27.1%) due to one-off tax adjustment.
- **Declares fourth interim dividend of 2.5 sen**, bringing its full-year dividend to 11.5 sen for FY20 which translates into 6.3% yield. Matrix has a dividend payout ratio of 40%.

KEY FINANCIALS

Year to 31 Mar (RMm)	2016	2017	2018	2019	2020
Net turnover	595	775	818	1,046	1,282
EBITDA	204	275	304	305	346
Operating profit	195	266	294	295	336
Net profit (rep./act.)	145	185	213	218	234
Net profit (adj.)	145	185	213	218	234
EPS (sen)	21.3	23.0	32.0	29.0	29.2
PE (x)	8.5	7.9	5.7	6.3	6.2
P/B (x)	1.4	1.3	1.1	1.0	0.9
Dividend yield (%)	n.a.	6.0	7.4	6.9	6.7
Net margin (%)	24.5	23.9	26.1	20.9	18.3
Net debt/(cash) to equity (x)	0.1	0.2	0.0	0.1	0.1
Interest cover (x)	42.9	86.0	146.4	114.3	175.9
ROE (%)	17.0	19.4	19.1	17.2	15.9
Consensus net profit	-	-	-	-	-
UOBKH/Consensus (x)	-	-	-	-	-

Source: Matrix, Bloomberg, UOB Kay Hian

NOT RATED

Share Price	RM1.83
Target Price	n.a.
Upside	n.a.

COMPANY DESCRIPTION

Developer of Bandar Sri Sendayan township. Also has presence in Australia and Indonesia.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker	MCH MK
Shares issued (m)	834.2
Market cap (RMm)	1,526.6
Market cap (US\$m)	358.1
3-mth avg daily t'over (US\$m)	0.2

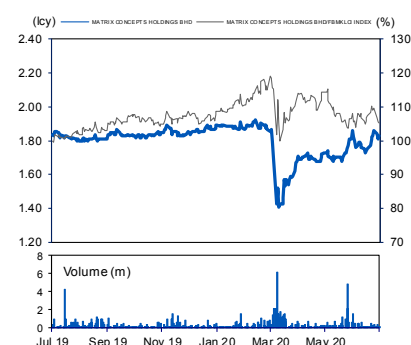
Price Performance (%)

52-week high/low	RM1.92/RM1.22			
1mth	3mth	6mth	1yr	YTD
(1.6)	8.3	(3.3)	0.2	(2.3)

Major Shareholders

	%
Lee Tian Hock	15.1
Shining Term Sdn Bhd	12.7
EPF	9.8

PRICE CHART



Source: Bloomberg

ANALYST

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ESSENTIALS

- Targets RM1.1b property sales in FY21.** Matrix achieved total sales of RM1.03b in FY20 (FY19: RM1.3b). On a quarterly basis, 4QFY20 saw the weakest property sales of RM87m (-69.0% qoq, -44.9% yoy) which is in line with peers as market sentiment was particularly grim at the start of the pandemic. Management also shared that moving into FY21, Matrix is targeting to secure RM1.1b worth of property sales. Average property take-up rate in FY20 was still decent at 73.2% (FY19: 79.8%) vs overall industry average of 40.4% in 2019.
- Margins still holding up against peers.** Operating profit margin for the group in FY20 was still commendable at 27.4% (FY19: 29.6%), thanks to resilient performance at property development which saw revenue and operating profit rise 23.1% yoy and 17.6% yoy respectively as well as unchanged operating profit margin of 25.6% (FY19: 26.8%). This has partially mitigated the lower operating profit contribution of its construction segment (-23.4% yoy) owing to slower progress billings as a result of the Movement Control Order. Moving into FY21, management believes that the construction division will play catch-up and margin could be potentially restored to pre-pandemic level.
- Financially strong and able to weather uncertain outlook.** As at end-Mar 20, Matrix's net gearing was very minimal at 0.07x compared with peers' average of 0.56x. Separately, Matrix scored 3.0x on the Altman z-score which is also the highest score within property companies under our coverage. For perspective, a score of $\geq 3.0x$ indicates the company is in a safe zone and unlikely to go bankrupt. Meanwhile, average z-score for companies under our coverage is 0.88x, which signals a financially-distressed zone. A score of less than 1.8x indicates that the company is likely to go bankrupt.
- Jakarta project impacted by COVID-19.** We understand that currently, there are minimal construction activities happening at Menara Shariah Twin Towers as Indonesia has been badly affected by COVID-19. Prior to the virus outbreak, management was in talks with four interested parties to secure up to 30% of the net lettable area of the building. Management also shared that they are targeting for the project to complete in 1H22 after taking into account slower work progress. To recap, Matrix has 30% stake in the JV company PT Fin Centerindo Satu to develop Menara Shariah Twin Towers with potential GDV of US\$250m. It is located in Pantai Indah Kapuk 2 (PIK 2) or 13km drive from Soekarno-Hatta International Airport.

VALUATION

- Attractive valuations with compelling dividend yield.** Matrix is trading 7.1x trailing 12-month PE and P/B of 0.96x vs peers average PE of 14.x PE and 0.29x P/B.
- The company has a dividend policy of a 40% payout ratio.** It has declared full-year dividend of 11.5 sen for FY20 which translates into 6.3% yield.
- Share price has recovered by 30.4% from its low in Mar 20.

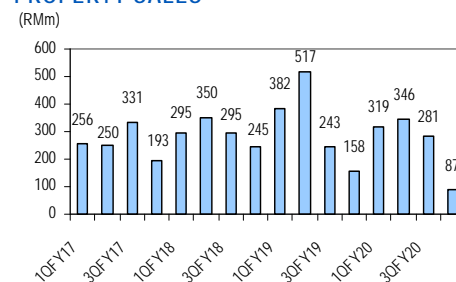
RISK

- Slower-than-expected recovery in Malaysia's residential market.
- Poor take-up rate for Jakarta venture, which is Matrix's first project in Indonesia.

SHARE PRICE CATALYST

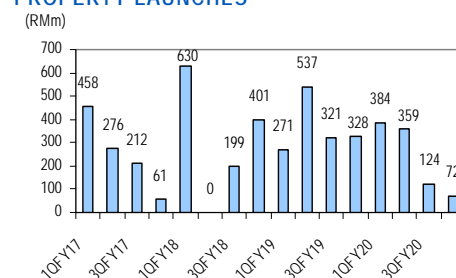
- Upcoming ECRL station, which is located about 40 minutes away from Bandar Sri Sendayan (BSS), could further stimulate property demand there.
- Potential revival of KL-Singapore High Speed Rail which is the nearest station located 5 minutes away from BSS (according to original plan).

PROPERTY SALES



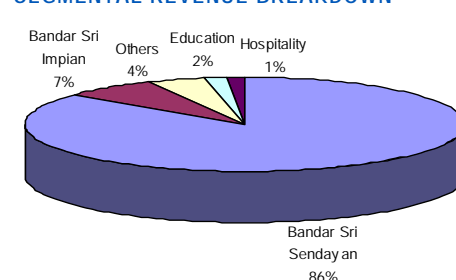
Source: Matrix Concepts

PROPERTY LAUNCHES



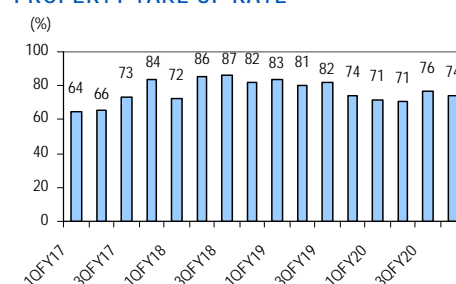
Source: Matrix Concepts

SEGMENTAL REVENUE BREAKDOWN



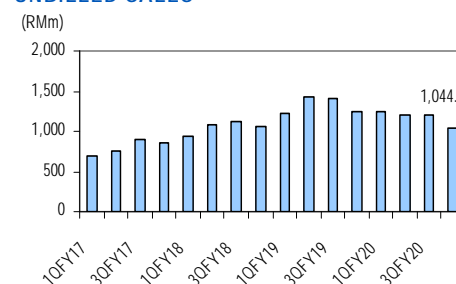
Source: Matrix Concepts

PROPERTY TAKE UP RATE



Source: Matrix Concepts

UNBILLED SALES



Source: Matrix Concepts

PROFIT & LOSS

Year to 31 Mar (RMm)	2017	2018	2019	2020
Net turnover	775	818	1,046	1,282
EBITDA	275	304	305	346
Deprec. & amort.	9	10	11	11
EBIT	266	294	295	336
Associate contributions	0	0	0	0
Net interest income/(expense)	1	(4)	(4)	(4)
Pre-tax profit	260	295	298	339
Tax	(75)	(82)	(80)	(107)
Minorities	0	0	(0)	(3)
Net profit	185	213	218	234
Net profit (adj.)	185	213	218	234

CASH FLOW

Year to 31 Mar (RMm)	2017	2018	2019	2020
Operating	144	278	176	176
Pre-tax profit	260	295	298	339
Tax	(79)	(84)	(90)	(99)
Deprec. & amort.	9	10	11	11
Associates	(143)	(32)	(131)	(173)
Working capital changes	96	90	88	98
Other operating cashflows	(28)	(67)	(13)	(112)
Investing	(25)	(11)	(32)	(7)
Capex (growth)	0	0	0	0
Investments	0	2	1	0
Proceeds from sale of assets	(4)	(57)	18	(106)
Others	(4)	14	(69)	121
Financing	(83)	(85)	(102)	(98)
Dividend payments	22	61	4	161
Issue of shares	57	37	29	58
Proceeds from borrowings	0	0	0	0
Loan repayment	(0)	1	0	0
Others/interest paid	112	225	94	185
Net cash inflow (outflow)	95	210	429	520
Beginning cash & cash equivalent	2	(5)	(3)	(8)
Changes due to forex impact	210	429	520	697
Ending cash & cash equivalent	144	278	176	176

BALANCE SHEET

Year to 31 Mar (RMm)	2017	2018	2019	2020
Fixed assets	236	236	256	250
Other LT assets	759	650	481	917
Cash/ST investment	117	280	264	281
Other current assets	444	699	1,096	955
Total assets	1,555	1,865	2,098	2,402
ST debt	93	134	162	135
Other current liabilities	232	335	407	390
LT debt	181	181	200	264
Other LT liabilities	25	8	1	0
Shareholders' equity	1,024	1,206	1,327	1,615
Minority interest	0	1	1	(2)
Total liabilities & equity	1,555	1,865	2,098	2,402

KEY METRICS

Year to 31 Mar (RMm)	2017	2018	2019	2020
Profitability				
EBITDA margin	35.4	37.2	29.2	27.0
Pre-tax margin	33.6	36.1	28.5	26.4
Net margin	23.9	26.1	20.9	18.3
ROA	13.0	12.5	11.0	10.4
ROE	19.4	19.1	17.2	15.9
Growth				
Turnover	10.6	5.6	27.7	22.6
EBITDA	(7.4)	10.8	0.3	13.5
Pre-tax profit	(9.1)	13.4	0.9	13.9
Net profit	(13.1)	15.1	2.4	7.3
Net profit (adj.)	(13.1)	15.1	2.4	7.3
EPS	(32.6)	39.4	(9.4)	0.6
Leverage				
Debt to total capital	21.1	20.7	21.4	19.8
Debt to equity	26.8	26.1	27.3	24.7
Net debt/(cash) to equity	15.3	2.9	7.4	7.3
Interest cover (x)	86.0	146.4	114.3	175.9

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